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MATERIAL SCIENCES CORP

Form 8-K

July 05, 2001

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): June 29, 2001

MATERIAL SCIENCES CORPORATION

(Exact name of registrant as specified in its charter)

Commission File Number: 1-8803

DELAWARE
(State or other jurisdiction of
incorporation or organization)

95-2673173
(I.R.S. Employer
Identification No.)

2200 EAST PRATT BOULEVARD
ELK GROVE VILLAGE, ILLINOIS 60007
(Address of principal executive offices) (Zip Code)

(847) 439-8270
(Registrant's telephone number, including area code)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

On June 29, 2001, Material Sciences Corporation ("MSC" or "Company") completed the sale of substantially all the assets of its Specialty Films segment (including the interests in Innovative Specialty Films, LLC ("ISF"), owned by MSC's subsidiary, MSC Specialty Films, Inc. ("MSC/SFI")) to Bekaert Corporation and its affiliates ("Bekaert"), pursuant to the terms of the Purchase Agreement by and among MSC, MSC/SFI, Bekaert and N.V. Bekaert S.A., dated June 10, 2001 and the First Amendment to Purchase Agreement dated June 29, 2001 (the "Agreements"). The Company received cash at closing of approximately \$122.1 million and expects to record an after-tax gain of approximately \$37.0 to \$43.0 million in the second quarter of fiscal 2002. The gain is subject to adjustment based on certain post-closing adjustments to the purchase price and transaction expenses incurred as a result of the transaction.

The Company intends to use the net proceeds of the sale to primarily reduce long-term debt. Until the sale to Bekaert, ISF was a joint venture entity formed and equally owned by MSC/SFI and Bekaert.

The description of the Agreements and transactions related thereto are qualified in their entirety by reference to the full text of the Agreements attached hereto as Exhibit 2.1 and Exhibit 2.2 and incorporated herein by reference. A copy of the press release issued by MSC on July 2, 2001, with respect to the completion of the disposition, is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

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(a) Financial Statements of Business Acquired

Not applicable.

(b) Pro Forma Financial Information

- (1) Unaudited Pro Forma Condensed Consolidated Balance Sheet as of February 28, 2001.
- (2) Unaudited Pro Forma Condensed Consolidated Statement of Loss for the year ended February 28, 2001.
- (3) Unaudited Pro Forma Condensed Consolidated Statement of Income for the year ended February 29, 2000.
- (4) Unaudited Pro Forma Condensed Consolidated Statement of Income for the year ended February 28, 1999.

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(c) Exhibits

- Exhibit 2.1 Purchase Agreement by and among MSC, MSC/SFI, Bekaert, and N.V. Bekaert S.A., dated June 10, 2001.
- Exhibit 2.2 First Amendment to Purchase Agreement dated June 29, 2001.
- Exhibit 99.1 Press Release dated July 2, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MATERIAL SCIENCES CORPORATION

Date: July 5, 2001

By: /s/ Gerald G. Nadig

Gerald G. Nadig
Chairman, President and Chief
Executive Officer

By: /s/ James J. Waclawik, Sr.

James J. Waclawik, Sr.
Vice President, Chief Financial
Officer and Secretary

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MATERIAL SCIENCES CORPORATION AND SUBSIDIARIES
UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information presents the Company's unaudited pro forma condensed consolidated balance sheet as of February 28, 2001 and the Company's unaudited pro forma condensed consolidated

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statements of income (loss) for the years ended February 28, 2001, February 29, 2000 and February 28, 1999. The unaudited pro forma condensed consolidated balance sheet as of February 28, 2001, assumes that the sale had occurred as of February 28, 2001. The unaudited pro forma condensed consolidated statements of income as of February 29, 2000 and February 28, 1999 excludes the results of SFI. The unaudited pro forma condensed consolidated statement of loss as of February 28, 2001 assumes that the sale had occurred at the beginning of the period. The unaudited pro forma condensed consolidated statement of loss for the year ended February 28, 2001, has been adjusted for the reduction in interest expense as a result of the net proceeds received from the sale.

The unaudited pro forma financial information is presented for information purposes only and is not necessarily indicative of the financial position or the results of operations that would have been obtained had the disposition actually occurred as of the dates assumed, nor is it necessarily indicative of the financial position or future results of operations.

The pro forma adjustments are based upon information and assumptions available at the time of the filing of this document. The unaudited pro forma financial information should be read in conjunction with the Company's audited consolidated financial statements and related notes thereto in its Annual Report on Form 10-K for the year ended February 28, 2001.

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MATERIAL SCIENCES CORPORATION AND SUBSIDIARIES
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
 AS OF FEBRUARY 28, 2001
 (in thousands)

	MSC As Reported	Less: MSC/SFI (A)	Pro Adju
	-----	-----	-----
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 2,655	\$ (300)	\$
Receivables, Less Reserves	52,827	(8,892)	
Income Taxes Receivable	1,637	-	
Prepaid Expenses	3,049	(348)	
Inventories:			
Raw Materials	22,564	(2,312)	
Finished Goods	44,611	(8,435)	
Prepaid Taxes	3,004	-	
	-----	-----	-----
Total Current Assets	\$ 130,347	\$ (20,287)	\$
	-----	-----	-----
Property, Plant and Equipment:			
Land and Building	\$ 75,404	\$ (259)	\$
Leasehold Improvements	1,556	(1,556)	
Machinery and Equipment	287,053	(22,824)	
Capital Leases	17,252	(58)	
Construction in Progress	5,032	(28)	
	-----	-----	-----
	\$ 386,297	\$ (24,725)	\$
Accumulated Depreciation and Amortization	(179,490)	15,818	
	-----	-----	-----
Net Property, Plant and Equipment	\$ 206,807	\$ (8,907)	\$

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Other Assets:			
Investment in Joint Ventures	\$ 23,491	\$ (11,791)	\$
Intangible Assets, Net	22,062	(8,445)	
Other	2,236	(446)	
Total Other Assets	\$ 47,789	\$ (20,682)	\$
Total Assets	\$ 384,943	\$ (49,876)	\$
Liabilities			
Current Liabilities:			
Current Portion of Long-Term Debt	\$ 8,315	\$ (612)	\$
Accounts Payable	42,233	(2,725)	
Accrued Payroll Related Expenses	15,164	(3,151)	
Accrued Expenses	8,373	(1,574)	
Total Current Liabilities	\$ 74,085	\$ (8,062)	\$
Long-Term Liabilities:			
Deferred Income Taxes	\$ 18,019	\$ -	\$
Long-Term Debt, Less Current Portion	129,978	(216)	
Other	14,249	(838)	
Total Long-Term Liabilities	\$ 162,246	\$ (1,054)	\$
Shareowners' Equity			
Preferred Stock	\$ -	\$ -	\$
Common Stock	354	-	
Additional Paid-In Capital	63,334	-	
Treasury Stock at Cost	(34,813)	-	
Retained Earnings	120,861	-	
Accumulated Other Comprehensive Loss	(1,124)	-	
Total Shareowners' Equity	\$ 148,612	\$ -	\$
Total Liabilities and Shareowners' Equity	\$ 384,943	\$ (9,116)	\$

See accompanying notes to the unaudited pro forma financial information.

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MATERIAL SCIENCES CORPORATION AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF LOSS
FOR THE YEAR ENDED FEBRUARY 28, 2001
(in thousands, except per share data)

	MSC As Reported	Less: MSC/SFI (E)	
Net Sales	\$ 481,976	\$ (58,306)	\$
Cost of Sales	405,797	(31,336)	

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Gross Profit	\$ 76,179	\$ (26,970)	\$
Selling, General and Administrative Expenses	68,282	(18,000)	
Income from Operations	\$ 7,897	\$ (8,970)	\$
Other (Income) and Expense:			
Interest Expense, Net	\$ 9,662	\$ 8	\$
Equity in Results of Joint Ventures	405	789	
Other, Net	(334)	9	
Total Other Expense, Net	\$ 9,733	\$ 806	\$
Income (Loss) Before Provision (Benefit) for Income Taxes	\$ (1,836)	\$ (9,776)	\$
Provision (Benefit) for Income Taxes	(1,152)	(3,991)	
Net Income (Loss)	\$ (684)	\$ (5,785)	\$
Basic Net Income (Loss) Per Share	\$ (0.05)		
Diluted Net Income (Loss) Per Share	\$ (0.05)		
Weighted Average Number of Common Shares Outstanding Used for Basic Net Income (Loss) Per Share	14,027		
Dilutive Shares	-		
Weighted Average Number of Common Shares Outstanding Plus Dilutive Shares	14,027		

See accompanying notes to the unaudited pro forma financial information.

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MATERIAL SCIENCES CORPORATION AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED FEBRUARY 29, 2000
(in thousands, except per share data)

	MSC	
	As Reported	Less: M
Net Sales	\$ 507,014	\$
Cost of Sales	408,406	
Gross Profit	\$ 98,608	\$
Selling, General and Administrative Expenses	62,208	
Income from Operations	\$ 36,400	\$
Other (Income) and Expense:		
Interest Expense, Net	\$ 9,060	\$
Equity in Results of Joint Ventures	1,629	
Other, Net	369	

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Total Other Expense, Net	\$	11,058	\$
Income Before Income Taxes	\$	25,342	\$
Income Taxes		8,627	
Net Income	\$	16,715	\$
Basic Net Income Per Share	\$	1.11	
Diluted Net Income Per Share	\$	1.10	
Weighted Average Number of Common Shares Outstanding Used for Basic Net Income Per Share		15,070	
Dilutive Shares		130	
Weighted Average Number of Common Shares Outstanding Plus Dilutive Shares		15,200	

See accompanying notes to the unaudited pro forma financial information.

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MATERIAL SCIENCES CORPORATION AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED FEBRUARY 28, 1999
(in thousands, except per share data)

	MSC As Reported	Less: MSC/SF
Net Sales	\$ 471,651	\$ (
Cost of Sales	387,192	(
Gross Profit	\$ 84,459	\$ (
Selling, General and Administrative Expenses	56,094	(
Income from Operations	\$ 28,365	\$
Other (Income) and Expense:		
Interest Expense, Net	\$ 11,356	\$
Equity in Results of Joint Ventures	1,313	
Other, Net	(421)	
Total Other Expense, Net	\$ 12,248	\$
Income Before Income Taxes	\$ 16,117	\$
Income Taxes	5,963	
Net Income	\$ 10,154	\$
Basic Net Income Per Share	\$ 0.66	

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	=====
Diluted Net Income Per Share	\$ 0.66
	=====
Weighted Average Number of Common Shares Outstanding Used for Basic Net Income Per Share	15,353
Dilutive Shares	11

Weighted Average Number of Common Shares Outstanding Plus Dilutive Shares	15,364
	=====

See accompanying notes to the unaudited pro forma financial information.

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MATERIAL SCIENCES CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION
(in thousands)

Balance Sheet

The following notes describe the historical and pro forma adjustments found on the accompanying balance sheet as a result of the sale of certain assets of MSC/SFI.

- (A) Represents the assets and liabilities of MSC/SFI sold.
- (B) Represents the use of the after-tax proceeds resulting from the sale:

Gross Proceeds	\$115,937
Income Taxes	(32,472)

After-Tax Proceeds	\$ 83,465
	=====
Debt Repayments:	
Current	\$ 7,143
Non-Current	75,179
Transaction Costs	1,143

	\$ 83,465
	=====

- (C) Represents the after-tax gain, net of transaction costs of \$1,143, as of February 28, 2001.
- (D) Represents the elimination of the accumulated other comprehensive loss.

Statements of Income (Loss)

The following notes describe the historical and pro forma adjustments found on the accompany statements of income (loss) as a result of the sale of certain assets of MSC/SFI.

- (E) Represents the results of operations of MSC/SFI. Pre-tax income (loss) has been tax effected at MSC/SFI's effective tax rate.
- (F) Represents the reduction in interest expense as a result of the estimated

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after-tax proceeds being used to reduce long-term debt. Interest expense was calculated using the weighted average interest rates in effect during the pro forma periods presented for the long-term debt outstanding under the Company's line of credit, the senior notes issued in 1997 and a portion of the senior notes issued in 1998.

- (G) The interest expense adjustment has been tax-effected at the Company's statutory tax rate.

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MATERIAL SCIENCES CORPORATION AND SUBSIDIARIES INDEX TO EXHIBITS

Exhibit Number -----	Description -----
2.1	Purchase Agreement by and among MSC, MSC/SFI, Bekaert, and N.V. Bekaert S.A., dated June 10, 2001.
2.2	First Amendment to Purchase Agreement dated June 29, 2001.
99.1	Press Release dated July 2, 2001.

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