

POTLATCH CORP
Form 10-Q
July 28, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2008

Or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission file number: 1-32729

POTLATCH CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

incorporation or organization)

601 West 1st Ave., Suite 1600

82-0156045
(I.R.S. Employer

Identification No.)

99201

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Spokane, Washington
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: **(509) 835-1500**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of common stock of the registrant outstanding as of June 30, 2008 was 39,504,018.

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POTLATCH CORPORATION AND CONSOLIDATED SUBSIDIARIES

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ITEM 1.

Financial Statements

Potlatch Corporation and Consolidated Subsidiaries

Statements of Operations and Comprehensive Income

Unaudited (Dollars in thousands - except per-share amounts)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues	\$ 415,404	\$ 398,489	\$ 832,801	\$ 768,792
Costs and expenses:				
Depreciation, depletion and amortization	16,906	18,734	36,135	37,468
Materials, labor and other operating expenses	346,367	310,219	694,138	630,134
Selling, general and administrative expenses	21,646	20,892	47,377	41,701
Restructuring charge		35		2,831
	384,919	349,880	777,650	712,134
Earnings from continuing operations before interest and taxes	30,485	48,609	55,151	56,658
Interest expense	(8,643)	(7,340)	(17,174)	(14,891)
Interest income	126	596	454	896
Earnings from continuing operations before taxes	21,968	41,865	38,431	42,663
Income tax provision (benefit)	(291)	6,336	(7,780)	1,314
Earnings from continuing operations	22,259	35,529	46,211	41,349
Discontinued operations:				
Loss from discontinued operations (including (losses) gain on disposal of \$(916), \$55, \$(20,016), and \$(35,774))	(1,278)	(1,618)	(23,727)	(40,292)
Income tax benefit	(498)	(39)	(9,253)	(3,117)
	(780)	(1,579)	(14,474)	(37,175)
Net earnings	\$ 21,479	\$ 33,950	\$ 31,737	\$ 4,174
Other comprehensive income (loss), net of tax				
Defined benefit pension and other postretirement benefit plans:				
Amortization of actuarial loss included in net periodic cost, net of tax of \$613, \$899, \$1,576, and \$2,015	\$ 957	\$ 1,407	\$ 2,464	\$ 3,153
Amortization of prior service credit included in net periodic cost, net of tax of \$(168), \$(230), \$(335), and \$(268)	(261)	(360)	(523)	(419)
Curtailment loss, net of tax of \$24, \$-, \$531, and \$-	37		830	

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Other comprehensive income, net of tax	733	1,047	2,771	2,734
Comprehensive income	\$ 22,212	\$ 34,997	\$ 34,508	\$ 6,908
Earnings per common share from continuing operations:				
Basic	\$ 0.56	\$ 0.91	\$ 1.17	\$ 1.06
Diluted	0.56	0.91	1.17	1.05
Loss per common share from discontinued operations:				
Basic	\$ (0.02)	\$ (0.04)	\$ (0.37)	\$ (0.95)
Diluted	(0.02)	(0.04)	(0.37)	(0.95)
Net earnings per common share:				
Basic	\$ 0.54	\$ 0.87	\$ 0.81	\$ 0.11
Diluted	0.54	0.87	0.80	0.11
Distributions per common share	\$ 0.51	\$ 0.49	\$ 1.02	\$ 0.98
Average shares outstanding (in thousands):				
Basic	39,459	39,027	39,389	38,989
Diluted	39,696	39,242	39,633	39,232

Certain 2007 amounts have been reclassified to conform to the 2008 presentation.

The accompanying notes are an integral part of these financial statements.

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Potlatch Corporation and Consolidated Subsidiaries

Condensed Balance Sheets

Unaudited (Dollars in thousands - except per-share amounts)

	June 30, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash	\$ 6,607	\$ 9,047
Short-term investments	26,000	22,289
Receivables, net	136,953	114,260
Inventories	151,378	169,396
Prepaid expenses	21,259	18,967
Assets held for sale	3,135	
Total current assets	345,332	333,959
Land, other than timberlands	8,250	8,549
Plant and equipment, at cost less accumulated depreciation	475,284	510,776
Timber, timberlands and related deposits, net	569,798	534,513
Pension assets	115,347	108,435
Other assets	21,063	20,972
	\$ 1,535,074	\$ 1,517,204
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current installments on long-term debt	\$ 410	\$ 209
Current notes payable	129,300	110,300
Accounts payable and accrued liabilities	178,142	174,198
Total current liabilities	307,852	284,707
Long-term debt	320,912	321,301
Liability for pensions and other postretirement employee benefits	262,258	261,956
Other long-term obligations	19,904	18,923
Deferred taxes	46,929	51,981
Stockholders' equity	577,219	578,336
	\$ 1,535,074	\$ 1,517,204
Stockholders' equity per common share	\$ 14.61	\$ 14.73
Working capital	\$ 37,480	\$ 49,252
Current ratio	1.1:1	1.2:1

The accompanying notes are an integral part of these financial statements.

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Potlatch Corporation and Consolidated Subsidiaries

Condensed Statements of Cash Flows

Unaudited (Dollars in thousands)

	Six Months Ended June 30,	
	2008	2007
CASH FLOWS FROM CONTINUING OPERATIONS		
Net earnings	\$ 31,737	\$ 4,174
Adjustments to reconcile net earnings to net operating cash flows from continuing operations:		
Loss from discontinued operations	2,264	4,192
Loss on disposal of discontinued operations	12,210	32,983
Depreciation, depletion and amortization	36,135	37,468
Proceeds from sales deposited with a like-kind exchange intermediary	(30,011)	(14,829)
Basis of real estate sold	5,793	403
Deferred taxes	(6,823)	(3,495)
Equity-based compensation expense	2,950	2,839
Employee benefit plans	(2,900)	(7,566)
Other	98	385
Working capital changes	(1,707)	16,553
Excess tax benefit from share-based payment arrangements	(2,011)	(2,192)
Income tax benefit related to stock issued in conjunction with stock compensation plans	946	958
Net cash provided by operating activities from continuing operations	48,681	71,873
CASH FLOWS FROM INVESTING		
Change in short-term investments	26,299	(9,830)
Additions to plant and properties	(31,889)	(32,855)
Deposits on timberlands	(27,328)	(54,021)
Other, net	970	(173)
Net cash used for investing activities from continuing operations	(31,948)	(96,879)
CASH FLOWS FROM FINANCING		
Change in book overdrafts	(3,067)	(3,319)
Increase in notes payable	19,000	
Issuance of common stock	3,310	3,654
Repayment of long-term debt	(188)	(3,137)
Distributions to common stockholders	(40,252)	(38,244)
Excess tax benefit from share-based payment arrangements	2,011	2,192
Other, net	(2,844)	(1,654)
Net cash used for financing activities from continuing operations	(22,030)	(40,508)
Cash flows from continuing operations	(5,297)	