

GRAPHIC PACKAGING HOLDING CO
Form 10-Q
July 27, 2016
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2016

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: 001-33988

Graphic Packaging Holding Company

(Exact name of registrant as specified in its charter)

Delaware	26-0405422
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)

1500 Riveredge Parkway, Suite 100	
Atlanta, Georgia	30328
(Address of principal executive offices)	(Zip Code)

(770) 240-7200
(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 R No o

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 R No o

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. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a 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

As of July 25, 2016, there were 319,114,601 shares of the registrant’s Common Stock, par value \$0.01 per share, outstanding.

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Information Concerning Forward-Looking Statements

Certain statements regarding the expectations of Graphic Packaging Holding Company (“GPHC” and, together with its subsidiaries, the “Company”), including, but not limited to, the availability of net operating losses to offset U.S. federal income taxes and the timing related to the Company's future U.S. federal income tax payments, the deductibility of goodwill related to Metro Packaging and Imaging, Inc., capital investment, available cash and liquidity, depreciation and amortization, interest expense, pension plan contributions, in this report constitute “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Such statements are based on currently available operating, financial and competitive information and are subject to various risks and uncertainties that could cause actual results to differ materially from the Company’s historical experience and its present expectations. These risks and uncertainties include, but are not limited to, inflation of and volatility in raw material and energy costs, changes in consumer buying habits and product preferences, competition with other paperboard manufacturers and product substitution, the Company’s ability to implement its business strategies, including strategic acquisitions, productivity initiatives and cost reduction plans, the Company’s debt level, currency movements and other risks of conducting business internationally, and the impact of regulatory and litigation matters, including those that could impact the Company’s ability to utilize its net operating losses to offset taxable income and those that impact the Company's ability to protect and use its intellectual property. Undue reliance should not be placed on such forward-looking statements, as such statements speak only as of the date on which they are made and the Company undertakes no obligation to update such statements, except as may be required by law. Additional information regarding these and other risks is contained in Part I, “Item 1A., Risk Factors” of the Company’s 2015 Annual Report on Form 10-K, and in other filings with the Securities and Exchange Commission.

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GRAPHIC PACKAGING HOLDING COMPANY
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)

In millions, except per share amounts	Three Months Ended		Six Months Ended	
	June 30, 2016	2015	June 30, 2016	2015
Net Sales	\$1,103.2	\$1,057.1	\$2,137.2	\$2,065.3
Cost of Sales	898.4	859.1	1,724.7	1,677.7
Selling, General and Administrative	92.7	88.7	181.8	174.1
Other Expense (Income), Net	1.2	(4.8))2.1	(8.1)
Business Combinations and Other Special Charges	5.3	3.9	15.8	6.1
Income from Operations	105.6	110.2	212.8	215.5
Interest Expense, Net	(18.2)	(17.8))(35.1)	(34.7)
Income before Income Taxes and Equity Income of Unconsolidated Entity	87.4	92.4	177.7	180.8
Income Tax Expense	(10.1)	(35.1))(43.3)	(68.7)
Income before Equity Income of Unconsolidated Entity	77.3	57.3	134.4	112.1
Equity Income of Unconsolidated Entity	0.5	0.3	0.9	0.6
Net Income	\$77.8	\$57.6	\$135.3	\$112.7
Net Income Per Share — Basic and Diluted	\$0.24	\$0.17	\$0.42	\$0.34
Cash Dividends Declared Per Share	\$0.05	\$0.05	\$0.10	\$0.10

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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GRAPHIC PACKAGING HOLDING COMPANY
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
In millions	2016	2015	2016	2015
Net Income	\$77.8	\$57.6	\$135.3	\$112.7
Other Comprehensive Income (Loss), Net of Tax:				
Derivative Instruments	5.0	1.9	3.0	2.4
Currency Translation Adjustment	(25.5)	10.4	(19.5)	(9.7)
Pension and Postretirement Benefit Plans	(23.3)	18.8	(20.7)	22.0
Total Other Comprehensive (Loss) Income, Net of Tax	(43.8)	31.1	(37.2)	14.7
Total Comprehensive Income	\$34.0	\$88.7	\$98.1	\$127.4

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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GRAPHIC PACKAGING HOLDING COMPANY
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)

In millions, except share and per share amounts

	June 30, 2016	December 31, 2015
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ASSETS

Current Assets:

Cash and Cash Equivalents	\$38.7	\$ 54.9
Receivables, Net	501.2	423.9
Inventories, Net	589.9	557.1
Other Current Assets	39.2	30.9
Total Current Assets	1,169.0	1,066.8
Property, Plant and Equipment, Net	1,746.9	1,586.4
Goodwill	1,267.8	1,167.8
Intangible Assets, Net	488.0	386.7
Other Assets	48.3	48.4
Total Assets	\$4,720.0	\$ 4,256.1

LIABILITIES