MULTI COLOR Corp
Form 10-Q
February 09, 2009
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 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)

OHIO	**31-1125853**
(State or other jurisdiction of	**(IRS Employer**
incorporation or organization)	**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 x 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	x
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 x

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 January 30, 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		Nine Months Ended	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Net revenues	**$ 62,644**	$ 48,267	**$ 222,731**	$ 152,604
Cost of revenues	**52,369**	39,731	**182,799**	124,729
Gross profit	**10,275**	8,536	**39,932**	27,875
Selling, general and administrative expenses	**5,930**	4,764	**21,335**	15,040
Operating income	**4,345**	3,772	**18,597**	12,835
Interest expense	**1,557**	54	**5,551**	177
Other (income) expense, net	**22**	778	**(356)**	392
Income from continuing operations before income taxes	**2,766**	2,940	**13,402**	12,266
Income tax expense	**1,160**	968	**4,819**	4,483
Income from continuing operations	**1,606**	1,972	**8,583**	7,783
Income (loss) from discontinued operations, net of tax		152	**(170)**	7,022
Net Income	**$ 1,606**	$ 2,124	**$ 8,413**	$ 14,805
Basic earnings per common share:				
Income from continuing operations	**$ 0.13**	$ 0.19	**$ 0.71**	$ 0.78
Income (loss) from discontinued operations	**$**	$ 0.02	**$ (0.01)**	$ 0.70
Basic earnings per common share	**$ 0.13**	$ 0.21	**$ 0.70**	$ 1.48
Diluted earnings per common share:				
Income from continuing operations	**$ 0.13**	$ 0.19	**$ 0.69**	$ 0.75
Income (loss) from discontinued operations	**$**	$ 0.02	**$ (0.01)**	$ 0.68
Diluted earnings per common share	**$ 0.13**	$ 0.21	**$ 0.68**	$ 1.43
Dividends per common share	**$ 0.05**	$ 0.05	**$ 0.15**	$ 0.11
Weighted average shares and equivalents outstanding:				
Basic	**12,195**	10,065	**12,146**	10,025
Diluted	**12,344**	10,349	**12,498**	10,345

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)

	December 31, 2008	March 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 3,533**	$ 4,264
Accounts receivable, net of allowance of $451 and $479 at December 31, 2008 and March 31, 2008, respectively	**24,427**	38,349
Inventories	**20,134**	21,945
Deferred tax assets	**484**	1,978
Equipment deposits		4,413
Prepaid expenses and other	**3,720**	1,279
Total current assets	**52,298**	72,228
Assets held for sale	**700**	2,281
Property, plant and equipment, net	**93,949**	100,838
Goodwill	**98,585**	116,644
Intangible assets, net	**16,327**	20,535
Deferred tax assets		396
Other long-term assets	**898**	1,158
Total assets	**$ 262,757**	$ 314,080
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	**$ 10,002**	$ 10,003
Accounts payable	**24,395**	28,709
Accrued income taxes	**1,057**	4,167
Accrued expenses and other liabilities	**1,625**	2,470
Accrued payroll and benefits	**5,599**	8,362
Total current liabilities	**42,678**	53,711
Long-term debt	**98,589**	121,748
Deferred tax liabilities	**8,833**	12,489
Deferred compensation and other liabilities	**10,106**	6,194
Total liabilities	**160,206**	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, 12,345 and 12,165 shares issued and outstanding at December 31, 2008 and March 31, 2008, respectively	**575**	557
Paid-in capital	**63,702**	58,967
Treasury stock, 29 shares at cost	**(119)**	(119)
Restricted stock	**(3,241)**	(1,301)
Retained earnings	**73,421**	66,835
Accumulated other comprehensive income (loss)	**(31,787)**	(5,001)

Total stockholders equity		**102,551**	119,938
Total liabilities and stockholders equity	**$**	**262,757**	$ 314,080

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

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MULTI-COLOR CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Nine Months Ended	
	December 31, 2008	**December 31, 2007**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	**$ 8,413**	$ 14,805
(Income) loss from discontinued operations	**170**	(7,022)
Income from continuing operations	**8,583**	7,783
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**8,501**	4,110
Amortization	**1,436**	353
Net (gain) loss on disposal of equipment	**(252)**	38
Loss on foreign currency forward contracts		957
Increase in non-current deferred compensation	**74**	134
Stock based compensation expense	**1,272**	887
Excess tax benefit from stock based compensation	**(495)**	(462)
Impairment loss on long-lived assets	**226**	
Deferred taxes, net	**363**	(1,749)
Net (increase) decrease in accounts receivable	**11,320**	5,542
Net (increase) decrease in inventories	**304**	(698)
Net (increase) decrease in prepaid expenses and other	**(2,299)**	(5,411)
Net increase (decrease) in accounts payable	**(2,904)**	(2,671)
Net increase (decrease) in accrued liabilities and other	**(5,532)**	(7,393)
Net increase (decrease) in deferred revenues	**18**	180
Net cash provided by continuing operating activities	**20,615**	1,600
Net cash provided by discontinued operating activities		701
Cash provided by operating activities	**20,615**	2,301
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	**(9,092)**	(14,866)
Short term (deposits)/refunds on equipment	**6,003**	
Proceeds from sale of plant and equipment	**1,726**	
Net cash used in continuing investing activities	**(1,363)**	(14,866)
Net cash provided by discontinued investing activities		18,912
Cash provided by (used in) investing activities	**(1,363)**	4,046
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under revolving line of credit	**34,400**	1,000
Payments under revolving line of credit	**(46,070)**	(1,000)
Repayment of long-term debt	**(7,500)**	(5,150)
Proceeds from issuance of common stock	**1,045**	1,260

Excess tax benefit from stock based compensation		**495**		462
Dividends paid		**(1,827)**		(1,170)
Net cash used in financing activities		**(19,457)**		(4,598)
Effect of exchange rate changes on cash		**(526)**		
Net increase (decrease) in cash		**(731)**		1,749
Cash and cash equivalents, beginning of period		**4,264**		5,793
Cash and cash equivalents, end of period	**$**	**3,533**	$	7,542
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Interest paid	**$**	**5,263**	$	127
Income taxes paid, net of refunds received	**$**	**7,484**	$	9,962
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:				
Interest rate swap liability fair value	**$**	**(3,451)**	$	
Foreign currency forward contracts fair value	**$**		$	957

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 December 31, 2008 and 2007 was $548 and $312, respectively. The Company s stock based compensation expense for the nine months ended December 31, 2008 and 2007 was $1,272 and $887, 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 did 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 statement disclosures.

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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2. Earnings Per Common Share Data

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 427 and 279 shares in the three and nine months ended December 31, 2008 and 54 shares in the three and nine months ended December 31, 2007 from the computation of diluted EPS because these shares 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 December 31,				Nine Months Ended December 31,			
	2008		2007		2008		2007	
	Shares	Per Share Amount	Shares	Per Share Amount	Shares	Per Share Amount	Shares	Per Share Amount
Basic EPS	**12,195**	**$ 0.13**	10,065	$ 0.21	**12,146**	**$ 0.70**	10,025	$ 1.48
Effect of dilutive stock options	**149**		284		**352**	**(0.02)**	320	(0.05)
Diluted EPS	**12,344**	**$ 0.13**	10,349	$ 0.21	**12,498**	**$ 0.68**	10,345	$ 1.43

3. Inventories

Inventories are comprised of the following:

	December 31, 2008	March 31, 2008
Finished goods	**$ 12,304**	$ 14,236
Work in process	**3,692**	3,385
Raw materials	**4,983**	5,565
	20,979	23,186
Inventory reserves	**(845)**	(1,241)
	$ 20,134	$ 21,945

4. Debt

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

	December 31, 2008	March 31, 2008
U.S. Revolving Credit Facility, 2.94% weighted average variable interest rate at December 31, 2008, due in 2013	**$ 53,400**	$ 60,000
Australian Sub-Facility, 5.78% variable interest rate at December 31, 2008, due in 2013	**12,688**	21,744
Term Loan Facility, 2.83% variable interest rate at December 31, 2008, due in quarterly installments of $2,500 from 2008 to 2013	**42,500**	50,000
Capital leases	**3**	7
Less-current portion of debt	**(10,002)**	(10,003)
	$ 98,589	$ 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, stepping down to 3.25 to 1.00 from June 30, 2009 to September 30, 2010 and to 3.00 to 1.00 thereafter; 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 December 31, 2008 consisted of $56,600 under the U.S. Revolving Credit Facility and $25,387 under the Australian Sub-Facility. At December 31, 2008, the Company had two outstanding letters of credit totaling $2,890 for the purchase of equipment.

5. Major Customers

During the three months ended December 31, 2008 and 2007, sales to major customers (those exceeding 10% of the Company s net revenues) approximated 33% and 55% respectively, of the Company s consolidated net revenues. Approximately 19% and 37% of revenues for the three months ended December 31, 2008 and 2007 respectively, were to the Procter & Gamble Company. Approximately 14% and 18% of revenues for the three months ended December 31, 2008 and 2007 respectively, were to the Miller Brewing Company.

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During the nine months ended December 31, 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 20% and 35% of revenues for the nine months ended December 31, 2008 and 2007 respectively, were to the Procter & Gamble Company. Approximately 13% and 19% of revenues for the nine months ended December 31, 2008 and 2007 respectively, were to the Miller Brewing Company. In addition, accounts receivable balances of such major customers approximated 4% and 17% of the Company s total accounts receivable balance at December 31, 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 December 31,		Nine Months Ended December 31,	
	2008	2007	**2008**	2007
Revenues	**$**	$	**$**	$ 3,988
Income from discontinued operations:				
Gain on sale, before taxes	**$**	$	**$**	$ 11,278
Income (loss) from discontinued operations, before taxes			**(263)**	(83)
Total income (loss) from discontinued operations, before taxes			**(263)**	11,195
Income tax expense (benefit)		(152)	**(93)**	4,173
Income (loss) from discontinued operations	**$**	$ 152	**$ (170)**	$ 7,022

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 the 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 December 31, 2008, the Company had a liability of $3,248 and $3,488 respectively, recorded for unrecognized tax benefits for U.S. federal, state and foreign tax jurisdictions. As of March 31, 2008 and December 31, 2008, the total amount of interest and penalties related to uncertain tax positions was $211 and $738, respectively. 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 $3,488. The Company believes it is reasonably possible that approximately $85 of unrecognized tax benefits as of December 31, 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 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 December 31, 2008, the fair value of the Swaps was a net liability of $3,451 and was included in deferred compensation and other liabilities on the consolidated balance sheet.

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 was made. No provision for the contingent payment was included in the preliminary purchase price calculation. At December 31, 2008, $3,468 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:

Assets Acquired:	
Accounts receivable	$ 19,181
Inventories	7,343
Property, plant and equipment, net	47,603
Intangible assets	20,100
Goodwill	113,664
Deferred tax assets	1,188
Other assets	127
Total assets	$ 209,206
Liabilities Assumed:	
Debt, less cash acquired	$ 16,642
Accounts payable	12,411
Accrued income taxes payable	2,945
Accrued and other liabilities	7,546
Deferred tax liabilities	6,121
Total liabilities	45,665
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 nine months ended December 31, 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 December 31, 2007 (Pro-forma)	Nine Months Ended December 31, 2007 (Pro-forma)
Net Revenues	$ 74,992	$ 239,942
Income from continuing operations	1,912	9,090
Net income	2,064	16,111
Diluted earnings per share:		
Income from continuing operations	$ 0.15	$ 0.72
Income from discontinued operations	$ 0.01	$ 0.57
Net income	$ 0.16	$ 1.29

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.

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Interest rate swaps

The Company has two interest rate swaps 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 (see Note 8). The Company adjusts the carrying value of these derivatives to their estimated fair values and records the adjustment in other comprehensive earnings.

		Fair Value Measurements Using		
	Fair Value at December 31, 2008	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Interest rate swaps	$ (3,451)		$ (3,451)	

11. Comprehensive Income (Loss)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2008	**2007**	**2008**	**2007**
Net income	**$ 1,606**	$ 2,124	**$ 8,413**	$ 14,805
Unrealized foreign currency translation gain (loss)	**(10,233)**		**(24,695)**	
Unrealized gain (loss) on interest swaps, net of tax	**(2,890)**		**(2,091)**	
Total Comprehensive Income (Loss)	**$ (11,517)**	$ 2,124	**$ (18,373)**	$ 14,805

12. Goodwill and Intangible Assets

Goodwill movements consisted of the following:

Balance at March 31, 2008	$ 116,644
Acquisition of Collotype	550
Currency translation	(18,609)
Balance at December 31, 2008	$ 98,585

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	(3,093)	(272)		(3,365)
	18,269	1,328	750	20,347
Accumulated amortization	(3,097)	(173)	(750)	(4,020)
Net intangibles at December 31, 2008	$ 15,172	$ 1,155	$	$ 16,327

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13. Subsequent Event

In January 2009, the Company announced plans to consolidate its heat transfer label (HTL) manufacturing business located in Framingham, Massachusetts into its other existing facilities. The transition will begin immediately with final plant closure within the next several months. In connection with the closure of the Framingham facility, the Company expects to record a total charge of approximately $2,600 during its fourth quarter period ending March 31, 2009, consisting of approximately $1,400 in cash charges for employee severance and other termination benefits related to 62 associates and approximately $1,200 in non-cash charges related to asset impairments.

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.

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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.

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.

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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.

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.

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 $62,644 for the third quarter of fiscal 2009 increased by $14,377 or 30% compared to $48,267 for the third quarter of the prior year. The significant increase in revenues was due to the Collotype acquisition, which generated $21,891 in revenues for the quarter, partially offset by a $7,514 or 16% reduction in North American organic revenues.

Gross profit for the third quarter increased by $1,739 or 20% compared to the prior year primarily due to the Collotype acquisition.

Interest expense increased by $1,503 during the quarter compared to the prior year. The increase is due to $108,591 of outstanding debt at December 31, 2008 incurred to finance the Collotype acquisition.

Income from continuing operations decreased 19% to $1,606 and diluted earnings per share from continuing operations decreased 32% to 13 cents for the third quarter.

The label markets we serve continue to experience a competitive environment and price pressures. 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 January 2009, the Company announced plans to consolidate its heat transfer label (HTL) manufacturing business located in Framingham, Massachusetts into its other existing facilities. The transition will begin immediately with final plant closure within the next several months. In connection with the closure of the Framingham facility, the Company expects to record a total charge of approximately $2,600 during its fourth quarter period ending March 31, 2009, consisting of approximately $1,400 in cash charges for employee severance and other termination benefits related to 62 associates and approximately $1,200 in non-cash charges related to asset impairments (see Note 13).

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Results of Operations

Three Months Ended December 31, 2008 compared to the Three Months Ended December 31, 2007:

	2008	2007	$ Change	% Change
Net Revenues	**$ 62,644**	$ 48,267	$ 14,377	30%

Revenues for the three months ended December 31, 2008 as compared to the same period of the prior year increased 30% primarily due to the acquisition of Collotype completed in February 2008, which generated $21,891 in revenues for the quarter, partially offset by a $7,514 or 16% reduction in our North American organic revenues. Volume with our largest customer remained significantly below prior year, and to a lesser extent, we also experienced 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	**$ 10,275**	$ 8,536	$ 1,739	20%
% of Revenues	**16%**	18%		

Gross profit increased $1,739 or 20% compared to the prior year due to the Collotype acquisition, partially offset by the impact of lower North American organic revenues. Gross margins declined to 16% this quarter compared to 18% in the prior year quarter due to lower sales volumes and reduced plant fixed cost leverage.

	2008	2007	$ Change	% Change
Selling, General & Administrative Expenses	**$ 5,930**	$ 4,764	$ 1,166	24%
% of Revenues	**9%**	10%		

Selling, general and administrative (SG&A) expenses increased $1,166 over the prior year due to comparable expenses from the Collotype acquisition. The Company also incurred $192 of acquisition related expenses in 2008.

Interest Expense and Other (Income) Expense

	2008	2007	$ Change	% Change
Interest Expense	**$ 1,557**	$ 54	$ 1,503	N/M
Other (Income) Expense, net	**$ 22**	$ 778	$ (756)	N/M

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 $108,591 of debt at December 31, 2008 compared to no debt at December 31, 2007.

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Other expense decreased by $756 due primarily to a non-cash charge of $957 that was recorded in the prior year quarter as a result of a decrease in the fair value of Australian forward currency contracts that were entered into in connection with the Company s acquisition of Collotype.

	2008	2007	$ Change	% Change
Income Tax Expense	**$ 1,160**	$ 968	$ 192	20%

Our effective tax rate increased from 33% in 2007 to 42% in 2008 due to income mix in higher tax jurisdictions. Our expected tax rate for fiscal year 2009 is 36%.

	2008	2007	$ Change	% Change
Income (loss) from discontinued operations, net of tax	**$**	$ 152	$ (152)	N/M

The sale of Quick Pak was completed on July 2, 2007 and therefore, there were no operations during the three months ended December 31, 2007. However, the Company recorded a decrease in state taxes related to the sale which resulted in income of $152.

Nine Months Ended December 31, 2008 compared to the Nine Months Ended December 31, 2007:

	2008	2007	$ Change	% Change
Net Revenues	**$ 222,731**	$ 152,604	$ 70,127	46%

Revenues for the nine months ended December 31, 2008 as compared to the same period of the prior year increased 46% primarily due to the Collotype acquisition completed in February 2008, which generated $84,444 in revenues, partially offset by a $14,317 or 9% 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	**$ 39,932**	$ 27,875	$ 12,057	43%
% of Revenues	**18%**	18%		

Gross profit increased 43% compared to the prior year due to the Collotype acquisition, partially offset by the impact of lower organic revenues and start up costs incurred at our new Batavia, Ohio facility. However, our gross margin was steady at 18% for both periods.

	2008	2007	$ Change	% Change
Selling, General & Administrative Expenses	**$ 21,335**	$ 15,040	$ 6,295	42%
% of Revenues	**10%**	10%		

Selling, general and administrative (SG&A) expenses increased $6,295 or 42% due primarily to comparable expenses from the Collotype acquisition. The Company also incurred $192 of acquisition related expenses, $260 in severance costs and an impairment charge of $226 in the 2008 period.

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Interest Expense and Other (Income) Expense

	2008	2007	$ Change	% Change
Interest Expense	**$ 5,551**	$ 177	$ 5,374	N/M
Other (Income) Expense, net	**$ (356)**	$ 392	$ (748)	N/M

Interest expense increased 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 nine months ended December 31, 2008 was $120,172 as compared to $2,575 in the prior year. Other expense decreased by $748 due to a non-cash charge of $957 that was recorded in the prior year quarter as a result of a decrease in the fair value of Australian forward currency contracts that were entered into in connection with the Company s acquisition of Collotype.

	2008	2007	$ Change	% Change
Income Tax Expense	**$ 4,819**	$ 4,483	$ 336	7%

Our effective tax rate decreased from 37% to 36% during the nine months ended December 31, 2008 due to increased earnings in lower tax jurisdictions. Our expected tax rate for fiscal year 2009 is 36%.

	2008	2007	$ Change	% Change
Income (loss) from discontinued operations, net of tax	**$ (170)**	$ 7,022	$ (7,192)	N/M

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

Liquidity and Capital Resources

Through the nine months ended December 31, 2008, net cash provided by operating activities was $20,615 as compared to $2,301 in the same period of the prior year. The increase in cash flow is primarily due to cash generated from earnings and a substantial decrease in accounts receivable due to increased collection efforts and lower sales volumes. The increase was partially offset by $7,484 of income tax payments made during the period.

Through the nine months ended December 31, 2008, net cash used in investing activities was $1,363 as compared to net cash provided of $4,046 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 $1,726 and refunds of equipment deposits of $6,003, which were offset by capital expenditures of $9,092 related primarily to the expansion of the Company s manufacturing operations. The net cash provided by investing activities in the nine months ended December 31, 2007 was due to $18,912 in proceeds from the sale of Quick Pak, partially offset by capital expenditures of $14,866 related to the expansion of the Company s manufacturing operations.

Through the nine months ended December 31, 2008, net cash used in financing activities was $19,457 as compared to $4,598 in the prior year. During the nine months ended December 31, 2008, net debt payments were $19,170 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, stepping down to 3.25 to 1.00 from June 30, 2009 to September 30, 2010 and to 3.00 to 1.00 thereafter; 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 December 31, 2008 consisted of $56,600 under the U.S. Revolving Credit Facility and $25,387 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 $9,620 and $18,517 at December 31, 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 December 31, 2008:

Aggregated Information about Contractual Obligations and Other Commitments for Continuing Operations:

December 31, 2008	Total	Year 1	Year 2	Year 3	Year 4	Year 5	More than 5 years
Total debt	$ 108,591	$ 10,002	$ 10,001	$ 10,000	$ 10,000	$ 68,588	$
Interest on total debt (1)	19,188	5,226	4,940	4,503	3,945	574	
Rent due under operating leases	26,773	3,943	3,644	3,370	3,118	3,176	9,522
Unconditional purchase obligations	1,049	1,049					
Pension and post retirement obligations	623	18	13	24	36	64	468
Deferred compensation (2)	726	74					652
Unrecognized tax benefits (3)							
Total Contractual Cash Obligations	**$ 156,950**	**$ 20,312**	**$ 18,598**	**$ 17,897**	**$ 17,099**	**$ 72,402**	**$ 10,642**

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(1) Interest on floating rate debt was estimated using projected forward LIBOR and BBSY rates as of December 31, 2008.
(2) The more than 5 years column includes $652 of deferred compensation obligations for which the timing of such payments are not determinable.
(3) The table excludes $3,488 of liabilities related to unrecognized tax benefits as the timing and extent of such payments are not determinable.

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 December 31, 2008.

During the quarter ended December 31, 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 and credit; 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 has adversely impacted 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 None

Item 5. Other Information None

Item 6. Exhibits

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: February 9, 2009	By: /s/ Dawn H. Bertsche Dawn H. Bertsche Senior Vice President Finance, Chief Financial Officer and Secretary

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