

POTLATCH CORP
Form 10-Q
October 26, 2009
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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 September 30, 2009

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)

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Delaware (State or other jurisdiction of incorporation or organization)	82-0156045 (I.R.S. Employer Identification No.)
601 West 1st Ave., Suite 1600 Spokane, Washington (Address of principal executive offices)	99201 (Zip Code)
(509) 835-1500 (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 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 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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 September 30, 2009 was 39,772,064.

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POTLATCH CORPORATION AND CONSOLIDATED SUBSIDIARIES

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ITEM 1.

Financial Statements

Potlatch Corporation and Consolidated Subsidiaries

Consolidated Condensed Statements of Operations and Comprehensive Income

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenues	\$ 163,716	\$ 130,791	\$ 372,091	\$ 346,374
Costs and expenses:				
Depreciation, depletion and amortization	15,388	9,489	26,906	22,026
Materials, labor and other operating expenses	89,614	84,714	230,620	222,017
Selling, general and administrative expenses	13,930	12,559	33,246	35,308
	118,932	106,762	290,772	279,351
Earnings from continuing operations before interest and taxes	44,784	24,029	81,319	67,023
Interest expense	(5,102)	(4,857)	(14,816)	(15,530)
Interest income	7	98	45	552
Earnings from continuing operations before taxes	39,689	19,270	66,548	52,045
Income tax benefit	6,333	5,600	11,937	14,984
Earnings from continuing operations	46,022	24,870	78,485	67,029
Discontinued operations:				
Gain (loss) from discontinued operations (including losses on disposal of \$-, \$(387), \$-, and \$(20,403))	(300)	621	(6,724)	(17,450)
Income tax benefit (provision)	117	(241)	2,664	7,408
	(183)	380	(4,060)	(10,042)
Net earnings	\$ 45,839	\$ 25,250	\$ 74,425	\$ 56,987

Other comprehensive income (loss), net of tax

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Defined benefit pension and other postretirement benefit plans:				
Amortization of actuarial loss included in net periodic cost, net of tax of \$1,185, \$787, \$2,439 and \$2,364	\$ 1,852	\$ 1,232	\$ 3,813	\$ 3,696
Amortization of prior service credit included in net periodic cost, net of tax of \$(24), \$(167), \$(56), and \$(502)	(36)	(261)	(86)	(784)
Curtailement loss, net of tax of \$-, \$-, \$77, and \$544			121	830
Other comprehensive income, net of tax	1,816	971	3,848	3,742
Comprehensive income	\$ 47,655	\$ 26,221	\$ 78,273	\$ 60,729
Earnings per common share from continuing operations:				
Basic	\$ 1.16	\$ 0.63	\$ 1.97	\$ 1.70
Diluted	1.15	0.62	1.97	1.69
Earnings (loss) per common share from discontinued operations:				
Basic	\$ (0.01)	\$ 0.01	\$ (0.10)	\$ (0.25)
Diluted		0.01	(0.10)	(0.26)
Net earnings per common share:				
Basic	\$ 1.15	\$ 0.64	\$ 1.87	\$ 1.45
Diluted	1.15	0.63	1.87	1.43
Distributions per common share	\$ 0.51	\$ 0.51	\$ 1.53	\$ 1.53
Average shares outstanding (in thousands):				
Basic	39,765	39,515	39,751	39,432
Diluted	39,920	39,793	39,892	39,713

Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

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

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Potlatch Corporation and Consolidated Subsidiaries

Consolidated Condensed Balance Sheets

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

	September 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash	\$ 1,388	\$ 885
Short-term investments	302	3,034
Receivables, net	27,797	38,750
Restricted cash	106,250	
Note receivable		100,000
Inventories	23,921	36,686
Other assets	17,043	16,423
Total current assets	176,701	195,778
Land, other than timberlands	3,521	3,521
Plant and equipment, at cost less accumulated depreciation	76,887	82,613
Timber, timberlands and related deposits, net	536,827	553,913
Deferred tax assets	79,702	74,653
Other assets	27,174	27,843
	\$ 900,812	\$ 938,321
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current installments on long-term debt	\$ 100,011	\$ 100,410
Current notes payable	72,500	129,100
Accounts payable and accrued liabilities	75,322	57,635
Total current liabilities	247,833	287,145
Long-term debt	220,943	220,927
Liability for pensions and other postretirement employee benefits	209,491	216,926
Other long-term obligations	15,975	15,089
Stockholders' equity	206,570	198,234
	\$ 900,812	\$ 938,321
Stockholders' equity per common share	\$ 5.19	\$ 4.99
Working capital	\$ (71,132)	\$ (91,367)

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Current ratio

0.7:1

0.7:1

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

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Potlatch Corporation and Consolidated Subsidiaries

Consolidated Condensed Statements of Cash Flows

Unaudited (Dollars in thousands)

	Nine Months Ended September 30,	
	2009	2008
CASH FLOWS FROM CONTINUING OPERATIONS		
Net earnings	\$ 74,425	\$ 56,987
Adjustments to reconcile net earnings to net operating cash flows from continuing operations:		
Loss (gain) from discontinued operations	4,060	(2,404)
Loss on disposal of discontinued operations		12,446
Depreciation, depletion and amortization	26,906	22,026
Proceeds from sales deposited with a like-kind exchange intermediary	(2,030)	(34,626)
Basis of real estate sold	9,730	7,788
Deferred tax benefit	(18,145)	(7,642)
Equity-based compensation expense	2,742	3,150
Employee benefit plans	(773)	(1,803)
Other	(187)	292
Working capital changes	18,896	(9,787)