Neenah Inc
Form 10-Q
May 03, 2019

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2019

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: 001-32240

(Exact name of registrant as specified in its charter)

Delaware	**20-1308307**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3460 Preston Ridge Road Alpharetta, Georgia	**30005**
(Address of principal executive offices)	(Zip Code)

(678) 566-6500
(Registrant's telephone number, including area code)

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 x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨
(Do not check if a smaller reporting company)	Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

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

As of May 2, 2019, there were approximately 16,866,725 shares of the Company’s Common Stock outstanding.

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Part I—FINANCIAL INFORMATION

Item 1. Financial Statements

NEENAH, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except share and per share data)
(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Net sales	$239.7	$266.5
Cost of products sold	196.0	214.1
Gross profit	43.7	52.4
Selling, general and administrative expenses	25.3	26.8
SERP settlement loss (Note 7)	—	0.8
Other expense - net	1.0	0.7
Operating income	17.4	24.1
Interest expense - net	3.2	3.3
Income from continuing operations before income taxes	14.2	20.8
Provision for income taxes	2.4	4.6
Net income	$11.8	$16.2
Earnings Per Common Share		
Basic	$0.70	$0.96
Diluted	$0.69	$0.95
Weighted Average Common Shares Outstanding (in thousands)		
Basic	16,862	16,847
Diluted	16,921	17,006
Cash Dividends Declared Per Share of Common Stock	$0.45	$0.41

See Notes to Condensed Consolidated Financial Statements

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NEENAH, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Net income	$11.8	$16.2
Unrealized foreign currency translation gain (loss)	(3.2)	5.5
Reclassification of amortization of adjustments to pension and other postretirement benefit liabilities recognized in net periodic benefit cost (Note 7)	1.7	1.6
Reclassification of SERP settlement loss (Note 7)	—	0.8
Net gain from pension and other postretirement benefit plans	—	0.4
Income (loss) from other comprehensive income items	(1.5)	8.3
Provision for income taxes	0.2	1.0
Other comprehensive income (loss)	(1.7)	7.3
Comprehensive income	$10.1	$23.5

See Notes to Condensed Consolidated Financial Statements

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NEENAH, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions)
(Unaudited)

	March 31, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	$ 7.6	$ 9.9
Accounts receivable (less allowances of $1.4 million and $1.3 million)	126.5	114.8
Inventories	135.3	131.6
Prepaid and other current assets	16.4	21.6
Total Current Assets	285.8	277.9
Property, Plant and Equipment		
Property, plant and equipment, at cost	838.8	840.2
Less accumulated depreciation	449.3	444.0
Property, Plant and Equipment—net	389.5	396.2
Lease Right-of-Use Assets (Note 11)	16.2	—
Deferred Income Taxes	15.6	16.4
Goodwill	83.1	84.0
Intangible Assets—net	69.6	70.7
Other Noncurrent Assets	16.1	16.0
TOTAL ASSETS	$ 875.9	$ 861.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Debt payable within one year	$ 2.7	$ 2.3
Lease liabilities payable within one year (Note 11)	3.1	—
Accounts payable	59.6	63.3
Accrued expenses	49.3	55.2
Total Current Liabilities	114.7	120.8
Long-term Debt	243.4	236.8
Deferred Income Taxes	14.1	14.4
Noncurrent Employee Benefits	91.5	92.9
Noncurrent Lease Liabilities (Note 11)	13.9	—
Other Noncurrent Obligations	4.1	6.1
TOTAL LIABILITIES	481.7	471.0
Contingencies and Legal Matters (Note 10)	–	–
TOTAL STOCKHOLDERS' EQUITY	394.2	390.2
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 875.9	$ 861.2

See Notes to Condensed Consolidated Financial Statements

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NEENAH, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In millions, shares in thousands)
(Unaudited)

	Three Months Ended March 31, 2019						
	Common Stock						
	Shares	Amount	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2018	18,597	$ 0.2	$(76.6)	$ 328.5	$243.2	$ (105.1)	$390.2
Net income	—	—	—	—	11.8	—	11.8
Other comprehensive loss, after income tax benefit	—	—	—	—	—	(1.7)	(1.7)
Dividends declared	—	—	—	—	(7.6)	—	(7.6)
Shares purchased (Note 9)	—	—	(0.3)	—	—	—	(0.3)
Stock options exercised	9	—	—	—	—	—	—
Restricted stock vesting (Note 9)	3	—	(0.1)	—	—	—	(0.1)
Stock-based compensation	—	—	—	1.9	—	—	1.9
Other/Currency	—	—	—	—	—	—	—
Balance, March 31, 2019	18,609	$ 0.2	$(77.0)	$ 330.4	$247.4	$ (106.8)	$394.2

	Three Months Ended March 31, 2018						
	Common Stock						
	Shares	Amount	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2017	18,458	$ 0.2	$(65.8)	$ 323.9	$235.7	$ (94.1)	$399.9
Net income	—	—	—	—	16.2	—	16.2
Other comprehensive income, after income tax benefit	—	—	—	—	—	7.3	7.3
Reclassification of the unrealized loss on "available-for-sale" securities	—	—	—	—	(0.3)	0.3	—
Reclassification of deferred income taxes on intra-entity asset transfers	—	—	—	—	(0.8)	—	(0.8)
Dividends declared	—	—	—	—	(7.0)	—	(7.0)
Shares purchased (Note 9)	—	—	(5.3)	—	—	—	(5.3)
Stock options exercised	20	—	—	0.1	—	—	0.1
Stock-based compensation	—	—	—	1.8	—	—	1.8
Other/Currency	—	—	—	—	—	—	—
Balance, March 31, 2018	18,478	$ 0.2	$(71.1)	$ 325.8	$243.8	$ (86.5)	$412.2

See Notes to Condensed Consolidated Financial Statements

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NEENAH, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Three Months Ended March 31,	
	2019	**2018**
OPERATING ACTIVITIES		
Net income	$11.8	$16.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8.8	9.4
Stock-based compensation	1.9	1.8
Deferred income tax provision	0.5	2.3
SERP settlement loss (Note 7)	—	0.8
Non-cash effects of changes in liabilities for uncertain income tax positions	(0.4)	0.1
Increase in working capital	(20.9)	(18.9)
Pension and other postretirement benefits	1.5	(3.5)
Other	(0.2)	(0.1)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3.0	8.1
INVESTING ACTIVITIES		
Capital expenditures	(4.3)	(7.6)
Purchase of marketable securities	(0.2)	—
Other	(0.2)	(0.3)
NET CASH USED IN INVESTING ACTIVITIES	(4.7)	(7.9)
FINANCING ACTIVITIES		
Long-term borrowings (Note 6)	62.9	104.2
Repayments of long-term debt (Note 6)	(55.5)	(90.5)
Debt issuance costs	(0.2)	—
Cash dividends paid	(7.6)	(7.0)
Shares purchased (Note 9)	(0.3)	(5.3)
Proceeds from exercise of stock options	—	0.1
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(0.7)	1.5
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	0.1	0.2
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2.3)	1.9
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9.9	4.5
CASH AND CASH EQUIVALENTS, END OF PERIOD	$7.6	$6.4
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during period for interest, net of interest expense capitalized	$0.6	$0.8
Cash paid during period for income taxes	$4.3	$2.4
Non-cash investing activities:		
Liability for equipment acquired	$2.6	$3.0

See Notes to Condensed Consolidated Financial Statements

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NEENAH, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts in millions, except as noted)

Note 1. Background and Basis of Presentation

Background

Neenah, Inc. ("Neenah" or the "Company"), is a Delaware corporation incorporated in April 2004. The Company has two primary operations: its technical products business and its fine paper and packaging business. See Note 12, "Business Segment Information."

Basis of Consolidation and Presentation

These statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") and, in accordance with those rules and regulations, do not include all information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Management believes that the disclosures made are adequate for a fair presentation of the Company’s results of operations, financial position and cash flows. In the opinion of management, the condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the results of operations, financial position and cash flows for the interim periods presented herein. The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make extensive use of estimates and assumptions that affect the reported amounts and disclosures. Actual results may vary from these estimates.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s most recent Annual Report on Form 10-K. The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the full year.

The condensed consolidated financial statements of Neenah and its subsidiaries included herein are unaudited. The condensed consolidated financial statements include the financial statements of the Company and its wholly owned and majority owned subsidiaries. Intercompany balances and transactions have been eliminated.

Earnings per Share ("EPS")

The following table presents the computation of basic and diluted EPS (dollars in millions except per share amounts, shares in thousands):

Earnings Per Basic Common Share

	Three Months Ended March 31,	
	2019	**2018**
Income from continuing operations	$11.8	$16.2
Amounts attributable to participating securities	—	(0.1)
Net income available to common stockholders	$11.8	$16.1
Weighted-average basic shares outstanding	16,862	16,847

Basic earnings per share	$0.70	$0.96

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Earnings Per Diluted Common Share

	Three Months Ended March 31,	
	2019	2018
Income from continuing operations	$11.8	$16.2
Amounts attributable to participating securities	—	(0.1)
Net income available to common stockholders	$11.8	$16.1
Weighted-average basic shares outstanding	16,862	16,847
Add: Assumed incremental shares under stock compensation plans (a)	59	159
Weighted-average diluted shares	16,921	17,006
Diluted earnings per share	$0.69	$0.95

(a) For the three months ended March 31, 2019 and 2018, there were 231,332 and 197,200 potentially dilutive options, respectively, excluded from the computation of dilutive common shares because the exercise price of such options exceeded the average market price of the Company's Common Stock.

Fair Value of Financial Instruments

The Company measures the fair value of financial instruments in accordance with Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures* ("ASC Topic 820") which establishes a framework for measuring fair value. ASC Topic 820 provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The following table presents the carrying value and the fair value of the Company's debt.

	March 31, 2019		December 31, 2018	
	Carrying Value	Fair Value (a)	Carrying Value	Fair Value (a)
2021 Senior Notes (5.25% fixed rate)	$175.0	$ 171.5	$175.0	$ 170.5
Global Revolving Credit Facilities (variable rates)	65.3	65.3	57.9	57.9
German loan agreement (2.45% fixed rate)	4.4	4.6	4.8	5.1
German loan agreement (1.45% fixed rate)	4.8	4.8	4.9	4.9
Total debt	$249.5	$ 246.2	$242.6	$ 238.4

(a) The fair value for all debt instruments was estimated from Level 2 measurements using rates currently available to the Company for debt of the same remaining maturities.

As of March 31, 2019, the Company had $3.8 million in marketable securities in the U.S. classified as "Other Noncurrent Assets" on the Condensed Consolidated Balance Sheet. The cost of such marketable securities was $4.3 million. Fair value for the Company's marketable securities was estimated from Level 1 inputs. The Company's marketable securities are designated for the payment of benefits under its supplemental employee retirement plan ("SERP"). As of March 31, 2019, Neenah Germany had investments of $1.6 million that were restricted to the payment of certain post-retirement employee benefits of which $0.5 million and $1.1 million are classified as "Prepaid and other current assets" and "Other Noncurrent Assets", respectively, on the Condensed Consolidated Balance Sheet.

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Note 2. Accounting Standards Changes

In August 2018, the SEC issued Final Rule 33-10532 that amends certain of its disclosure requirements that have become redundant, overlapping or superseded, in light of other SEC disclosure requirements, GAAP or changes in the information environment. The final rule also included a requirement to present a statement of changes in stockholders' equity in interim period filings, effective with this Form 10-Q.

As of March 31, 2019, no other amendments to disclosure requirements of the SEC and no amendments to the ASC have been issued that will have or are reasonably likely to have a material effect on the Company's financial position, results of operations or cash flows.

Note 3. Revenue from Contracts with Customers

The Company recognizes sales revenue at a point in time following the transfer of control of the product to the customer, which typically occurs upon shipment or delivery depending on the terms of the underlying contracts. Sales are reported net of allowable discounts and estimated returns. Reserves for cash discounts, trade allowances and sales returns are estimated using historical experience. The Company accounts for shipping and handling activities related to contracts with customers as costs to fulfill our promise to transfer the associated products. Accordingly, the Company records customer payments of shipping and handling costs as a component of net sales and classifies such costs as a component of cost of sales. The Company excludes tax amounts assessed by governmental authorities that are both (i) imposed on and concurrent with a specific revenue-producing transaction and (ii) collected from customers from our measurement of transaction prices. Accordingly, such tax amounts are not included as a component of net sales or cost of sales.
The following tables represent a disaggregation of segment revenue from contracts with customers for the three months ended March 31, 2019 and 2018.
The technical products business is an international producer of fiber-formed, coated and/or saturated specialized media that delivers high performance benefits to customers. Included in this segment are transportation and other filtration media ("Filtration"), tape and abrasives backings products ("Backings"), and digital image transfer, durable label and other specialty substrate products ("Specialty"). Following the disposition of the Brattleboro mill which eliminated a significant portion of the products of the Other business segment, in January 2019 the Company realigned the remaining products manufactured in the Other business segment to be managed as part of the Technical Products business segment. As a result, the Company presented the net sales and operating income for the three months ended March 31, 2019 of this remaining portion of the Other business segment within the Technical Products business segment and recast the comparable 2018 information into Specialty products. Refer to Note 12, "Business Segment Information", for further discussion on the amount recast.

	Three Months Ended March 31,	
	2019	**2018**
Filtration	42 %	42 %
Backings	25 %	28 %
Specialty	33 %	30 %
Total	100%	100%

The fine paper and packaging business is a leading supplier of premium printing and other high end specialty papers ("Graphic Imaging"), premium packaging ("Packaging") and specialty office papers ("Filing/Office") primarily in North America. With the sale of the Brattleboro mill in 2018 the Filing/Office category has been eliminated.

Three Months Ended March

	31, 2019	2018
Graphic Imaging	79 %	77 %
Packaging	21 %	19 %
Filing/Office	— %	4 %
Total	100%	100%

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The following tables represent a disaggregation of revenue from contracts with customers by location of the selling entities for the three months ended March 31, 2019 and 2018.

	Three Months Ended March 31,	
	2019	2018
United States	71 %	70 %
Germany	22 %	23 %
Rest of Europe	7 %	7 %
Total	100%	100%

The Company considers each transaction/shipment as a separate performance obligation. Neenah recognizes revenue when the title transfers to the customer. As such, the remaining performance obligations at period end are not considered significant.

Sales terms in the technical products business vary depending on the type of product sold and customer category. In general, sales are collected in approximately 45 to 55 days. Extended credit terms of up to 120 days are offered to customers located in certain international markets. Fine paper and packaging sales terms range between 20 and 30 days with discounts of 0 to 2% for customer payments, with discounts of 1% and 20-day terms used most often. Extended credit terms are offered to customers located in certain international markets.

Note 4. Supplemental Balance Sheet Data

The following table presents inventories by major class:

	March 31, 2019	December 31, 2018
Raw materials	$35.8	$ 35.6
Work in progress	29.6	30.1
Finished goods	81.5	78.3
Supplies and other	3.4	3.0
	150.3	147.0
Adjust FIFO inventories to LIFO cost	(15.0)	(15.4)
Total	$135.3	$ 131.6

The FIFO values of inventories valued on the LIFO method were $121.5 million and $109.1 million as of March 31, 2019 and December 31, 2018, respectively. For the three months ended March 31, 2019, income from continuing operations before income taxes was reduced by less than $0.1 million due to a decrease in certain LIFO inventory quantities.

The following table presents changes in accumulated other comprehensive income (loss) ("AOCI") for the three months ended March 31, 2019:

	Net Unrealized Foreign Currency Translation Gain (Loss)	Net Gain (Loss) from Pension and Other Postretirement Liabilities	Accumulated Other Comprehensive Income (Loss)
AOCI — December 31, 2018	$ (15.5)	$ (89.6)	$ (105.1)

Other comprehensive loss before reclassifications	(3.2)	—	(3.2)
Amounts reclassified from AOCI	—	1.7	1.7
Income (loss) from other comprehensive income items	(3.2)	1.7	(1.5)
Provision (benefit) for income taxes	(0.2)	0.4	0.2
Other comprehensive income (loss)	(3.0)	1.3	(1.7)
AOCI — March 31, 2019	$ (18.5)	$ (88.3)	$ (106.8)

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For the three months ended March 31, 2019 and 2018, the Company reclassified $1.7 million and $1.6 million, respectively, of costs from AOCI to "Other expense - net" on the Condensed Consolidated Statements of Operations. For each of the three months ended March 31, 2019 and 2018, the Company recognized an income tax benefit of $0.4 million related to such reclassifications classified as "Provision for income taxes" on the Condensed Consolidated Statements of Operations.

Note 5. Income Taxes

The Company accounts for income taxes in accordance with ASC Topic 740, *Income Taxes.* Income tax expense represented 17% and 22% of pre-tax book income for the three months ended March 31, 2019 and 2018, respectively. The Company's effective income tax rate in both periods reflected the benefit of research and development tax credits ("R&D Credits") and excess tax benefits from stock compensation. The effective income tax rate for the three months ended March 31, 2018 included an unfavorable adjustment to the provisional estimates of the impacts of the Tax Cuts and Jobs Act of 2017 (the "TCJA"), while the rate in the first quarter of 2019 reflected a favorable adjustment to the reserve for uncertain tax positions following completion of a German tax audit.

Note 6. Debt

Long-term debt consisted of the following:

	March 31, 2019	December 31, 2018
2021 Senior Notes (5.25% fixed rate) due May 2021	$175.0	$ 175.0
Global Revolving Credit Facilities (variable rates) due December 2023	65.3	57.9
German loan agreement (2.45% fixed rate) due in quarterly installments ending September 2022	4.4	4.8
German loan agreement (1.45% fixed rate) due in quarterly installments from June 2019 through March 2023	4.8	4.9
Deferred financing costs	(3.4)	(3.5)
Total debt	246.1	239.1
Less: Debt payable within one year	2.7	2.3
Long-term debt	$243.4	$ 236.8

2021 Senior Notes

In May 2013, the Company completed an underwritten offering of eight-year senior unsecured notes (the "2021 Senior Notes") at a face amount of $175 million. The 2021 Senior Notes contain terms, covenants and events of default with which the Company must comply, which the Company believes are ordinary and standard for notes of this nature. As of March 31, 2019, the Company was in compliance with all terms of the indenture for the 2021 Senior Notes.

Amended and Restated Secured Revolving Credit Facility

In December 2018, the Company amended and restated its existing credit facility by entering into the Fourth Amended and Restated Credit Agreement (the "Fourth Amended Credit Agreement").

The Fourth Amended Credit Agreement contains covenants with which the Company and its subsidiaries must comply during the term of the agreement, which the Company believes are ordinary and standard for agreements of this nature. As of March 31, 2019, the Company was in compliance with all terms of the Fourth Amended Credit Agreement.

Availability under the Global Revolving Credit Facilities varies over time depending on the value of the Company's inventory, receivables and various capital assets. As of March 31, 2019, the Company had $65.3 million of borrowings and $0.6 million in letters of credit outstanding under the Global Revolving Credit Facilities and $159.1 million of available credit (based on exchange rates at March 31, 2019). As of March 31, 2019, the weighted-average interest rate on outstanding Global Revolving Credit Facility borrowings was 3.4 percent per annum. As of December 31, 2018, the weighted-average interest rate under the Global Revolving Credit Facilities was 2.9 percent per annum.

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Under the terms of the 2021 Senior Notes and the Fourth Amended Credit Agreement, the Company has limitations on its ability to repurchase shares of and pay dividends on its Common Stock. These limitations are triggered depending on the Company's credit availability under the Fourth Amended Credit Agreement and leverage levels under the Senior Notes. As of March 31, 2019, none of these covenants were restrictive to the Company's ability to repurchase shares of and pay dividends on its Common Stock.

For additional information about our debt agreements, see Note 7, "Debt" of the Notes to Consolidated Financial Statements in our 2018 Form 10-K.

Borrowings and Repayments of Long-Term Debt

The Condensed Consolidated Statements of Cash Flows present borrowings and repayments under the Global Revolving Credit Facilities using a gross approach. This approach presents not only discrete borrowings for transactions such as a business acquisition, but also reflects all borrowings and repayments that occur as part of daily management of cash receipts and disbursements. For the three months ended March 31, 2019, the Company made scheduled debt repayments of $0.3 million and net long-term debt borrowings of $7.7 million related to daily cash management activities. For the three months ended March 31, 2018, the Company made scheduled debt repayments of $0.3 million and net long-term debt borrowings of $14.0 million related to daily cash management activities.

Note 7. Pension and Other Postretirement Benefits

Pension Plans

Substantially all active employees of the Company's U.S. operations participate in defined benefit pension plans and/or defined contribution retirement plans. The Company has defined benefit plans for substantially all its employees in Germany, the Netherlands and the United Kingdom. In addition, the Company maintains a SERP which is a non-qualified defined benefit plan and a supplemental retirement contribution plan (the "SRCP") which is a non-qualified, unfunded defined contribution plan. The Company provides benefits under the SERP and SRCP to the extent necessary to fulfill the intent of its retirement plans without regard to the limitations set by the Internal Revenue Code on qualified and non-qualified retirement benefit plans.

The following table presents the components of net periodic benefit cost for the Company's defined benefit plans and postretirement plans other than pensions:

Components of Net Periodic Benefit Cost for Defined Benefit Plans

	Pension Benefits		Postretirement Benefits Other than Pensions	
	Three Months Ended March 31,			
	2019	2018	2019	2018
Service cost	$1.3	$1.7	$ 0.3	$ 0.3
Interest cost	4.1	4.0	0.4	0.3
Expected return on plan assets (a)	(5.0)	(5.3)	—	—
Recognized net actuarial loss	1.5	1.3	0.2	0.2
Amortization of prior service benefit	0.1	0.1	—	—
Amount of settlement loss recognized (b)	—	0.8	—	$ —
Net periodic benefit cost	$2.0	$2.6	$ 0.9	$ 0.8

(a) The expected return on plan assets is determined by multiplying the fair value of plan assets at the prior year-end (adjusted for estimated current year cash benefit payments and contributions) by the expected long-term rate of return. The Dutch pension plan is funded through an insurance contract, and the expected return on plan assets is calculated based on the discount rate of the insured obligations.

(b) For the three months ended March 31, 2018, the Company recognized a settlement loss of $0.8 million related to the SERP.

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The Company records the service cost component of net periodic benefit cost as part of cost of sales and selling, general and administrative ("SG&A") expenses; and the non-service cost components of net periodic benefit cost (i.e., interest cost, expected return on plan assets, net actuarial gains or losses, and amortization of prior service cost or credits) as part of "Other expense - net" on the Condensed Consolidated Statements of Operations.
The Company expects to make aggregate contributions to qualified and nonqualified defined benefit pension trusts and to pay pension benefits for unfunded pension and other postretirement benefit plans of approximately $15.1 million in calendar 2019. For the three months ended March 31, 2019, the Company made $2.0 million of such payments. The Company made similar payments of $5.9 million and $20.3 million for the three months ended March 31, 2018 and for the year ended December 31, 2018, respectively.

Multi-Employer Plan

In June 2018, the Company and representatives of the United Steelworkers Union (the "USW") of the Lowville mill reached an agreement to withdraw from the Pace Industry Union-Management Pension Fund ("PIUMPF"), effective July 1, 2018. As a result, the Company recorded an estimated withdrawal liability of $1.0 million, which assumes payment of $0.1 million per year over 20 years, discounted at a credit adjusted risk-free rate of 5.7%. In addition to the withdrawal liability, PIUMPF may also demand payment from the Company of a pro-rata share of the fund's accumulated funding deficiency. Based on the latest information available from PIUMPF, the Company estimates the demand of accumulated funding deficiency to be in the range of $1.0 to $1.25 million. The Company reserves the right to challenge any such demand and believes this demand is unenforceable. As such, the Company has not recorded a liability for this amount as of March 31, 2019.

Note 8. Stock Compensation Plan

Stock Options and Stock Appreciation Rights ("Options")

The following table presents information regarding Options awarded during the three months ended March 31, 2019:

Options granted	1,338
Per share weighted average exercise price	$69.20
Per share weighted average grant date fair value	$11.50

The weighted-average grant date fair value for Options granted during the three months ended March 31, 2019 was estimated using the Black-Scholes option valuation model with the following assumptions:

Expected term in years	5.0
Risk free interest rate	2.6 %
Volatility	22.9 %
Dividend yield	3.0 %

The following table presents information regarding Options that vested during the three months ended March 31, 2019:

Options vested	104,577
Aggregate grant date fair value of Options vested (in millions)	$ 1.5

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The following table presents information regarding outstanding Options:

	March 31, 2019	December 31, 2018
Options outstanding	437,539	451,081
Aggregate intrinsic value (in millions)	$ 3.3	$ 2.7
Per share weighted average exercise price	$ 68.81	$ 67.46
Exercisable Options	333,235	240,903
Aggregate intrinsic value (in millions)	$ 3.3	$ 2.6
Unvested Options	104,304	210,178
Per share weighted average grant date fair value	$ 14.43	$ 14.21

Performance Share Units ("PSUs") and Restricted Share Units ("RSUs")

For the three months ended March 31, 2019, the Company granted target awards of 47,412 PSUs. The measurement period for three fourths of the PSUs is January 1, 2019 through December 31, 2019, and for the remaining fourth of the PSUs is January 1, 2019 through December 31, 2021. The PSUs vest on December 31, 2021. Common Stock equal to not less than 0 percent and not more than 200 percent of the PSUs target will be awarded based on the Company’s return on invested capital, consolidated revenue growth, EPS and total return to shareholders relative to the companies in the Russell 2000® Value small cap index. The Company’s return on invested capital, consolidated revenue growth and EPS are adjusted for certain items as further described in the Performance Share Award Agreement. The market price on the date of grant for the PSUs was $69.20 per share.

For the three months ended March 31, 2019, the Company awarded 35,374 RSUs to certain employees. The weighted average grant date fair value of such awards was $69.20 per share and the one third of the shares will vest on each of the first three anniversaries of the grant date, with certain exceptions for retiring employees. During the vesting period, the holders of the RSUs are entitled to dividends, but the RSUs do not have voting rights and are forfeited in the event the holder is no longer an employee.

Note 9. Stockholders’ Equity

Common Stock

As of March 31, 2019 and December 31, 2018, the Company had 16,866,000 shares and 16,859,000 shares of Common Stock outstanding, respectively.

In November 2018, the Company's Board of Directors authorized a program for the purchase of up to $25 million of outstanding Common Stock effective January 1, 2019 (the "2019 Stock Purchase Plan"). The program does not require the Company to purchase any specific number of shares and may be suspended or discontinued at any time. Purchases under the 2019 Stock Purchase Plan will be made from time to time in the open market or in privately negotiated transactions in accordance with the requirements of applicable law. The timing and amount of any purchases will depend on share price, market conditions and other factors. The Company also had $25 million repurchase programs in place during the preceding two years that expired in December 2018 (the “2018 Stock Purchase Plan”) and December 2017 (the “2017 Stock Purchase Plan”),
respectively.

The following table shows shares purchased and value ($ in millions) under the respective stock purchase plans:

	Three Months Ended March 31,			
	2019		2018	
	Shares	Amount	Shares	Amount
2019 Stock Purchase Plan	4,285	$ 0.3	—	$ —
2018 Stock Purchase Plan	—	—	66,724	5.3

For the three months ended March 31, 2019, the Company acquired 923 shares of Common Stock, at a cost of less than $0.1 million for shares surrendered by employees to pay taxes due on vested restricted stock awards.

Note 10. Contingencies and Legal Matters

Litigation

The Company is involved in certain legal actions and claims arising in the ordinary course of business. While the outcome of these legal actions and claims cannot be predicted with certainty, it is the opinion of management that the outcome of any such claim which is pending or threatened, either individually or on a combined basis, will not have a material effect on the consolidated financial condition, results of operations or cash flows of the Company.

Income Taxes

The Company periodically undergoes examination by the IRS, as well as various state and foreign jurisdictions. These tax authorities routinely challenge certain deductions and credits reported by the Company on its income tax returns. No significant tax audit findings are being contested at this time with either the IRS or any state or foreign tax authority.

Employees and Labor Relations

The Company’s U.S. union employees are represented by the USW. Approximately 50 percent of salaried employees and 80 percent of hourly employees of Neenah Germany are eligible to be represented by the Mining, Chemicals and Energy Trade Union, Industriegewerkschaft Bergbau, Chemie and Energie (the "IG BCE"). In the Netherlands, most of our employees are eligible to be represented by the Christelijke Nationale Vakbond ("CNV") and the Federatie Nederlandse Vakvereniging ("FNV"). As of March 31, 2019, the Company had approximately 116 U.S. employees covered under collective bargaining agreements that will expire in the next 12 months. The following table shows the expiration dates of the Company’s various bargaining agreements and the number of employees covered under each of these agreements.

Contract Expiration Date	Location	Union	Number of Employees
May 2019 (b)	Appleton, WI	USW	116
April 2020	Eerbeek, Netherlands	CNV, FNV	(a)
August 2020	Neenah Germany	IG BCE	(a)
January 2021	Whiting, WI	USW	210
June 2021	Neenah, WI	USW	266
July 2021	Munising, MI	USW	192
November 2021	Lowville, NY	USW	102

(a) Under German and Dutch laws, union membership is voluntary and does not need to be disclosed to the Company. As a result, the number of employees covered by the collective bargaining agreement with the IG BCE, and the CNV and FNV cannot be determined.
(b) The Company is currently in negotiations with the USW. Until a new contract is signed, the terms of the previous contract still apply.

The Company’s United Kingdom salaried and hourly employees are eligible to participate in Unite the Union ("UNITE") on an individual basis, but not under a collective bargaining agreement.

Note 11. Leases