

APTARGROUP INC
Form 10-Q
November 01, 2017
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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 SEPTEMBER 30, 2017

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 1-11846

AptarGroup, Inc.

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DELAWARE 36-3853103
(State of Incorporation) (I.R.S. Employer Identification No.)

475 WEST TERRA COTTA AVENUE, SUITE E, CRYSTAL LAKE, ILLINOIS 60014

815-477-0424

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 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, 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	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
		(Do not check if a smaller reporting 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

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 26, 2017
Common Stock, \$.01 par value per share	62,293,828 shares

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Quarter Ended September 30, 2017

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

AptarGroup, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

In thousands, except per share amounts

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Sales	\$ 624,326	\$ 589,729	\$ 1,843,388	\$ 1,792,066
Operating Expenses:				
Cost of sales (exclusive of depreciation and amortization shown below)	408,081	381,041	1,192,967	1,145,107
Selling, research & development and administrative	95,748	86,695	292,923	285,841
Depreciation and amortization	40,087	39,667	114,660	115,944
	543,916	507,403	1,600,550	1,546,892
Operating Income	80,410	82,326	242,838	245,174
Other (Expense) Income:				
Interest expense	(9,733)	(8,753)	(25,707)	(26,547)
Interest income	1,113	715	2,086	1,759
Equity in results of affiliates	(72)	(15)	(142)	(187)
Miscellaneous, net	(2,200)	728	(509)	(995)
	(10,892)	(7,325)	(24,272)	(25,970)
Income before Income Taxes	69,518	75,001	218,566	219,204
Provision for Income Taxes	15,989	21,901	48,043	63,187
Net Income	\$ 53,529	\$ 53,100	\$ 170,523	\$ 156,017
	\$ (6)	\$ (2)	\$ (6)	\$ (8)

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Net Income Attributable to Noncontrolling
Interests

Net Income Attributable to AptarGroup, Inc.	\$ 53,523	\$ 53,098	\$ 170,517	\$ 156,009
Net Income Attributable to AptarGroup, Inc. per Common Share:				
Basic	\$ 0.86	\$ 0.84	\$ 2.73	\$ 2.48
Diluted	\$ 0.83	\$ 0.82	\$ 2.64	\$ 2.40
Average Number of Shares Outstanding:				
Basic	62,592	62,858	62,527	62,878
Diluted	64,821	64,690	64,626	64,989
Dividends per Common Share	\$ 0.32	\$ 0.30	\$ 0.96	\$ 0.90

See accompanying Unaudited Notes to Condensed Consolidated Financial Statements.

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AptarGroup, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

In thousands

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Income	\$ 53,529	\$ 53,100	\$ 170,523	\$ 156,017
Other Comprehensive Income:				
Foreign currency translation adjustments	17,903	13,792	69,505	44,239
Changes in treasury locks, net of tax	7	6	21	19
Net loss on derivatives, net of tax	(3,591)	—	(3,591)	—
Defined benefit pension plan, net of tax				
Amortization of prior service cost included in net income, net of tax	74	58	210	174
Amortization of net loss included in net income, net of tax	850	779	2,489	2,337
Total defined benefit pension plan, net of tax	924	837	2,699	2,511
Total other comprehensive income	15,243	14,635	68,634	46,769
Comprehensive Income	68,772	67,735	239,157	202,786
Comprehensive Income Attributable to Noncontrolling Interests	(11)	(1)	(18)	—
Comprehensive Income Attributable to AptarGroup, Inc.	\$ 68,761	\$ 67,734	\$ 239,139	\$ 202,786

See accompanying Unaudited Notes to Condensed Consolidated Financial Statements.

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AptarGroup, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

In thousands

	September 30, 2017	December 31, 2016
Assets		
Current Assets:		
Cash and equivalents	\$ 1,018,666	\$ 466,287
Accounts and notes receivable, less allowance for doubtful accounts of \$3,245 in 2017 and \$2,989 in 2016	510,144	433,127
Inventories	323,404	296,914
Prepaid and other	89,181	73,842
	1,941,395	1,270,170
Property, Plant and Equipment:		
Buildings and improvements	408,718	368,260
Machinery and equipment	2,168,639	1,938,352
	2,577,357	2,306,612
Less: Accumulated depreciation	(1,744,586)	(1,545,384)
	832,771	761,228
Land	25,668	23,093
	858,439	784,321
Other Assets:		
Investments in affiliates	9,485	4,241
Goodwill	439,147	407,522
Intangible assets	96,760	94,489
Miscellaneous	63,628	46,042
	609,020	552,294
Total Assets	\$ 3,408,854	\$ 2,606,785

See accompanying Unaudited Notes to Condensed Consolidated Financial Statements.

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AptarGroup, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

In thousands, except share and per share amounts

	September 30, 2017	December 31, 2016
Liabilities and Stockholders' Equity		
Current Liabilities:		
Notes payable	\$ 109,910	\$ 169,213
Current maturities of long-term obligations, net of unamortized debt issuance costs	136,330	4,603
Accounts payable and accrued liabilities	458,797	369,139
	705,037	542,955
Long-Term Obligations, net of unamortized debt issuance costs	1,271,530	772,737
Deferred Liabilities and Other:		
Deferred income taxes	18,438	16,803
Retirement and deferred compensation plans	87,223	94,545
Deferred and other non-current liabilities	4,802	5,503
Commitments and contingencies	—	—
	110,463	116,851
Stockholders' Equity:		
AptarGroup, Inc. stockholders' equity		
Common stock, \$.01 par value, 199 million shares authorized, 66.6 and 66.0 million shares issued as of September 30, 2017 and December 31, 2016, respectively	666	660
Capital in excess of par value	599,608	546,682
Retained earnings	1,271,576	1,197,234
Accumulated other comprehensive (loss)	(251,087)	(319,709)
Less: Treasury stock at cost, 4.3 and 3.9 million shares as of September 30, 2017 and December 31, 2016, respectively	(299,249)	(250,917)
Total AptarGroup, Inc. Stockholders' Equity	1,321,514	1,173,950
Noncontrolling interests in subsidiaries	310	292
Total Stockholders' Equity	1,321,824	1,174,242
Total Liabilities and Stockholders' Equity	\$ 3,408,854	\$ 2,606,785

See accompanying Unaudited Notes to Condensed Consolidated Financial Statements.

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AptarGroup, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

In thousands

	AptarGroup, Inc. Stockholders' Equity						
	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock Par Value	Treasury Stock	Capital in Excess of Par Value	Non-Controlling Interest	Total Equity
Balance - December 31, 2015	\$ 1,185,681	\$ (262,347)	\$ 667	\$ (270,052)	\$ 495,462	\$ 295	\$ 1,149,706
Net income	156,009	—	—	—	—	8	156,017
Foreign currency translation adjustments	—	44,247	—	—	—	(8)	44,239
Changes in unrecognized pension gains/losses and related amortization, net of tax	—	2,511	—	—	—	—	2,511
Changes in treasury locks, net of tax	—	19	—	—	—	—	19
Stock awards and option exercises	—	—	9	17,195	58,037	—	75,241
Cash dividends declared on common stock	(56,597)	—	—	—	—	—	(56,597)
Common stock repurchased and retired	(75,996)	—	(11)	—	(8,783)	—	(84,790)
	\$ 1,209,097	\$ (215,570)	\$ 665	\$ (252,857)	\$ 544,716	\$ 295	\$ 1,286,346

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Balance -
September
30, 2016

Balance -
December 31,
2016

Net income	\$ 1,197,234	\$ (319,709)	\$ 660	\$ (250,917)	\$ 546,682	\$ 292	\$ 1,174,242
Foreign currency translation adjustments	170,517	—	—	—	—	6	170,523
Changes in unrecognized pension gains/losses and related amortization, net of tax	—	69,493	—	—	—	12	69,505
Changes in treasury locks, net of tax	—	2,699	—	—	—	—	2,699
Changes in derivative gains/losses, net of tax	—	21	—	—	—	—	21
Stock awards and option exercises	—	(3,591)	—	—	—	—	(3,591)
Cash dividends declared on common stock	—	—	11	23,938	57,742	—	81,691
Treasury stock purchased	(60,002)	—	—	—	—	—	(60,002)
Common stock repurchased and retired	—	—	—	(72,270)	—	—	(72,270)
Balance - September 30, 2017	(36,173)	—	(5)	—	(4,816)	—	(40,994)
	\$ 1,271,576	\$ (251,087)	\$ 666	\$ (299,249)	\$ 599,608	\$ 310	\$ 1,321,824

See accompanying Unaudited Notes to Condensed Consolidated Financial Statements.

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AptarGroup, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

In thousands, brackets denote cash outflows

Nine Months Ended September 30,	2017	2016
Cash Flows from Operating Activities:		
Net income	\$ 170,523	\$ 156,017
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	107,017	109,156
Amortization	7,643	6,788
Stock based compensation	15,005	17,823
Provision for doubtful accounts	124	369
Deferred income taxes	(2,265)	(661)
Defined benefit plan expense	12,932	12,632
Equity in results of affiliates	142	187
Changes in balance sheet items, excluding effects from foreign currency adjustments:		
Accounts and other receivables	(46,038)	(54,243)
Inventories	(1,392)	(11,284)
Prepaid and other current assets	(10,839)	(14,244)
Accounts payable and accrued liabilities	49,158	3,491
Income taxes payable	2,061	(595)
Retirement and deferred compensation plan liabilities	(20,621)	(14,419)
Other changes, net	(18,288)	(8,597)
Net Cash Provided by Operations	265,162	202,420
Cash Flows from Investing Activities:		
Capital expenditures	(120,803)	(92,366)
Proceeds from sale of property and equipment, including insurance proceeds	2,345	2,049
Settlement of derivative	(66,155)	—
Maturity of short-term investments	—	29,485
Acquisition of business, net of cash acquired	—	(202,985)
Acquisition of intangible assets	—	(2,491)
Investment in unconsolidated affiliate	(5,000)	—
Notes receivable, net	451	777
Net Cash Used by Investing Activities	(189,162)	(265,531)
Cash Flows from Financing Activities:		
(Repayments of) proceeds from notes payable	(63,905)	132,622
Proceeds from long-term obligations	625,525	5,950
Repayments of long-term obligations	(4,836)	(53,512)
Dividends paid	(60,002)	(56,597)
Credit facility costs	(2,937)	—

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Proceeds from stock option exercises	66,686	49,457
Purchase of treasury stock	(72,270)	—
Common stock repurchased and retired	(40,994)	(84,790)
Excess tax benefit from exercise of stock options	—	7,960
Net Cash Provided by Financing Activities	447,267	1,090
Effect of Exchange Rate Changes on Cash	29,112	4,857
Net Increase (Decrease) in Cash and Equivalents	552,379	(57,164)
Cash and Equivalents at Beginning of Period	466,287	489,901
Cash and Equivalents at End of Period	\$ 1,018,666	\$ 432,737

See accompanying Unaudited Notes to Condensed Consolidated Financial Statements.

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AptarGroup, Inc.

Notes to Condensed Consolidated Financial Statements

(Dollars in Thousands, Except per Share Amounts, or as Otherwise Indicated)

(Unaudited)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying Unaudited Condensed Consolidated Financial Statements include the accounts of AptarGroup, Inc. and our subsidiaries. The terms “AptarGroup”, “Aptar” or “Company” as used herein refer to AptarGroup, Inc. and our subsidiaries. All significant intercompany accounts and transactions have been eliminated.

In the opinion of management, the Unaudited Condensed Consolidated Financial Statements include all normal recurring adjustments necessary for a fair statement of consolidated financial position, results of operations, comprehensive income, changes in equity and cash flows for the interim periods presented. The accompanying Unaudited Condensed Consolidated Financial Statements have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. Also, certain financial position data included herein was derived from the Audited Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016 but does not include all disclosures required by U.S. GAAP. Accordingly, these Unaudited Condensed Consolidated Financial Statements and related notes should be read in conjunction with the Audited Consolidated Financial Statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016. The results of operations of any interim period are not necessarily indicative of the results that may be expected for the year.

ADOPTION OF RECENT ACCOUNTING PRONOUNCEMENTS

Changes to U.S. GAAP are established by the Financial Accounting Standards Board (“FASB”) in the form of Accounting Standards Updates (“ASUs”) to the FASB’s Accounting Standards Codification.

In May 2014, the FASB amended the guidance for recognition of revenue from customer contracts. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or

services to customers in the amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB decided to defer the effective date by one year to December 15, 2017 for annual reporting periods beginning after that date. The FASB also decided to allow early adoption of the standard, but not before the original effective date of December 15, 2016. Subsequent to the initial standards, the FASB has also issued several ASUs to clarify specific revenue recognition topics. We continue to evaluate the impact the adoption of this standard will have on our Consolidated Financial Statements. The majority of our revenues are derived from product sales and tooling sales. We are also evaluating our service, license, exclusivity and royalty arrangements, which need to be reviewed individually to ensure proper accounting under the new standard. To date, our internal project team has reviewed a substantial portion of contracts. While we continue to assess the potential impacts of the new standard, we currently believe the pronouncement will affect the way we account for tooling contracts. We currently recognize revenue for these contracts when the title and risk of loss transfers to the customer. Under the new guidance, we expect we will be required to recognize revenue for certain contracts over the time required to build the tool. We also continue to progress in updating our internal controls along with reviewing and developing the additional disclosures required by the standard. We currently anticipate adopting the modified retrospective transition method for implementing this guidance on the standard's effective date.

In July 2015, the FASB issued new guidance for simplifying the measurement of inventory. The core principle of the guidance is that an entity should measure inventory at the lower of cost or net realizable value. This standard is effective for annual reporting periods beginning after December 15, 2016. The Company adopted the requirements of the standard and the impact was not material to our current year financial statements.

In March 2016, the FASB issued guidance that eliminates the requirement that an investor retrospectively apply equity method accounting when an investment that it had accounted for by another method initially qualifies for the equity method. The guidance requires that an equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. The new standard is effective for fiscal years and interim periods beginning after December 15, 2016. The adoption of the new rules did not have an impact on our financial statements.

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In March 2016, the FASB issued guidance that changes the accounting for certain aspects of share-based payments to employees. The guidance requires the recognition of the income tax effects of awards in the income statement when the awards vest or are settled, thus eliminating additional paid in capital pools. The guidance also allows for the employer to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. The new standard is effective for fiscal years and interim periods beginning after December 15, 2016. The Company has prospectively adopted the standard resulting in \$0.5 million and \$8.8 million of additional tax deductions that would have been previously recorded in stockholders' equity now being reported as a reduction in tax expense for the three and nine months ended September 30, 2017, respectively. The amount of excess tax benefits and deficiencies recognized in the provision for income taxes will fluctuate from period to period based on the price of the Company's stock, the volume of share-based instruments settled or vested, and the value assigned to share-based instruments under U.S. GAAP. We have also prospectively adopted the standard for the presentation of the condensed consolidated statements of cash flows. The impact of excess tax benefits from exercise of stock options is now shown within cash flows from operating activities instead of cash flows from financing activities. In addition, the Company has elected to continue its current practice of estimating expected forfeitures.

In August 2017, the FASB issued new guidance to improve the accounting for hedging activities. The guidance changes the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. In addition, the guidance makes certain targeted improvements to simplify the application of the hedge accounting guidance in current GAAP. The new standard is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. However, early application is permitted in any interim period after the issuance of this guidance. The Company has chosen to adopt this standard in the current period. See details in Note 8 – Derivative Instruments and Hedging Activities.

Other accounting standards that have been issued by the FASB or other standards-setting bodies did not have a material impact on our Consolidated Financial Statements.

RETIREMENT OF COMMON STOCK

During the first nine months of 2017, the Company repurchased 1.4 million shares of common stock, of which 512 thousand shares were immediately retired. During the first nine months of 2016, the Company repurchased and immediately retired 1.1 million shares of common stock. Common stock was reduced by the number of shares retired at \$0.01 par value per share. The Company allocates the excess purchase price over par value between additional paid-in capital and retained earnings.

INCOME TAXES

The Company computes taxes on income in accordance with the tax rules and regulations of the many taxing authorities where income is earned. The income tax rates imposed by these taxing authorities may vary substantially. Taxable income may differ from pre-tax income for financial accounting purposes. To the extent that these differences create differences between the tax basis of an asset or liability and our reported amount in the financial statements, an appropriate provision for deferred income taxes is made.

The Company considers numerous factors to determine which foreign earnings are permanently reinvested in foreign operations. These include the financial requirements of the U.S. parent company and those of our foreign subsidiaries,

the U.S. funding needs for dividend payments and stock repurchases, and the tax consequences of remitting earnings to the U.S. From this analysis, current year repatriation decisions are made in an attempt to provide a proper mix of debt and stockholder capital both within the U.S. and for non-U.S. operations. During 2016, the Company decided to repatriate a portion of our 2016 and 2017 foreign earnings. In the first quarter of 2017, the Company repatriated €250 million (\$263 million) of foreign earnings, most of which was used to reduce existing debt levels and fund stock repurchases. To better balance our capital structure, the Company repatriated an additional €700 million (\$751 million) of foreign earnings in the third quarter of 2017. The Company recognized a \$5 million tax benefit for the nine months ended September 30, 2017 associated with these repatriation activities. The Company maintains its assertion that the approximately \$614 million of remaining foreign earnings are permanently reinvested. As such, the Company does not provide for taxes on these earnings.

The Company provides a liability for the amount of unrecognized tax benefits from uncertain tax positions. This liability is provided whenever the Company determines that a tax benefit will not meet a more-likely-than-not threshold for recognition. See Note 4 - Income Taxes for more information.

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REVISION OF PRIOR PERIOD FINANCIAL STATEMENTS

During the second quarter of 2017, the Company determined that the impact of restricted stock unit (RSU) vesting was incorrectly presented in the Condensed Consolidated Statement of Cash Flows. The effect of correcting this error resulted in a reduction to Net Cash Provided by Operations with a corresponding increase to Net Cash (Used) Provided by Financing Activities. As this correction represented a reclassification between two accounts within the Condensed Consolidated Statement of Cash Flows, the Condensed Consolidated Statements of Income, the Condensed Consolidated Balance Sheet and the Condensed Consolidated Statements of Changes in Equity were not impacted by this change. The Company determined the correction was not material to previously issued financial statements but was significant enough to revise. Following is a summary of the previously issued financial statement line items impacted by this revision for all periods and statements included in this report:

	As Previously Reported	Adjustment	As Revised
Revised Consolidated Statements of Cash Flows Nine Months Ended September 30, 2016			
Retirement and deferred compensation plan liabilities	\$ (12,525)	\$ (1,894)	\$ (14,419)
Net Cash Provided by Operations	204,314	(1,894)	202,420
Proceeds from stock option exercises	47,563	1,894	49,457
Net Cash (Used) Provided by Financing Activities	(804)	1,894	1,090

NOTE 2 - INVENTORIES

Inventories, by component, consisted of:

	September 30, 2017	December 31, 2016
Raw materials	\$ 91,192	\$ 98,014
Work in process	106,609	91,646
Finished goods	125,603	107,254
Total	\$ 323,404	\$ 296,914

NOTE 3 – GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill since December 31, 2016 are as follows by reporting segment:

	Beauty + Home	Pharma	Food + Beverage	Corporate & Other	Total
Goodwill	\$ 211,371	\$ 180,050	\$ 16,101	\$ 1,615	\$ 409,137
Accumulated impairment losses	—	—	—	(1,615)	(1,615)
Balance as of December 31, 2016	\$ 211,371	\$ 180,050	\$ 16,101	\$ —	\$ 407,522
Foreign currency exchange effects	10,887	20,064	674	—	31,625
Goodwill	\$ 222,258	\$ 200,114	\$ 16,775	\$ 1,615	\$ 440,762

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Accumulated impairment losses	—	—	—	(1,615)	(1,615)
Balance as of September 30, 2017	\$ 222,258	\$ 200,114	\$ 16,775	\$ —	\$ 439,147

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The table below shows a summary of intangible assets as of September 30, 2017 and December 31, 2016.

Weighted Average Amortization Period (Years)	September 30, 2017			December 31, 2016			
	Gross Carrying Amount	Accumulated Amortization	Net Value	Gross Carrying Amount	Accumulated Amortization	Net Value	
Amortized intangible assets:							
Patents	0.2	\$ 7,695	\$ (7,680)	\$ 15	\$ 6,859	\$ (6,839)	\$ 20
Acquired technology	15.0	46,817	(13,610)	33,207	41,731	(10,040)	31,691
Customer relationships	12.2	68,126	(11,763)	56,363	63,006	(6,696)	56,310
License agreements and other	7.6	21,352	(14,177)	7,175	18,516	(12,048)	6,468
Total intangible assets	11.8	\$ 143,990	\$ (47,230)	\$ 96,760	\$ 130,112	\$ (35,623)	\$ 94,489

Aggregate amortization expense for the intangible assets above for the quarters ended September 30, 2017 and 2016 was \$2,708 and \$2,553, respectively. Aggregate amortization expense for the intangible assets above for the nine months ended September 30, 2017 and 2016 was \$7,643 and \$6,788, respectively.

Future estimated amortization expense for the years ending December 31 is as follows:

2017	\$ 2,572	(remaining estimated amortization for 2017)
2018	10,851	
2019	10,667	
2020	9,464	
2021 and thereafter	63,206	

Future amortization expense may fluctuate depending on changes in foreign currency rates. The estimates for amortization expense noted above are based upon foreign exchange rates as of September 30, 2017.

NOTE 4 — INCOME TAXES

The reported effective tax rate decreased to 23.0% for the three months ended September 30, 2017 compared to 29.2% for the same period ended September 30, 2016, resulting in a decrease to the Provision for Income Taxes of approximately \$6 million. The reported effective tax rate decreased to 22.0% for the nine months ended September 30, 2017 compared to 28.8% for the same period ended September 30, 2016, resulting in a decrease to the Provision for Income Taxes of approximately \$15 million. For the three months ended September 30, 2017, the decrease in the tax rate reflects a benefit of 4.5% recognized upon a foreign tax settlement. For the nine months ended September 30, 2017, the decrease in the tax rate reflects a 4.0% benefit from the new accounting standard for employee share-based compensation payments, which the Company adopted in 2017, a 1.6% benefit in connection with our repatriation activities, which was primarily related to tax benefits associated with the forward contracts discussed in Note 8 – Derivative Instruments and Hedging Activities and a 1.4% benefit from the foreign tax settlement previously mentioned.

The Company had approximately \$3.6 and \$6.4 million recorded for income tax uncertainties as of September 30, 2017 and December 31, 2016, respectively. The change is primarily attributable to a \$2.2 million reduction related to a foreign tax settlement, along with other settlements and currency fluctuations. The uncertain amounts, if recognized, that would impact the effective tax rate are \$3.6 and \$6.4 million, respectively. The Company estimates that it is reasonably possible that the liability for uncertain tax positions will decrease by no more than \$1.9 million in the next twelve months from the resolution of various uncertain positions as a result of the completion of tax audits, litigation and the expiration of the statute of limitations in various jurisdictions.

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NOTE 5 – LONG –TERM OBLIGATIONS

During the third quarter of 2017, the Company entered into the borrowing arrangements summarized below through our wholly owned UK subsidiary to better balance our capital structure.

Debt Type	Amount	Term/Maturity	Interest Rate
Bank term loan	\$ 280,000	5 year amortizing/July 2022	2.56% floating swapped to 1.36% fixed
Bank revolver	€ 150,000	5 year/July 2022	1.10% floating
Private placement	€ 100,000	6 year/July 2023	0.98% fixed
Private placement	€ 200,000	7 year/July 2024	1.17% fixed

The Company also maintains a 5-year revolving credit facility that provides for unsecured financing of up to \$300 million and matures in July 2022.

Our revolving credit facility and corporate long-term obligations require us to satisfy certain financial and other covenants including:

	Requirement	Level at September 30, 2017
Consolidated Leverage Ratio (a)	Maximum of 3.50 to 1.00	1.17 to 1.00
Consolidated Interest Coverage Ratio (a)	Minimum of 3.00 to 1.00	13.38 to 1.00

(a) Definitions of ratios are included as part of the revolving credit facility agreement and the private placement agreements.

At September 30, 2017, the Company's long-term obligations consisted of the following:

	Principal	Unamortized Debt Issuance Costs	Net
Notes payable 0.61% – 18.00%, due in monthly and annual installments through 2025	\$ 17,103	\$ —	\$ 17,103
Senior unsecured notes 6.0%, due in 2018	75,000	62	74,938
Senior unsecured notes 3.8%, due in 2020	84,000	138	83,862

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Senior unsecured notes 3.2%, due in 2022	75,000	156	74,844
Senior unsecured debts 2.6% floating, equal annual installments through 2022	280,000	755	279,245
Senior unsecured notes 3.5%, due in 2023	125,000	291	124,709
Senior unsecured notes 1.0%, due in 2023	118,190	418	117,772
Senior unsecured notes 3.4%, due in 2024	50,000	118	49,882
Senior unsecured notes 3.5%, due in 2024	100,000	291	99,709
Senior unsecured notes 1.2%, due in 2024	236,380	835	235,545
Senior unsecured notes 3.6%, due in 2025	125,000	314	124,686
Senior unsecured notes 3.6%, due in 2026	125,000	314	124,686
Capital lease obligations	879	—	879
	\$ 1,411,552	\$ 3,692	\$ 1,407,860
Current maturities of long-term obligations	(136,392)	(62)	(136,330)
Total long-term obligations	\$ 1,275,161	\$ 3,631	\$ 1,271,530

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At December 31, 2016, the Company's long-term obligations consisted of the following:

	Principal	Unamortized Debt Issuance Costs	Net
Notes payable 0.61% – 16.00%, due in monthly and annual installments through 2025	\$ 18,246	\$ —	\$ 18,246
Senior unsecured notes 6.0%, due in 2018	75,000	37	74,963
Senior unsecured notes 3.8%, due in 2020	84,000	119	83,881
Senior unsecured notes 3.2%, due in 2022	75,000	138	74,862
Senior unsecured notes 3.5%, due in 2023	125,000	256	124,744
Senior unsecured notes 3.4%, due in 2024	50,000	104	49,896
Senior unsecured notes 3.5%, due in 2024	100,000	256	99,744
Senior unsecured notes 3.6%, due in 2025	125,000	269	124,731
Senior unsecured notes 3.6%, due in 2026	125,000	269	124,731
Capital lease obligations	1,542	—	1,542
	\$ 778,788	\$ 1,448	\$ 777,340
Current maturities of long-term obligations	(4,603)	—	(4,603)
Total long-term obligations	\$ 774,185	\$ 1,448	\$ 772,737

Aggregate long-term maturities, excluding capital lease obligations, due annually from the current balance sheet date for the next five years are \$136,105, \$60,750, \$57,909, \$141,911 and \$132,912 and \$881,086 thereafter.

NOTE 6 — RETIREMENT AND DEFERRED COMPENSATION PLANS

Components of Net Periodic Benefit Cost:

Three Months Ended September 30,	Domestic Plans		Foreign Plans	
	2017	2016	2017	2016
Service cost	\$ 2,426	\$ 2,261	\$ 1,447	\$ 1,148
Interest cost	1,752	1,694	459	477
Expected return on plan assets	(2,470)	(2,118)	(627)	(550)

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Amortization of net loss	801	820	493	388
Amortization of prior service cost	—	—	104	89
Net periodic benefit cost	\$ 2,509	\$ 2,657	\$ 1,876	\$ 1,552

Nine Months Ended September 30,	Domestic Plans		Foreign Plans	
	2017	2016	2017	2016
Service cost	\$ 7,279	\$ 6,781	\$ 4,166	\$ 3,449
Interest cost	5,257	5,082	1,321	1,432
Expected return on plan assets	(7,409)	(6,353)	(1,781)	(1,651)
Amortization of net loss	2,403	2,462	1,400	1,165
Amortization of prior service cost	—	—	296	265
Net periodic benefit cost	\$ 7,530	\$ 7,972	\$ 5,402	\$ 4,660

EMPLOYER CONTRIBUTIONS

Although the Company has no minimum funding requirement, we contributed \$24.7 million to our domestic defined benefit plans during the nine months ended September 30, 2017. We also expect to contribute approximately \$2.5 million to our foreign defined benefit plans in 2017, and as of September 30, 2017, we have contributed approximately \$2.0 million of that amount.

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NOTE 7— ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in Accumulated Other Comprehensive (Loss) Income by Component:

	Foreign Currency	Defined Benefit Pension Plans	Other	Total
Balance - December 31, 2015	\$ (206,725)	\$ (55,550)	\$ (72)	\$ (262,347)
Other comprehensive income before reclassifications	44,329	—	—	44,329
Amounts reclassified from accumulated other comprehensive income	(82)	2,511	19	2,448
Net current-period other comprehensive income	44,247	2,511	19	46,777
Balance - September 30, 2016	\$ (162,478)	\$ (53,039)	\$ (53)	\$ (215,570)
Balance - December 31, 2016	\$ (259,888)	\$ (59,775)	\$ (46)	\$ (319,709)
Other comprehensive income before reclassifications	69,493	—	(9,237)	60,256
Amounts reclassified from accumulated other comprehensive income	—	2,699	5,667	8,366
Net current-period other comprehensive income	69,493	2,699	(3,570)	68,622
Balance - September 30, 2017	\$ (190,395)	\$ (57,076)	\$ (3,616)	\$ (251,087)

Reclassifications Out of Accumulated Other Comprehensive (Loss) Income:

Details about Accumulated Other Comprehensive Income Components Three Months Ended September 30,	Amount Reclassified from Accumulated Other Comprehensive Income		Affected Line in the Statement Where Net Income is Presented
	2017	2016	
Defined Benefit Pension Plans			
Amortization of net loss	\$ 1,294	\$ 1,208	(a)
Amortization of prior service cost	104	89	(a)
	1,398	1,297	Total before tax
	(474)	(460)	Tax benefit
	\$ 924	\$ 837	Net of tax
Foreign Currency			
Foreign currency gain	\$ —	\$ (82)	Miscellaneous, net
	—	(82)	Total before tax
	—	—	Tax benefit
	\$ —	\$ (82)	Net of tax

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Other			
Changes in treasury locks	\$ 11	\$ 10	Interest Expense
Changes in cross currency swap: interest component	(678)	—	Interest Expense
Changes in cross currency swap: foreign exchange component	7,481	—	Miscellaneous, net
	6,814	10	Total before tax
	(1,161)	(4)	Tax benefit