

MULTI COLOR Corp
Form 10-Q
November 07, 2008
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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, 2008

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 #0-16148

Multi-Color Corporation

(Exact name of Registrant as specified in its charter)

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OHIO
(State or other jurisdiction of
incorporation or organization)

31-1125853
(IRS Employer
Identification No.)

50 E-Business Way, Suite 400

Sharonville, Ohio 45241

(Address of principal executive offices)

Registrant's telephone number (513) 381-1480

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 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 Accelerated Filer Non-accelerated Filer 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

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

Common shares, no par value 12,344,687 (as of October 31, 2008)

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MULTI-COLOR CORPORATION

FORM 10-Q

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MULTI-COLOR CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Net revenues	\$ 80,637	\$ 52,063	\$ 160,087	\$ 104,337
Cost of revenues	65,950	42,595	130,430	84,998
Gross profit	14,687	9,468	29,657	19,339
Selling, general and administrative expenses	6,952	4,936	15,405	10,276
Operating income	7,735	4,532	14,252	9,063
Interest expense	1,855	58	3,994	123
Other (income) expense, net	(293)	(284)	(378)	(386)
Income from continuing operations before income taxes	6,173	4,758	10,636	9,326
Income tax expense	2,033	1,807	3,659	3,514
Net income from continuing operations	4,140	2,951	6,977	5,812
Income (loss) from discontinued operations, net of tax	(27)	6,922	(170)	6,869
Net Income	\$ 4,113	\$ 9,873	\$ 6,807	\$ 12,681
Basic earnings per common share:				
Income from continuing operations	\$ 0.34	\$ 0.29	\$ 0.57	\$ 0.58
Income (loss) from discontinued operations	\$	\$ 0.69	\$ (0.01)	\$ 0.69
Basic earnings per common share	\$ 0.34	\$ 0.98	\$ 0.56	\$ 1.27
Diluted earnings per common share:				
Income from continuing operations	\$ 0.33	\$ 0.28	\$ 0.56	\$ 0.56
Income (loss) from discontinued operations	\$	\$ 0.67	\$ (0.01)	\$ 0.66
Diluted earnings per common share	\$ 0.33	\$ 0.95	\$ 0.55	\$ 1.22
Dividends per common share	\$ 0.05	\$ 0.03	\$ 0.10	\$ 0.06
Weighted average shares and equivalents outstanding:				
Basic	12,133	10,043	12,122	10,006
Diluted	12,444	10,367	12,399	10,355

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

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MULTI-COLOR CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except per share data)

	September 30, 2008	March 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,894	\$ 4,264
Accounts receivable, net of allowance of \$615 and \$479 at September 30, 2008 and March 31, 2008, respectively	32,788	38,349
Inventories	19,329	21,945
Deferred tax assets	1,263	1,978
Equipment deposits		4,413
Prepaid expenses and other	3,352	1,279
Total current assets	61,626	72,228
Assets held for sale	700	2,281
Property, plant and equipment, net	99,679	100,838
Goodwill	106,306	116,644
Intangible assets, net	17,883	20,535
Deferred tax assets		396
Other long-term assets	2,285	1,158
Total assets	\$ 288,479	\$ 314,080
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 10,001	\$ 10,003
Accounts payable	29,413	28,709
Accrued income taxes	1,577	4,167
Accrued expenses and other liabilities	3,296	2,470
Accrued payroll and benefits	6,511	8,362
Total current liabilities	50,798	53,711
Long-term debt	105,962	121,748
Deferred tax liabilities	10,701	12,489
Deferred compensation and other liabilities	6,899	6,194
Total liabilities	174,360	194,142
Commitments and contingencies		
Stockholders equity:		
Preferred stock, no par value, 1,000 shares authorized, no shares outstanding		
Common stock, no par value, stated value of \$0.10 per share; 25,000 shares authorized, 12,334 and 12,165 shares issued and outstanding at September 30, 2008 and March 31, 2008, respectively	574	557
Paid-in capital	63,236	58,967
Treasury stock, 29 shares at cost	(119)	(119)
Restricted stock	(3,325)	(1,301)
Retained earnings	72,428	66,835
Accumulated other comprehensive income (loss)	(18,675)	(5,001)

Total stockholders equity	114,119	119,938
Total liabilities and stockholders equity	\$ 288,479	\$ 314,080

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

Table of Contents**MULTI-COLOR CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

(In thousands)

	Six Months Ended	
	September 30, 2008	September 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 6,807	\$ 12,681
(Income) loss from discontinued operations	170	(6,869)
Income from continuing operations	6,977	5,812
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,677	2,731
Amortization	1,038	235
Net (gain) loss on disposal of equipment	(300)	33
Increase in non-current deferred compensation	43	89
Stock based compensation expense	724	575
Excess tax benefit from stock based compensation	(492)	(361)
Impairment loss on long-lived assets	226	
Deferred taxes, net	(719)	(1,357)
Net (increase) decrease in accounts receivable	3,563	101
Net (increase) decrease in inventories	1,563	(3,137)
Net (increase) decrease in prepaid expenses and other	(2,059)	(1,374)
Net increase (decrease) in accounts payable	1,671	230
Net increase (decrease) in accrued liabilities and other	(2,638)	(1,758)
Net increase (decrease) in deferred revenues	68	325
Net cash provided by continuing operating activities	15,342	2,144
Net cash provided by discontinued operating activities		548
Cash provided by operating activities	15,342	2,692
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(7,482)	(4,381)
Short term (deposits)/refunds on equipment	4,278	
Proceeds from sale of plant and equipment	1,675	
Net cash used in continuing investing activities	(1,529)	(4,381)
Net cash provided by discontinued investing activities		18,912
Cash provided by (used in) investing activities	(1,529)	14,531
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under revolving line of credit	19,200	1,000
Payments under revolving line of credit	(27,517)	(1,000)
Proceeds from issuance of common stock	1,045	964
Excess tax benefit from stock based compensation	492	361
Repayment of long-term debt	(5,000)	(5,150)

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Dividends paid	(1,215)	(667)
Net cash used in financing activities	(12,995)	(4,492)
Effect of exchange rate changes on cash	(188)	
Net increase in cash	630	12,731
Cash and cash equivalents, beginning of period	4,264	5,793
Cash and cash equivalents, end of period	\$ 4,894	\$ 18,524
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	\$ 3,724	\$ 89
Income taxes paid, net of refunds received	\$ 7,314	\$ 2,784
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:		
Interest rate swap fair value	\$ 1,306	\$

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

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MULTI-COLOR CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In thousands except per share data)

Item 1. Financial Statements (continued)

1. Description of Business and Significant Accounting Policies

The Company:

Multi-Color Corporation (the Company), headquartered in Sharonville, Ohio, supplies a complete line of label solutions and offers a variety of technical and graphic services and engravings to consumer product and food and beverage companies, retailers and container manufacturers worldwide. The Company has manufacturing facilities located in North America, Australia, and South Africa.

On February 29, 2008, the Company acquired Collotype International Holdings Pty. Ltd. (Collotype) which is headquartered in Adelaide, South Australia. Collotype is the world's leading and highly awarded pressure sensitive wine and spirits label manufacturer and a growing provider of labels in the fast-moving consumer goods marketplace in Australia. Collotype has manufacturing operations in Australia, South Africa and the United States (See Note 9).

Prior to June 2007, the Company was organized into two segments within the packaging industry: Decorating Solutions and Packaging Services. The Decorating Solutions segment's primary operations involved the design and printing of labels, while the Packaging Services segment provided promotional packaging, assembling and fulfillment services. On July 2, 2007, the Company completed the sale of Quick Pak (see Note 6), whose operating results were reported as the Packaging Services segment. Accordingly, the results of Quick Pak are now presented as discontinued operations for all periods in the consolidated financial statements and the Company no longer reports any segment results as it now only has one business segment.

Basis of Presentation:

The condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Although certain information and footnote disclosures, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP), have been condensed or omitted pursuant to such rules and regulations, the Company believes that the disclosures are adequate to make the information presented not misleading. These condensed consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's 2008 Annual Report on Form 10-K.

The information furnished in these condensed consolidated financial statements reflects all estimates and adjustments which are, in the opinion of management, necessary to present fairly the results for the interim periods reported.

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Certain prior year balances have been reclassified to conform to current year classifications.

Use of Estimates in Financial Statements:

In preparing financial statements in conformity with U.S. GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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Revenue Recognition:

The Company recognizes revenue on sales of products when the customer receives title to the goods, which is generally upon shipment or delivery depending on sales terms. Revenues are generally denominated in the currency of the country from which the product is shipped. All revenues are net of applicable returns and discounts.

Inventories:

Inventories are valued at the lower of cost or market value and are maintained using the FIFO (first-in, first-out) or specific identification method. Excess and obsolete cost reductions are generally established based on inventory age.

Property, Plant and Equipment:

Property, plant and equipment are stated at cost.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	20-39 years
Machinery and equipment	3-15 years
Computers	3-5 years
Furniture and fixtures	5-10 years

Goodwill and Intangible Assets:

Goodwill is not amortized and the Company tests goodwill annually, as of the last day of February of each fiscal year, for impairment by comparing the fair value of the reporting unit goodwill to its carrying amount. In connection with the February 29, 2008 acquisition of Collotype, the value of goodwill and intangibles was determined based on appraisals and the initial testing for impairment will occur annually beginning on February 28, 2009 or when circumstances indicate testing is needed. Impairment is also tested when events or changes in circumstances indicate that the assets carrying values may be greater than the fair values. Intangible assets with definite useful lives are amortized using the straight-line method, which estimates the economic benefit, over periods of up to thirteen years. Intangible assets are also tested for impairment in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

Income Taxes:

Deferred income tax assets and liabilities are provided for temporary differences between the tax basis and reported basis of assets and liabilities that will result in taxable or deductible amounts in future years.

Fair Value Disclosure:

The carrying value of financial instruments approximates fair value.

Foreign Exchange:

The functional currency of each of the Company's subsidiaries is the currency of the country in which the subsidiary operates. Assets and liabilities of foreign operations are translated using period end exchange rates, and revenues and expenses are translated using average exchange rates during each period. Translation gains and losses are reported in other comprehensive earnings as a component of stockholders' equity.

Derivative Financial Instruments:

The Company accounts for derivative financial instruments in accordance with SFAS No. 133, *Accounting for Derivatives and Hedging Activities*, as amended. This standard requires the recognition of derivative instruments as either assets or liabilities in the balance sheet at fair value and the recognition of resulting gains or losses as adjustments to earnings or other comprehensive earnings. The Company does not hold or issue derivative financial instruments for trading or speculative purposes.

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The Company manages interest costs using a mixture of fixed rate and variable rate debt. Additionally, the Company enters into interest rate swaps whereby it agrees to exchange with a counterparty, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed upon notional principal amount. The Company's interest swaps have been designated as effective cash flow hedges at inception and on an ongoing quarterly basis and therefore, any changes in fair value are recorded in other comprehensive earnings. If a hedge or portion thereof is determined to be ineffective, any changes in fair value would be recorded in the consolidated income statement. See Note 8.

Stock Based Compensation:

The Company accounts for stock based compensation based on the fair value of the award which is recognized as expense over the requisite service period. The Company's stock based compensation expense for the three months ended September 30, 2008 and 2007 was \$357 and \$292, respectively. The Company's stock based compensation expense for the six months ended September 30, 2008 and 2007 was \$724 and \$575, respectively.

New Accounting Pronouncements:

In May 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS 162). SFAS 162 seeks to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. GAAP for nongovernmental entities. SFAS 162 is effective November 15, 2008. This pronouncement will not have a material impact on the Company.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* (SFAS 161). SFAS 161 amends the disclosure requirements for derivative instruments and hedging activities. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008, which for the Company is January 1, 2009. The Company is currently assessing the impact of SFAS 161 on its financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS 141R). SFAS 141R significantly changes the way companies account for business combinations and will generally require assets acquired and liabilities assumed to be measured at their acquisition-date fair value. Under SFAS 141R, legal fees and other transaction-related costs are expensed as incurred and are no longer included as a cost of acquiring the business. SFAS 141R also requires, among other things, acquirers to estimate the acquisition-date fair value of any contingent consideration and to recognize any subsequent changes in the fair value of contingent consideration in earnings. In addition, restructuring costs the acquirer expected, but was not obligated to incur, will be recognized separately from the business acquisition. This accounting standard is effective for fiscal years beginning after December 15, 2008, which for the Company is April 1, 2009, and early adoption is not permitted.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* (SFAS 160). SFAS 160 requires all entities to report noncontrolling interests in subsidiaries as a separate component of equity in the consolidated financial statements. SFAS 160 establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation. Companies will no longer recognize a gain or loss on partial disposals of a subsidiary where control is retained. In addition, in partial acquisitions, where control is obtained, the acquiring company will recognize and measure at fair value 100 percent of the assets and liabilities, including goodwill, as if the entire target company had been acquired. SFAS 160 is effective for fiscal years beginning after December 15, 2008, which for the Company is April 1, 2009, and early adoption is not permitted. This pronouncement will not have a material impact on the Company.

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The computation of basic earnings per common share (EPS) is based upon the weighted average number of common shares outstanding during the period. Diluted EPS is computed using the weighted average number of shares, and if dilutive, potential common shares outstanding during the period. Potential common shares outstanding during the period consist of restricted shares and the incremental common shares issuable upon the exercise of stock options and are reflected in diluted EPS by application of the treasury stock method. The Company excluded 203 and 205 options in the three and six months ended September 30, 2008 from the computation of diluted EPS because these options would have an anti-dilutive effect.

The following is a reconciliation of the number of shares used in the basic and diluted EPS computations (shares in thousands):

	Three Months Ended September 30,				Six Months Ended September 30,			
	2008		2007		2008		2007	
	Shares	Per Share Amount	Shares	Per Share Amount	Shares	Per Share Amount	Shares	Per Share Amount
Basic EPS	12,133	\$ 0.34	10,043	\$ 0.98	12,122	\$ 0.56	10,006	\$ 1.27
Effect of dilutive stock options	311	(0.01)	324	(0.03)	277	(0.01)	349	(0.05)
Diluted EPS	12,444	\$ 0.33	10,367	\$ 0.95	12,399	\$ 0.55	10,355	\$ 1.22

3. Inventories

Inventories are comprised of the following:

	September 30, 2008	March 31, 2008
Finished goods	\$ 11,643	\$ 14,236
Work in process	3,164	3,385
Raw materials	5,411	5,565
	20,218	23,186
Inventory reserves	(889)	(1,241)
	\$ 19,329	\$ 21,945

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The components of the Company's debt consisted of the following:

	September 30, 2008	March 31, 2008
U.S. Revolving Credit Facility, 4.98% weighted average variable interest rate at September 30, 2008, due in 2013	\$ 55,900	\$ 60,000
Australian Sub-Facility, 8.81% variable interest rate at September 30, 2008, due in 2013	15,058	21,744
Term Loan Facility, 5.14% variable interest rate at September 30, 2008, due in quarterly installments of \$2,500 from 2008 to 2013	45,000	50,000
Capital leases	5	7
Less-current portion of debt	(10,001)	(10,003)
	\$ 105,962	\$ 121,748

On February 29, 2008 and in connection with the Collotype acquisition (see Note 9), the Company executed a new five-year \$200 million credit agreement with a consortium of bank lenders (Credit Facility). The new Credit Facility contains an election to increase the facility by up to an additional \$50 million and the Company terminated its previous \$50 million credit facility. The aggregate principal amount of \$200 million is available under the Credit Facility through: (i) a \$110 million five-year revolving credit facility (U.S. Revolving Credit Facility); (ii) the Australian dollar equivalent of a \$40 million five-year revolving credit facility (Australian Sub-Facility); and (iii) a \$50 million term loan facility (Term Loan Facility). The \$50 million Term Loan Facility was fully drawn down on February 29, 2008.

The Credit Facility may be used for working capital, capital expenditures and other corporate purposes. Loans under the U.S. Revolving Credit Facility and Term Loan Facility will bear interest at either: (i) the greater of (a) Bank of America's prime rate in effect from time to time; and (b) the federal funds rate in effect from time to time plus 0.5%; or (ii) the applicable London interbank offered rate plus the applicable margin for such loans which ranges from 0.75% to 2.00% based on the Company's leverage ratio at the time of the borrowing. Loans under the Australian Sub-Facility bear interest at the Bank Bill Swap Bid Rate (BBSY) plus the applicable margin for such loans which ranges from 0.75% to 2.00% based on the Company's leverage ratio at the time of the borrowing.

The Credit Facility contains customary representations and warranties as well as customary negative and affirmative covenants which require the Company to maintain the following financial covenants: (i) a minimum consolidated net worth; (ii) a maximum consolidated leverage ratio of 3.75 to 1.00 (subject to certain step-downs); and (iii) a minimum consolidated interest charge coverage ratio of 3.50 to 1.00. The Credit Facility contains customary mandatory and optional prepayment provisions, customary events of default, and is secured by the capital stock of subsidiaries, intercompany debt and all of the Company's property and assets.

Available borrowings under the Credit Facility at September 30, 2008 consisted of \$54,100 under the U.S. Revolving Credit Facility and \$23,117 under the Australian Sub-Facility. At September 30, 2008, the Company had two outstanding letters of credit totaling \$2,696 for the purchase of equipment.

5. Major Customers

During the three months ended September 30, 2008 and 2007, sales to major customers (those exceeding 10% of the Company's net revenues) approximated 33% and 54% respectively, of the Company's consolidated net revenues. Approximately 21% and 36% of revenues for the three months ended September 30, 2008 and 2007 respectively, were to the Procter & Gamble Company. Approximately 12% and 18% of revenues for the three months ended September 30, 2008 and 2007 respectively, were to the Miller Brewing Company.

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During the six months ended September 30, 2008 and 2007, sales to major customers (those exceeding 10% of the Company's net revenues) approximated 32% and 54%, respectively, of the Company's consolidated net revenues. Approximately 20% and 35% of revenues for the six months ended September 30, 2008 and 2007 respectively, were to the Procter & Gamble Company. Approximately 12% and 19% of revenues for the six months ended September 30, 2008 and 2007 respectively, were to the Miller Brewing Company. In addition, accounts receivable balances of such major customers approximated 10% and 17% of the Company's total accounts receivable balance at September 30, 2008 and March 31, 2008, respectively.

The loss or substantial reduction of the business of any of the major customers could have a material adverse impact on the Company's results of operations and cash flows.

6. Discontinued Operations

In June 2007, the Company entered into a definitive agreement to sell its Packaging Services division, Quick Pak, for \$19,200 in cash. The transaction closed on July 2, 2007, and accordingly, the Company recorded an after-tax gain on the sale of \$6,922 in the quarter ended September 30, 2007. In accordance with the provisions of SFAS No. 144, the results of Quick Pak are now presented as discontinued operations for all periods in the consolidated financial statements and the Company no longer reports any segment results.

Operating results of discontinued operations are as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2008	2007	2008	2007
Revenues	\$	\$	\$	\$ 3,988
Income from discontinued operations:				
Gain on sale, before taxes	\$	\$ 11,278	\$	\$ 11,278
Income (loss) from discontinued operations, before taxes	(42)		(263)	(83)
Total income (loss) from discontinued operations, before taxes	(42)	11,278	(263)	11,195
Income tax expense (benefit)	(15)	4,356	(93)	4,326
Income (loss) from discontinued operations	\$ (27)	\$ 6,922	\$ (170)	\$ 6,869

7. Income Taxes

In July 2006, the FASB issued FASB interpretation No. 48 (FIN 48), which clarified the accounting for tax positions recognized in the financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provided guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

In accordance with FIN 48, the benefits of tax positions will not be recorded unless it is more likely than not the tax position would be sustained upon challenge by the appropriate tax authorities. Tax benefits that are more likely than not to be sustained are measured at the largest amount of benefit that is cumulatively greater than a 50% likelihood of being realized.

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The Company files income tax returns in the U.S. federal jurisdiction, various foreign jurisdictions and various state and local jurisdictions. At March 31, 2008, the Company had been examined by the Internal Revenue Service through fiscal year ended March 31, 2007. In addition, a number of state and local examinations are currently ongoing. With a few exceptions, the Company is no longer subject to U.S. federal and state and local examinations by tax authorities for years before fiscal 2004.

The Company adopted the provisions of FIN 48 on April 1, 2007. As a result of the implementation of FIN 48, the Company recognized an increase in the liability for unrecognized tax benefits, interest and penalties of approximately \$211, with a corresponding decrease to the April 1, 2007 balance of retained earnings.

As of March 31, 2008 and September 30, 2008, the Company had a liability of \$3,248 and \$3,674 respectively, which includes interest and penalties of \$211 and \$695, respectively, recorded for unrecognized tax benefits for U.S. federal, state and foreign tax jurisdictions. The total liability for unrecognized tax benefits is classified in other noncurrent liabilities on the consolidated balance sheet, as payment of cash is not anticipated within one year of the balance sheet date for any significant amounts. In addition, the Company recognizes interest and penalties accrued related to unrecognized tax benefits in tax expense. The total amount of unrecognized tax benefits that, if recognized, would favorably impact the effective tax rate is \$962. The Company believes it is reasonably possible that approximately \$63 of unrecognized tax benefits as of September 30, 2008 will decrease within the next 12 months due to the lapse of statute of limitations and settlements of certain foreign and state income tax matters.

8. Interest Rate Swaps

Historically, the Company has used interest rate swap agreements (Swaps) in order to manage its exposure to interest rate fluctuations under variable rate borrowings. Swaps involve the exchange of fixed and variable rate interest payments and do not represent an actual exchange of the underlying notional amounts between the two parties.

In April 2008, the Company entered into two interest rate swap agreements with a total initial notional amount of \$80 million in order to convert variable interest rates on a portion of outstanding debt to fixed interest rates. The Swaps were designated as cash flow hedges, with the effective portion of gains and losses, net of tax, recorded in accumulated other comprehensive earnings. The Swaps expire in 2013 and result in interest payments based on a fixed rate ranging from 5% to 5.5%. The Swaps were designated as highly effective cash flow hedges which are measured on an ongoing basis. At September 30, 2008, the fair value of the Swaps was \$1,306 and was included in other long-term assets.

9. Acquisition

On February 29, 2008, the Company acquired 100% of Collotype which provided the Company with a broader international operating footprint to better serve its existing and acquired customers and an expanded ability to attract new international customers. The results of Collotype's operations have been included in the Company's consolidated financial statements beginning March 1, 2008.

The preliminary purchase price for Collotype, excluding \$16,642 of assumed net debt, was based on a multiple of earnings and consisted of the following:

Cash	\$ 122,725
Stock	36,600
Acquisition-related expenses	4,216
 Total Purchase Price	 \$ 163,541

The value of the 2,026 common shares issued in the acquisition was determined based on estimated fair value.

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The cash portion of the purchase price was funded through \$115,000 of borrowings under the Company's new credit facility with the remainder from available cash at the closing date. Assumed net debt included \$26,503 of bank debt less \$9,861 of cash acquired.

The purchase agreement included an additional contingent payment of up to AUD 10,000 if Collotype achieved specified operating profit targets for the twelve months ended June 30, 2008. Collotype did not achieve the minimum operating profit targets and therefore, no contingent payment will be made. No provision for the contingent payment was included in the preliminary purchase price calculation. At September 30, 2008, \$3,821 was in an escrow account pending resolution of various contingencies primarily related to income taxes for pre-acquisition activities of Collotype. Any return of escrow amounts would represent an offset to additional assumed liabilities with no change in the purchase price.

The determination of the final purchase price and its allocation to specific assets acquired and liabilities assumed will be finalized during fiscal 2009 once the fair value estimates and other pending matters are finalized. We do not anticipate any substantial changes to the preliminary purchase price or related allocation.

Based on fair value estimates, the preliminary purchase price has been allocated to individual assets acquired and liabilities assumed as follows:

<u>Assets Acquired:</u>	
Accounts receivable	\$ 19,181
Inventories	7,343
Property, plant and equipment, net	47,603
Intangible assets	20,100
Goodwill	113,114
Deferred tax assets	1,188
Other assets	127
Total assets	\$ 208,656
<u>Liabilities Assumed:</u>	
Debt, less cash acquired	\$ 16,642
Accounts payable	12,411
Accrued income taxes payable	2,945
Accrued and other liabilities	6,996
Deferred tax liabilities	6,121
Total liabilities	45,115
Net assets acquired	\$ 163,541

The preliminary estimated fair value of identifiable intangible assets and their estimated useful lives are as follows:

Customer relationships	\$ 18,500	7 to 14 years
Technologies	1,600	7 to 8 years
Total identifiable intangibles	\$ 20,100	

Identifiable intangible assets are amortized over their estimated useful lives based on a number of assumptions including customer attrition rates, percentage of revenue attributable to technologies, royalty rates and projected future revenue growth.

None of the goodwill arising from this acquisition is deductible for income tax purposes.

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The following table provides the unaudited pro forma results of operations for the three and six months ended September 30, 2007 as if Collotype had been acquired as of April 1, 2007. The pro forma results include certain purchase accounting adjustments, such as the estimated changes in depreciation, intangible asset amortization and interest expense. However, pro forma results do not include any anticipated synergies from the combination of the two companies, and accordingly, are not necessarily indicative of the results that would have occurred if the acquisition had occurred on the dates indicated or that may result in the future.

	Three Months Ended September 30, 2007 (Pro-forma)	Six Months Ended September 30, 2007 (Pro-forma)
Net revenues	\$ 82,623	\$ 164,950
Income from continuing operations	4,277	7,178
Net income	11,199	14,047
Diluted earnings per share:		
Income from continuing operations	\$ 0.34	\$ 0.57
Income from discontinued operations	\$ 0.56	\$ 0.56
Net income	\$ 0.90	\$ 1.13

10. Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements, but does not require any additional fair value measurements. For certain nonfinancial assets and liabilities, adoption of SFAS No. 157 is not required until fiscal years beginning after November 15, 2008, which for the company is April 1, 2009 and the Company has not evaluated the impact of adopting SFAS No. 157 for those assets and liabilities. For assets and liabilities other than those certain nonfinancial assets and liabilities, the Company adopted SFAS No. 157 on April 1, 2008. Adoption of this portion of SFAS No. 157 did not have a material impact on the Company's financial statements.

SFAS No. 157 defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. To increase consistency and comparability in fair value measurements, SFAS No. 157 provides a fair value estimating three-level hierarchy that prioritizes the use of observable inputs. The three levels are:

- Level 1 - Quoted market prices in active markets for identical assets and liabilities
- Level 2 - Observable inputs other than quoted market prices in active markets for identical assets and liabilities
- Level 3 - Unobservable inputs

The determination of where an asset or liability falls in the hierarchy requires significant judgment.

Table of Contents**Interest rate swaps**

The Company has two interest rate swaps with a total notional amount of \$80 million in order to convert variable interest rates on a portion of outstanding debt to fixed interest rates. The Company adjusts the carrying value of these derivatives to their estimated fair values and records the adjustment in other comprehensive earnings.

	Fair Value at September 30, 2008	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swaps	\$ 1,306		\$ 1,306	

11. Comprehensive Income (Loss)

	Three Months Ended September 30, 2008		Six Months Ended September 30, 2007	
	2008	2007	2008	2007
Net income	\$ 4,113	\$ 9,873	\$ 6,807	\$ 12,681
Unrealized foreign currency translation gain (loss)	(19,850)		(14,473)	
Unrealized gain (loss) on interest swaps, net of tax	(350)		799	
Total Comprehensive Income (Loss)	\$ (16,087)	\$ 9,873	\$ (6,867)	\$ 12,681

12. Goodwill and Intangible Assets

Goodwill movements consisted of the following:

Balance at March 31, 2008	\$ 116,644
Acquisition of Collotype	693
Currency translation	(11,031)
Balance at September 30, 2008	\$ 106,306

Intangible assets consisted of the following:

	Customer Relationships	Technology	Non-Compete Agreements	Total Intangibles
Intangibles at cost	\$ 2,862	\$	\$ 750	\$ 3,612
Acquisition of Collotype	18,500	1,600		20,100
Currency translation	(2,031)	(175)		(2,206)
	19,331	1,425	750	21,506
Accumulated amortization	(2,745)	(128)	(750)	(3,623)
Net intangibles at September 30, 2008	\$ 16,586	\$ 1,297	\$	\$ 17,883

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Amounts in Thousands)

Information included in this Quarterly Report on Form 10-Q contains certain forward-looking statements that involve potential risks and uncertainties. The Company's future results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed herein and those discussed in the Company's Annual Report on Form 10-K for the year ended March 31, 2008. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date thereof. Results for interim periods may not be indicative of annual results.

Critical Accounting Policies and Estimates

The preparation of condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. We continually evaluate our estimates, including, but not limited to, those related to revenue recognition, bad debts, inventories and any related reserves, income taxes, fixed assets, goodwill and intangible assets. We base our estimates on historical experience and on various other assumptions believed to be reasonable under the facts and circumstances. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies impact the more significant judgments and estimates used in the preparation of our condensed consolidated financial statements. Additionally, our senior management has reviewed the critical accounting policies and estimates with the Board of Directors' Audit and Finance Committee. For a more detailed discussion of the application of these and other accounting policies, refer to Note 2 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended March 31, 2008.

Revenue Recognition

The Company recognizes revenue on sales of products when the customer receives title to the goods, which is generally upon shipment or delivery depending on sales terms. Revenues are generally denominated in the currency of the country from which the product is shipped and are net of applicable returns and discounts.

Accounts Receivable

Our customers are primarily major consumer product and wine and spirits companies and container manufacturers. Accounts receivable consist of amounts due from customers in connection with our normal business activities and are carried at sales value less allowance for doubtful accounts. The allowance for doubtful accounts is established to reflect the expected losses of accounts receivable based on past collection history, age and specific individual risks identified. Losses may also depend to some degree on future economic conditions. Although these conditions are unknown to us and may result in additional credit losses, we do not anticipate significant adverse credit circumstances in fiscal 2009. If we are unable to collect all or part of the outstanding receivable balance, there could be a material impact on the Company's operating results and cash flows.

Inventories

Inventories are valued at the lower of cost or market value and are maintained using the FIFO (first-in, first-out) or specific identification method. Excess and obsolete cost reductions are generally established based on inventory age.

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Goodwill and Other Acquired Intangible Assets

We test goodwill and other intangible assets for impairment annually and/or whenever events or circumstances make it more likely than not that impairment may have occurred. The impairment test is completed based upon our assessment of the estimated fair value of goodwill and other intangible assets. The annual review for impairment of goodwill requires the use of estimates and assumptions which we believe are appropriate. Application of different estimates and assumptions could have a material impact on the consolidated statements of income.

Impairment of Long-Lived Assets

We review long-lived assets for impairment whenever events or changes in circumstances indicate that assets might be impaired and the related carrying amounts may not be recoverable. The determination of whether impairment has occurred involves various estimates and assumptions, including the determination of the undiscounted cash flows estimated to be generated by the assets involved in the review. The cash flow estimates are based upon our historical experience, adjusted to reflect estimated future market and operating conditions. Measurement of an impairment loss requires a determination of fair value. We base our estimates of fair values on quoted market prices when available, independent appraisals as appropriate and industry trends or other market knowledge. Changes in the market condition and/or losses of a production line could have a material impact on the consolidated statements of income.

Income Taxes

Income taxes are recorded based on the current year amounts payable or refundable, as well as the consequences of events that give rise to deferred tax assets and liabilities. Deferred tax assets and liabilities result from temporary differences between the tax basis and reported book basis of assets and liabilities and result in taxable or deductible amounts in future years. Our accounting for deferred taxes involves certain estimates and assumptions that we believe are appropriate. Future changes in regulatory tax laws and/or different positions held by taxing authorities may affect the amounts recorded for income taxes.

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes, which clarified the accounting for tax positions recognized in the financial statements in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

In accordance with FIN 48, the benefits of tax positions will not be recorded unless it is more likely than not the tax position would be sustained upon challenge by the appropriate tax authorities. Tax benefits that are more likely than not to be sustained are measured at the largest amount of benefit that is cumulatively greater than a 50% likelihood of being realized.

Executive Overview

We provide a complete line of innovative decorative label solutions and offer a wide variety of technical and graphic services to our customers based on their specific needs and requirements. Our customers include a wide range of consumer product companies and we supply labels for many of the world's best known brands and products, including laundry detergent, fabric care, food, beverages, and wine and spirits.

Prior to June 2007, we were organized into two segments within the packaging industry: Decorating Solutions and Packaging Services. The Decorating Solutions segment's primary operations involved the design and printing of labels, while the Packaging Services segment provided promotional packaging, assembling and fulfillment services. On July 2, 2007, we completed the sale of Quick Pak whose operating results were reported as the Packaging Services segment. Accordingly, the results of Quick Pak are now presented as discontinued operations for all periods in the consolidated financial statements and we no longer report any segment results as we now only have one business segment.

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On February 29, 2008, the Company acquired Collotype International Holdings Pty. Ltd. (Collotype) which is headquartered in Adelaide, South Australia. Collotype is the world's leading and highly awarded pressure sensitive wine and spirits label manufacturer and a growing provider of labels in the fast-moving consumer goods marketplace in Australia. Collotype has manufacturing operations in Australia, South Africa and the United States (See Note 9).

Our vision is to be a premier global resource of decorating solutions. We currently serve customers located throughout North, Central and South America, Australia, South Africa and New Zealand. We continue to monitor and analyze new trends in the packaging and consumer products industries to ensure that we are providing appropriate services and products to our customers. Certain factors that influence our business include consumer spending, new product introductions, new packaging technologies and demographics.

Consolidated net revenues of \$80,637 for the second quarter of fiscal 2009 increased by \$28,574 or 55% compared to \$52,063 for the second quarter of the prior year. The significant increase in revenues was due to the Collotype acquisition, which generated \$31,833 in revenues for the quarter, partially offset by a \$3,259 or 6% reduction in North American organic revenues.

Gross profit for the second quarter increased by \$5,219 or 55% compared to the prior year primarily due to the Collotype acquisition.

Interest expense increased by \$1,797 during the quarter compared to the prior year. The increase is due to \$115,963 of outstanding debt at September 30, 2008 incurred to finance the Collotype acquisition.

Net income from continuing operations increased 40% to \$4,140 and diluted earnings per share from continuing operations increased 18% to 33 cents for the second quarter.

The label markets we serve continue to experience a competitive environment and price pressures. We have initiated many cost reduction programs to meet the demands of the market while minimizing the impact on our margins. We continually search for ways to reduce our costs through improved production and labor efficiencies, reduced substrate waste, new substrate options and lower substrate pricing.

We have continued to make progress in expanding our customer base and portfolio of products, services and manufacturing locations in order to address issues related to customer concentration.

In October 2007, we announced the expansion of our manufacturing operations with the purchase of two new presses for a newly acquired manufacturing facility in Batavia, Ohio. Our Troy and Batavia, Ohio plants were consolidated into this new facility to both reduce costs and provide needed capacity for long term growth. We continue to incur start-up costs associated with this manufacturing expansion in order to get the facility fully operational.

Our key objectives for fiscal year 2009 include the successful integration of Collotype, winning new customers, growing with existing customers, low cost manufacturing, completion of our North American manufacturing expansion and selective domestic and international business acquisitions.

Results of Operations

Three Months Ended September 30, 2008 compared to the Three Months Ended September 30, 2007:

	2008	2007	\$ Change	% Change
Net Revenues	\$ 80,637	\$ 52,063	\$ 28,574	55%

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Revenues for the three months ended September 30, 2008 as compared to the same period of the prior year increased 55% primarily due to the acquisition of Collotype completed in February 2008, which generated \$31,833 in revenues for the quarter, partially offset by a \$3,259 or 6% reduction in our North American organic revenues. Volume with our largest customer began to recover but remained below prior year levels. We also began to experience softer sales within our North American regional account base, particularly in the industrial, specialty beverage and home improvement markets.

	2008	2007	\$ Change	% Change
Gross Profit	\$ 14,687	\$ 9,468	\$ 5,219	55%
% of Revenues	18%	18%		

Gross profit increased \$5,219 or 55% compared to the prior year due to the Collotype acquisition, partially offset by lower North American organic revenues and approximately \$500 of start-up costs incurred at our new Batavia, Ohio facility. Gross margins remained steady at 18% for both periods.

	2008	2007	\$ Change	% Change
Selling, General & Administrative Expenses	\$ 6,952	\$ 4,936	\$ 2,016	41%
% of Revenues	9%	9%		

Selling, general and administrative (SG&A) expenses increased \$2,016 over the prior year due to comparable expenses from the Collotype acquisition.

Interest Expense and Other (Income) Expense

	2008	2007	\$ Change	% Change
Interest Expense	\$ 1,855	\$ 58	\$ 1,797	N/M
Other (Income) Expense, net	\$ (293)	\$ (284)	\$ 9	3%

Interest expense increased as compared to the same period of the prior year due to the increase in outstanding debt to finance the Collotype acquisition. We had \$115,963 of debt at September 30, 2008 compared to no debt at September 30, 2007.

	2008	2007	\$ Change	% Change
Income Tax Expense	\$ 2,033	\$ 1,807	\$ 226	13%

Our effective tax rate decreased from 38% in 2007 to 33% in 2008 due to increased earnings in lower tax jurisdictions. Our expected tax rate for fiscal year 2009 is 34%.

	2008	2007	\$ Change	% Change
Income (loss) from discontinued operations, net of tax	\$ (27)	\$ 6,922	\$ (6,949)	N/M

The sale of Quick Pak was completed on July 2, 2007 which resulted in an after-tax gain of \$6,922 during the three months ended September 30, 2007.

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	2008	2007	\$ Change	% Change
Net Revenues	\$ 160,087	\$ 104,337	\$ 55,750	53%

Revenues for the six months ended September 30, 2008 as compared to the same period of the prior year increased 53% primarily due to the Collotype acquisition completed in February 2008, which generated \$62,553 in revenues, partially offset by a \$6,803 or 7% reduction in North American organic revenues. The reduction in organic revenues was primarily due to lower sales to our largest customer.

	2008	2007	\$ Change	% Change
Gross Profit	\$ 29,657	\$ 19,339	\$ 10,318	53%
% of Revenues	19%	19%		

Gross profit increased 53% compared to the prior year due to the Collotype acquisition, partially offset by lower organic revenues and start up costs incurred at our new Batavia, Ohio facility. However, our gross margin was steady at 19% for both periods.

	2008	2007	\$ Change	% Change
Selling, General & Administrative Expenses	\$ 15,405	\$ 10,276	\$ 5,129	50%
% of Revenues	10%	10%		

Selling, general and administrative (SG&A) expenses increased \$5,129 or 50% due primarily to comparable expenses from the Collotype acquisition.

Interest Expense and Other (Income) Expense

	2008	2007	\$ Change	% Change
Interest Expense	\$ 3,994	\$ 123	\$ 3,871	N/M
Other (Income) Expense, net	\$ (378)	\$ (386)	\$ (8)	(2)%

Interest expense increased as compared to the same period of the prior year due to the increase in debt incurred to finance the Collotype acquisition. Our average outstanding debt during the six months ended September 30, 2008 was \$123,857 as compared to \$2,575 in the prior year.

	2008	2007	\$ Change	% Change
Income Tax Expense	\$ 3,659	\$ 3,514	\$ 145	4%

Our effective tax rate decreased from 38% to 34% during the six months ended September 30, 2008 due to increased earnings in lower tax jurisdictions. Our expected tax rate for fiscal year 2009 is 34%.

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	2008	2007	\$ Change	% Change
Income (loss) from discontinued operations, net of tax	\$ (170)	\$ 6,869	\$ (7,039)	N/M

The sale of Quick Pak was completed on July 2, 2007 which resulted in an after-tax gain of \$6,922. During the six months ended September 30, 2008, we recorded additional income tax expense resulting from the sale of Quick Pak.

Liquidity and Capital Resources

Through the six months ended September 30, 2008, net cash provided by operating activities was \$15,342 as compared to \$2,692 in the same period of the prior year. The increase in cash flow is primarily due to cash generated from earnings, a substantial decrease in accounts receivable due to increased collection efforts and lower inventories related primarily to the timing of customer shipments and lower sales volumes. The increase was partially offset by \$7,314 of income tax payments made during the period.

Through the six months ended September 30, 2008, net cash used in investing activities was \$1,529 as compared to net cash provided of \$14,531 in the same period of the prior year. Cash provided by investing activities included net proceeds from the sale of the Batavia building and other equipment of \$1,675 and refunds of equipment deposits of \$4,278, which were offset by capital expenditures of \$7,482 related primarily to the expansion of the Company's manufacturing operations. The net cash provided by investing activities in the six months ended September 30, 2007 was due to \$18,912 in proceeds from the sale of Quick Pak, partially offset by capital expenditures of \$4,381.

Through the six months ended September 30, 2008, net cash used in financing activities was \$12,995 as compared to \$4,492 in the prior year. During the six months ended September 30, 2008, we made net debt payments of \$13,317 compared to \$5,150 in the prior year.

On February 29, 2008 and in connection with the Collotype acquisition (see Note 9), the Company executed a new five-year \$200 million credit agreement with a consortium of bank lenders (Credit Facility). The new Credit Facility contains an election to increase the facility by up to an additional \$50 million and the Company terminated its previous \$50 million credit facility. The aggregate principal amount of \$200 million is available under the Credit Facility through: (i) a \$110 million five-year revolving credit facility (U.S. Revolving Credit Facility); (ii) the Australian dollar equivalent of a \$40 million five-year revolving credit facility (Australian Sub-Facility); and (iii) a \$50 million term loan facility (Term Loan Facility). The \$50 million Term Loan Facility was fully drawn down on February 29, 2008.

The Credit Facility may be used for working capital, capital expenditures and other corporate purposes. Loans under the U.S. Revolving Credit Facility and Term Loan Facility will bear interest at either: (i) the greater of (a) Bank of America's prime rate in effect from time to time; and (b) the federal funds rate in effect from time to time plus 0.5%; or (ii) the applicable London interbank offered rate plus the applicable margin for such loans which ranges from 0.75% to 2.00% based on the Company's leverage ratio at the time of the borrowing. Loans under the Australian Sub-Facility bear interest at the Bank Bill Swap Bid Rate (BBSY) plus the applicable margin for such loans which ranges from 0.75% to 2.00% based on the Company's leverage ratio at the time of the borrowing.

The Credit Facility contains customary representations and warranties as well as customary negative and affirmative covenants which require the Company to maintain the following financial covenants: (i) a minimum consolidated net worth; (ii) a maximum consolidated leverage ratio of 3.75 to 1.00 (subject to certain step-downs); and (iii) a minimum consolidated interest charge coverage ratio of 3.50 to 1.00. The Credit Facility contains customary mandatory and optional prepayment provisions, customary events of default, and is secured by the capital stock of subsidiaries, intercompany debt and all of the Company's property and assets.

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Available borrowings under the Credit Facility at September 30, 2008 consisted of \$54,100 under the U.S. Revolving Credit Facility and \$23,117 under the Australian Sub-Facility.

We believe that we have both sufficient short and long term liquidity and financing. We had a working capital position of \$10,828 and \$18,517 at September 30, 2008 and March 31, 2008, respectively and were in compliance with our loan covenants and current in our principal and interest payments on all debt.

Contractual Obligations

The following table summarizes Multi-Color's contractual obligations as of September 30, 2008:

Aggregated Information about Contractual Obligations and Other Commitments for continuing operations:

September 30, 2008	Total	Year 1	Year 2	Year 3	Year 4	Year 5	More than 5 years
Total debt	\$ 115,963	\$ 10,001	\$ 10,004	\$ 10,000	\$ 10,000	\$ 75,958	\$
Interest on total debt (1)	23,207	6,187	5,706	5,181	4,501	1,632	
Rent due under operating leases	23,636	3,701	3,156	2,898	2,546	2,558	8,777
Unconditional purchase obligations	960	807	153				
Pension and post retirement obligations	623	18	13	24	36	64	468
Deferred compensation (2)	696	74					622
Unrecognized tax benefits (3)							
Total Contractual Cash Obligations	\$ 165,085	\$ 20,788	\$ 19,032	\$ 18,103	\$ 17,083	\$ 80,212	\$ 9,867

- (1) Interest on floating rate debt was estimated using projected forward LIBOR and BBSY rates as of September 30, 2008.
- (2) The more than 5 years column includes \$622 of deferred compensation obligations for which the timing of such payments are not determinable.
- (3) The table excludes \$3,674 of liabilities related to unrecognized tax benefits as the timing and extent of such payments are not determinable.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company has no material changes to the disclosures made in the Company's Form 10-K for the year ended March 31, 2008.

Item 4. Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer evaluated the Company's disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Their evaluation concluded that the disclosure controls and procedures are effective in connection with the filing of this Quarterly Report on Form 10-Q for the quarter ended September 30, 2008.

During the quarter ended September 30, 2008, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Multi-Color's internal control over financial reporting.

Forward-Looking Statements

The Company believes certain statements contained in this report that are not historical facts constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and are intended to be covered by the safe harbors created by that Act. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to differ materially from those expressed or implied. Any forward-looking statement speaks only as of the date made. The Company undertakes no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

Statements concerning expected financial performance, on-going business strategies, and possible future actions which the Company intends to pursue in order to achieve strategic objectives constitute forward-looking information. Implementation of these strategies and the achievement of such financial performance are each subject to numerous conditions, uncertainties and risk factors. Factors which could cause actual performance by the Company to differ materially from these forward-looking statements include, without limitation, factors discussed in conjunction with a forward-looking statement; changes in general economic and business conditions in the US and abroad; the ability to consummate and successfully integrate acquisitions; the ability to manage foreign operations; currency exchange rate fluctuations; the success and financial condition of the Company's significant customers; competition; acceptance of new product offerings; changes in business strategy or plans; quality of management; the Company's ability to maintain an effective system of internal control; availability, terms and development of capital; cost and price changes; raw material cost pressures; availability of raw materials; ability to pass raw material cost increases to its customers; business abilities and judgment of personnel; changes in, or the failure to comply with, government regulations, legal proceedings and developments; risk associated with significant leverage; increases in general interest rate levels affecting the Company's interest costs; ability to manage global political uncertainty; and terrorism and political unrest.

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Part II - Other Information

Item 1. Legal Proceedings None

Item 1A. Risk Factors The Company had no material changes to the Risk Factors disclosed in the Company's Form 10-K for the year ended March 31, 2008, except for the following:

We have risks related to the recent economic and credit conditions.

The Company's operating cash flows provide funding for debt repayment and various discretionary items such as capital expenditures and dividends. Recent uncertainty in global economic conditions resulting from disruption in the credit markets has negatively impacted the overall economy which could adversely impact demand for our products and our ability to manage commercial relationships with our customers, suppliers and creditors.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds None

Item 3. Defaults upon Senior Securities None

Item 4. Submission of Matters to a Vote of Security Holders

The annual meeting of shareholders was held on August 14, 2008. At the meeting, the shareholders voted on the following items:

1. Election of the following directors:

	Votes for	Votes withheld
Robert R. Buck	10,679,249	166,034
Charles B. Connolly	10,658,222	178,061
Francis D. Gerace	10,721,969	114,314
Lorrence T. Kellar	10,302,816	533,467
Roger A. Keller	10,658,542	177,741
Thomas M. Mohr	10,725,792	110,491
Nigel A. Vinecombe	10,709,777	126,506

2. Ratification of the appointment of Grant Thornton LLP as the Company's independent registered public accountants for fiscal 2009 (10,813,651 votes for, 13,273 votes against, 9,359 votes withheld).

Item 5. Other Information None

Item 6. Exhibits

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- 31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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Signature

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 thereunto duly authorized.

Multi-Color Corporation
(Registrant)

Date: November 7, 2008

By: /s/ Dawn H. Bertsche
Dawn H. Bertsche
Senior Vice President Finance,

Chief Financial Officer and Secretary