

RockTenn Reports Fourth Quarter Fiscal 2013 Earnings Up 111% Over the Prior Year Quarter

November 4, 2013 1:58 AM ET

NORCROSS, Ga., Nov. 4, 2013 (GLOBE NEWSWIRE) -- RockTenn (NYSE:RKT) today reported earnings for the quarter ended September 30, 2013 of \$2.40 per diluted share and adjusted earnings of \$2.66 per diluted share. Adjusted earnings per diluted share increased 91% over the prior year quarter.

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Twelve Months Ended September 30, 2013	Twelve Months Ended September 30, 2012
Earnings per diluted share	\$2.40	\$1.14	\$9.95	\$3.45
Alternative fuel mixture credit tax reserve adjustment	—	—	(3.46)	—
Restructuring and other costs and operating losses and transition costs due to plant closures	0.26	0.19	0.81	0.80
Loss on extinguishment of debt	—	0.06	—	0.23
Adjusted earnings per diluted share	\$2.66	\$1.39	\$7.30	\$4.48

Fourth Quarter Results

- Net sales of \$2,485 million for the fourth quarter of fiscal 2013 increased \$131 million compared to the fourth quarter of fiscal 2012. Segment income of \$332 million increased \$123 million or 59% over the prior year quarter.
- RockTenn's restructuring and other costs and operating losses and transition costs due to plant closures for the fourth quarter of fiscal 2013 were \$0.26 per diluted share after-tax. These costs primarily consisted of \$19 million of pre-tax facility closure charges and \$7 million of pre-tax acquisition and integration costs. The pre-tax facility closure charges primarily consisted of severance and other employee costs, equipment impairments and carrying costs for facilities acquired in the Smurfit-Stone acquisition that were partially offset by gains on the sale of previously closed facilities.

Chief Executive Officer's Statement

RockTenn Chief Executive Officer, Steve Voorhees, stated, "We are pleased with our record adjusted earnings and cash flow in the September quarter and for all of fiscal 2013. We expect to continue to improve our business performance and generate strong free cash flow during fiscal 2014. With our leverage ratio now below two times for the first time since March 2011, we have significant flexibility to take advantage of opportunities to invest in our business and return capital to shareholders through dividends and stock repurchases."

Segment Results

Containerboard and Paperboard Tons Shipped

Containerboard shipments of approximately 1,825,000 tons decreased approximately 34,000 tons compared to the prior year quarter due to lower domestic sales. Consumer Packaging segment paperboard and pulp shipments of approximately 366,000 tons increased approximately 16,000 tons over the prior year quarter.

Corrugated Packaging Segment

Corrugated Packaging segment net sales increased \$147 million to \$1,744 million and segment income increased \$125 million to \$238 million in the fourth quarter of fiscal 2013 compared to the prior year quarter. The increased sales and earnings are primarily related to higher selling prices and increased synergies that were partially offset by higher commodity and other costs. In addition, segment income included a \$12 million gain related to the recording of additional value of spare parts at our containerboard mills acquired in the Smurfit-Stone acquisition and a \$9 million gain related to the termination of a steam supply contract at our Solvay recycled containerboard mill, net of boiler start-up costs. Corrugated Packaging segment EBITDA margin was 20.0% for the fourth quarter of fiscal 2013 up 630 basis points from the 13.7% in the prior year quarter, the highest such segment EBITDA margin since the Smurfit-Stone acquisition and primarily represents higher pricing, increased synergy realization and continued operating performance improvements.

Consumer Packaging Segment

Consumer Packaging segment net sales increased \$11 million and segment income declined \$10 million in the fourth quarter of fiscal 2013 compared to the prior year quarter. Segment income in the fourth quarter of fiscal 2012 included \$18 million received in connection with the termination and settlement of a paperboard supply agreement, net of legal fees in the period, and segment income in the current year fourth quarter included approximately \$8 million related to a partial insurance settlement of property damage claims associated with the prior year Demopolis turbine failure. Additionally, segment income was impacted primarily by higher commodity and other costs that were partially offset by generally higher selling prices and volumes. Consumer Packaging segment EBITDA margin was 17.0% for the fourth quarter of fiscal 2013, driven by higher SBS, URB and pulp pricing and continued operating execution.

Recycling Segment

Recycling segment net sales increased \$12 million over the prior year fourth quarter to \$276 million primarily as the impact of increased selling prices exceeded the impact of lower volumes. Segment income increased \$7 million in the fourth quarter of fiscal 2013 compared to the prior year quarter primarily due to the impact of cost structure improvements.

Cash Provided From Operating, Financing and Investing Activities

Cash provided by operations was \$310 million in the fourth quarter of fiscal 2013, after pension funding in excess of expense of \$80 million. We reduced net debt (as defined) by \$176 million in the September quarter to \$2.81 billion and our Leverage Ratio (as defined) was 1.95 times. Total debt was \$2.84 billion at September 30, 2013. We invested \$133 million in capital expenditures and returned \$22 million in dividends to our shareholders.

Capital Allocation

The RockTenn board of directors approved an increase in the Company's available share repurchase authorization from 1.8 million to 5.0 million shares of Class A common stock, to be completed from time to time at the Company's discretion. In October 2013, the board authorized an increase of our dividend to \$0.35 per share of Class A common stock payable on November 18, 2013, a 16.7% increase from the dividend declared in July 2013 and representing an annualized rate of \$1.40 per share.

Conference Call

We will host a conference call to discuss our results of operations for the fourth quarter of fiscal 2013 and other topics that may be raised during the discussion at 9:00 a.m., Eastern Time, on November 5, 2013. The conference call will be webcast live with an accompanying slide presentation, along with a copy of this press release, at www.rocktenn.com.

Investors who wish to participate in the webcast via teleconference should dial 888-790-4710 (inside the U.S.) or 773-756-0961 (outside the U.S.) at least 15 minutes prior to the start of the call and enter the passcode ROCKTENN. Replays of the call will be available through November 19, 2013 and can be accessed at 866-351-2785 (U.S. callers) and 203-369-0055 (outside the U.S.).

About RockTenn

RockTenn (NYSE:RKT) is one of North America's leading integrated manufacturers of corrugated and consumer packaging. RockTenn's 26,000 employees are committed to exceeding their customers' expectations — every time. The Company operates locations in the United States, Canada, Mexico, Chile, Argentina and China. For more information, visit www.rocktenn.com.

Cautionary Statements

Statements in this release that do not relate strictly to historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on our current expectations, beliefs, plans or forecasts and use words such as will, estimate, anticipate, project, intend, or expect, or refer to future time periods, and include statements made in this report regarding, among other things our belief that we expect to continue to improve our business performance and generate strong free cash flow during fiscal 2014, as well as having significant flexibility to take advantage of opportunities to invest in our business and return capital to shareholders through dividends and stock repurchases. These statements are subject to certain risks and uncertainties including with respect to our expectations regarding economic, competitive and market conditions generally; expected volumes and price levels of purchases by customers; fiber and energy costs; costs associated with facility closures; competitive conditions in our businesses and possible adverse actions of our customers, our competitors and suppliers. These expectations are based on assumptions that management believes are reasonable; however, undue reliance should not be placed on these forward-looking statements because these risks and uncertainties could cause actual results to differ materially from those contained in any forward-looking statements. There are many other factors and uncertainties that impact these forward-looking statements that we cannot predict accurately, including our ability to achieve benefits from the Smurfit-Stone acquisition, including synergies, performance improvements and successful implementation of capital projects. Further, our business is subject to a number of general risks that would affect any such forward-looking statements including, among others, decreases in demand for our products; increases in energy, raw materials, shipping and capital equipment costs; reduced supply of raw materials; fluctuations in selling prices and volumes; intense competition; the potential loss of certain key customers; changes in environmental and other governmental regulation; and adverse changes in general market and industry conditions. These risks are more particularly described in our filings with the Securities and Exchange Commission, including under the caption "Business—Forward-Looking Information" and "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2012. The information contained in this release speaks as of the date hereof and we do not undertake any obligation to update this information as future events unfold.

ROCK-TENN COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	FOR THE THREE MONTHS ENDED	FOR THE TWELVE MONTHS ENDED
	September 30,	September 30,

	2013	2012	2013	2012
NET SALES	\$ 2,485.1	\$ 2,353.8	\$ 9,545.4	\$ 9,207.6
Cost of Goods Sold	1,930.0	1,933.9	7,698.9	7,674.9
Gross Profit	555.1	419.9	1,846.5	1,532.7
Selling, General and Administrative Expenses	250.0	242.4	954.3	927.5
Restructuring and Other Costs, net	26.0	23.1	78.0	75.2
Operating Profit	279.1	154.4	814.2	530.0
Interest Expense	(25.0)	(28.0)	(106.9)	(119.7)
Loss on Extinguishment of Debt	--	(6.3)	(0.3)	(25.9)
Interest Income and Other Income (Expense), net	1.0	0.2	(0.9)	1.3
Equity in Income of Unconsolidated Entities	1.7	0.5	4.6	3.4
INCOME BEFORE INCOME TAXES	256.8	120.8	710.7	389.1
Income Tax (Expense) Benefit	(78.5)	(37.4)	21.8	(136.9)
CONSOLIDATED NET INCOME	178.3	83.4	732.5	252.2
Less: Net Income Attributable to Noncontrolling Interests	(1.8)	(1.1)	(5.2)	(3.1)
NET INCOME ATTRIBUTABLE TO ROCK-TENN COMPANY SHAREHOLDERS	\$ 176.5	\$ 82.3	\$ 727.3	\$ 249.1

Computation of diluted earnings per share under the two-class method (in millions, except per share data):

Net income attributable to Rock-Tenn Company

shareholders	\$ 176.5	\$ 82.3	\$ 727.3	\$ 249.1
Less: Distributed and undistributed income available to participating securities	--	(0.1)	(0.2)	(0.7)
Distributed and undistributed income available to Rock-Tenn Company shareholders	\$ 176.5	\$ 82.2	\$ 727.1	\$ 248.4
Diluted weighted average shares outstanding	73.4	72.4	73.1	72.1
Diluted earnings per share	\$ 2.40	\$ 1.14	\$ 9.95	\$ 3.45

**ROCK-TENN COMPANY
SEGMENT INFORMATION
(UNAUDITED)
(IN MILLIONS)**

	FOR THE THREE MONTHS ENDED		FOR THE TWELVE MONTHS ENDED	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
NET SALES:				
Corrugated Packaging	\$ 1,744.3	\$ 1,597.3	\$ 6,662.1	\$ 6,171.2
Consumer Packaging	671.5	660.6	2,554.1	2,557.5
Recycling	276.0	264.4	1,073.4	1,228.8
Intersegment Eliminations	(206.7)	(168.5)	(744.2)	(749.9)
TOTAL NET SALES	\$ 2,485.1	\$ 2,353.8	\$ 9,545.4	\$ 9,207.6

SEGMENT INCOME:

Corrugated Packaging ⁽¹⁾	\$ 238.0	\$ 112.6	\$ 679.9	\$ 364.0
Consumer Packaging	89.0	98.8	294.6	347.2
Recycling	4.6	(2.8)	14.4	7.1
TOTAL SEGMENT INCOME	\$ 331.6	\$ 208.6	\$ 988.9	\$ 718.3

Restructuring and Other Costs, net	(26.0)	(23.1)	(78.0)	(75.2)
Non-Allocated Expenses	(24.8)	(30.6)	(92.1)	(109.7)
Interest Expense	(25.0)	(28.0)	(106.9)	(119.7)
Loss on Extinguishment of Debt	--	(6.3)	(0.3)	(25.9)
Interest Income and Other Income (Expense), net	1.0	0.2	(0.9)	1.3
INCOME BEFORE INCOME TAXES	\$ 256.8	\$ 120.8	\$ 710.7	\$ 389.1

(1) After \$6.7 million of pre-tax losses at our Matane, Quebec containerboard mill in the twelve months ended September 30, 2012 and after inventory step-up expense of \$0.2 and \$0.8 million pre-tax in the three and twelve months ended September 30, 2012, respectively.

ROCK-TENN COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(IN MILLIONS)

	FOR THE THREE MONTHS ENDED		FOR THE TWELVE MONTHS ENDED	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:				
Consolidated net income	\$ 178.3	\$ 83.4	\$ 732.5	\$ 252.2
Adjustments to reconcile consolidated net income to net cash provided by operating activities:				
Depreciation and amortization	142.5	137.6	552.2	534.3
Deferred income tax expense (benefit)	71.0	32.7	(44.3)	123.4
Loss on extinguishment of debt	--	6.3	0.3	25.9
Share-based compensation expense	10.8	8.1	46.5	29.2
(Gain) loss on disposal of plant and equipment and other, net	(9.3)	2.9	(13.9)	(10.0)
Equity in income of unconsolidated entities	(1.7)	(0.5)	(4.6)	(3.4)
Settlement of interest rate swaps	--	--	--	(2.8)
Pension and other postretirement funding more than expense	(79.6)	(143.1)	(167.1)	(305.4)
Impairment adjustments and other non-cash items	6.0	10.1	21.2	29.2

Changes in operating assets and liabilities, net of acquisitions:

Accounts receivable	(21.9)	(8.3)	(63.2)	55.5
Inventories	(58.6)	(1.4)	(122.8)	7.1
Other assets	21.6	26.6	(13.1)	(17.8)
Accounts payable	53.5	(42.1)	87.5	(77.8)
Income taxes	(5.0)	2.7	(13.8)	13.3
Accrued liabilities and other	2.3	0.3	35.1	3.8

NET CASH PROVIDED BY OPERATING ACTIVITIES **309.9** **115.3** **1,032.5** **656.7**

INVESTING ACTIVITIES:

Capital expenditures	(133.3)	(104.1)	(440.4)	(452.4)
Cash paid for the purchase of a leased facility	--	(17.0)	--	(17.0)
Cash paid for purchase of businesses, net of cash acquired	(0.1)	(5.1)	(6.3)	(125.6)
Investment in unconsolidated entities	(0.1)	--	(0.1)	(1.7)
Return of capital from unconsolidated entities	0.2	0.2	1.0	1.8
Proceeds from sale of property, plant and equipment	14.9	3.4	26.8	40.5
Proceeds from property, plant and equipment insurance settlement	7.7	--	15.4	10.2

NET CASH USED FOR INVESTING ACTIVITIES **(110.7)** **(122.6)** **(403.6)** **(544.2)**

FINANCING ACTIVITIES:

Proceeds from issuance of notes	--	693.3	--	1,442.2
Additions to revolving credit facilities	4.1	437.5	99.0	748.1
Repayments of revolving credit facilities	(74.0)	(615.5)	(146.2)	(759.8)
Additions to debt	50.8	12.8	277.0	326.6
Repayments of debt	(167.0)	(484.3)	(787.4)	(1,803.6)
Debt issuance costs	(0.2)	(9.7)	(2.0)	(16.2)
Cash paid for debt extinguishment costs	--	(0.1)	(0.1)	(14.0)
Issuances of common stock, net of related minimum tax withholdings	2.5	4.8	3.5	5.2
Excess tax benefits from share-based compensation	1.2	(0.8)	6.0	10.0
Advances from unconsolidated entity	0.3	0.5	1.2	0.2

Cash dividends paid to shareholders	(21.6)	(14.1)	(75.3)	(56.5)
Cash distributions to noncontrolling interests	(1.0)	(0.4)	(4.9)	(0.8)
NET CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES	(204.9)	24.0	(629.2)	(118.6)
Effect of exchange rate changes on cash and cash equivalents	(0.2)	1.0	(0.5)	1.6
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5.9)	17.7	(0.8)	(4.5)
Cash and cash equivalents at beginning of period	42.3	19.5	37.2	41.7
Cash and cash equivalents at end of period	\$ 36.4	\$ 37.2	\$ 36.4	\$ 37.2

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid (received) during the period for: