

Smurfit-Stone Container Corporation. has filed for bankruptcy protection... let's see what the history shows!

Smurfit-Stone Container Corporation

Phone: (312) 346-6600

150 North Michigan Avenue
Chicago, IL 60601 United States

Ticker: [SSCC](#)

Filed for Bankruptcy on 1/26/2009
Case #09-10235, filed in the U.S. Bankruptcy Court for the District of Delaware

Latest Financial Statements as of 9/30/2008

Business Summary

Smurfit-Stone Container Corporation is an integrated manufacturer of paperboard and paper-based packaging in North America, including containerboard and corrugated containers, and is also a paper recycler. Smurfit-Stone is a holding company with no business operations of its own. Smurfit-Stone conducts its business operations through its wholly owned subsidiary Smurfit-Stone Container Enterprises, Inc. (SSCE). During the year ended December 31, 2007, it combined its Reclamation operations into the Containerboard and Corrugated Containers segment and operates as one segment. In July 2008, the Company completed the acquisition of a 90% interest in Calpine Corrugated LLC, an independent corrugated container producer.

Employees: 22,700 (as of 12/31/2007)

Federal Tax Id: 431531401

Credit Scores

FRISK2 Score	1	1/25/2009
Probability of default range: 21.0% - 50.0%		
Z" Score	-0.49 (Fiscal danger)	9/30/2008

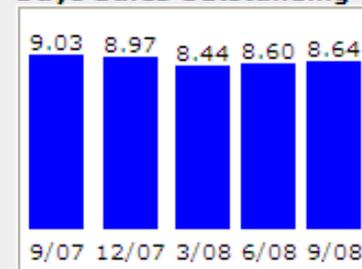
Auditor Information

Last Audit: 12/31/2007
Auditors: Ernst & Young LLP
Opinion: **Unqualified**

Agency Credit Ratings

Rating Agency	Long Term Rating	Outlook	Short Term Rating	Watch
S&P	CCC	NEGATIVE	NR	NM

Days Sales Outstanding



Third Quarter and Year-to-Date Results

Sales for the 3 months ended 9/30/2008 decreased 0.32% to \$1.88 billion from last year's comparable period amount of \$1.89 billion. Sales for the 9 months ended 9/30/2008 decreased 1.25% to \$5.51 billion from \$5.58 billion for the same period last year.

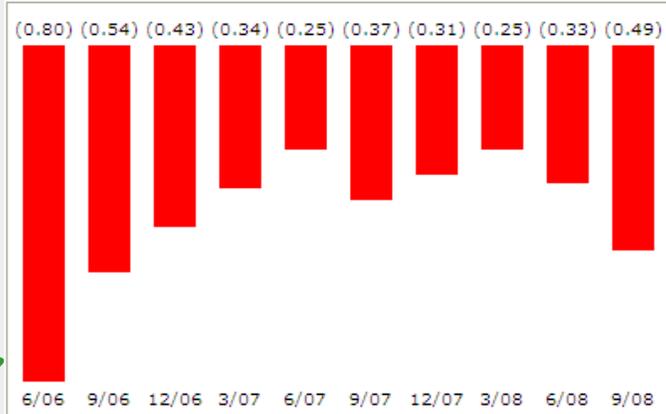
Gross profit margin decreased 36.68% for the period to \$183.00 million (9.74% of revenues) from \$289.00 million (15.33% of revenues) for the same period last year. Gross profit margin decreased 25.26% for the year-to-date period to \$571.00 million (10.36% of revenues) from \$764.00 million (13.69% of revenues) for

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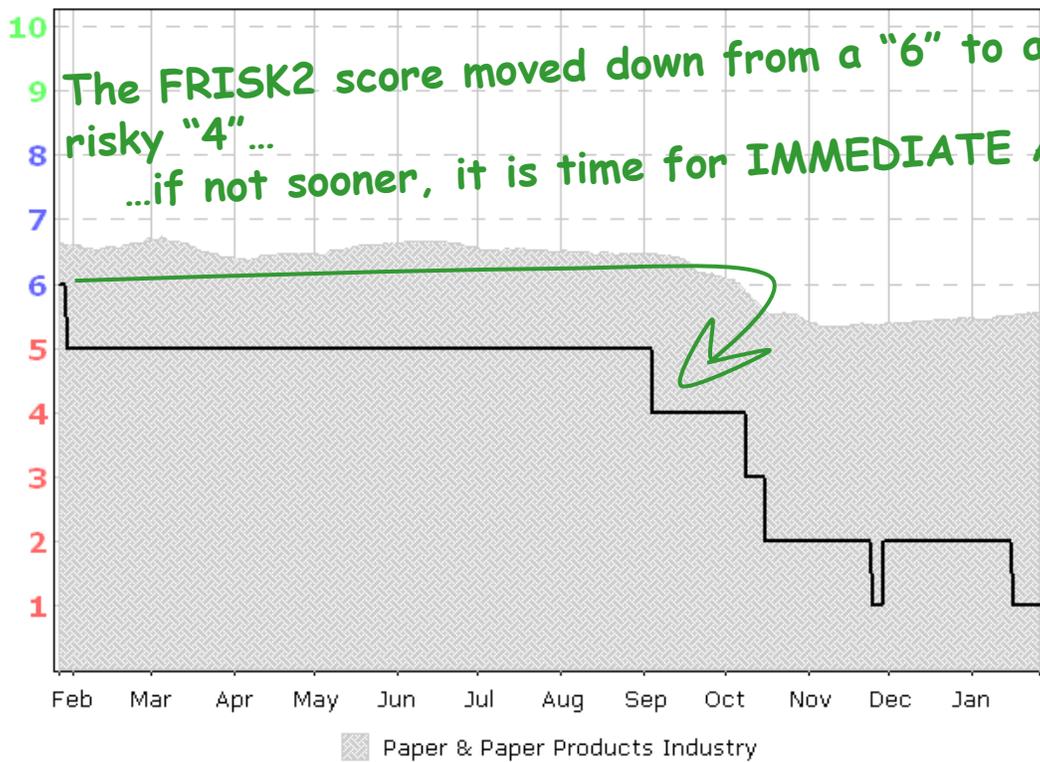
Z" Score

LEGEND:
 Financially sound: 2.60 or higher
 Neutral: 1.10 to 2.60
 Fiscal danger: less than 1.10



The Altman Z" was early signaling trouble in June 2006...

The current FRISK2 score is 1 (probability of default* 21.0% - 50.0%), below its 13-month average and below its industry average.



	FRISK2	Probability of default within 12 months		
		From	To	
Best	10	0%	0.3%	
	9	0.3%	0.4%	
	8	0.4%	0.9%	
	7	0.9%	1.9%	
	6	1.9%	3.7%	
	5	3.7%	7.4%	
	4	7.4%	10.1%	
	3	10.1%	14.1%	
	2	14.1%	21.0%	
	Worst	1	21.0%	50.0%

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...plus, looking at our News Alerts you would have seen...

Bankruptcy
counsel hired...
Announces poor
4th Quarter
results and
upcoming
production
reductions...

Company
proves unable
to make a
profit...

Further losses
reported...

Losses reported...

#	Date	Source	Headline
1	1/26/2009	PR Newswire	<u>Smurfit-Stone Files for Reorganization in U.S. and Canada</u>
2	1/20/2009	CRM News Service	<u>Rating Agencies Downgrade Smurfit-Stone To Highly Speculative</u>
3	1/16/2009	CRMZ News Service	<u>Smurfit-Stone Container Corporation -- updated S&P ratings available</u>
4	1/15/2009	CRM News Service	<u>Smurfit Says Bankruptcy Is Possible Amid Crunch</u>
5	1/14/2009	CRMZ News Service	<u>SMURFIT STONE CONTAINER CORP FILES (8-K) Disclosing Change in Directors or Principal Officers</u>
6	12/31/2008	CRMZ News Service	<u>SMURFIT STONE CONTAINER CORP FILES (8-K) Disclosing Change in Directors or Principal Officers, Financial Statements and Exhibits</u>
7	12/19/2008	CRMZ News Service	<u>Smurfit-Stone Container Corporation -- updated S&P ratings available</u>
8	12/18/2008	CRMZ News Service	<u>SMURFIT STONE CONTAINER CORP FILES (8-K) Disclosing Regulation FD Disclosure, Financial Statements and Exhibits</u>
9	12/18/2008	PR Newswire	<u>Smurfit-Stone Expects Lower Fourth Quarter Earnings Due to Weakening Market Conditions and Production Downtime</u>
10	12/15/2008	CRMZ News Service	<u>SMURFIT STONE CONTAINER CORP FILES (8-K) Disclosing Change in Directors or Principal Officers, Financial Statements and Exhibits</u>
11	12/15/2008	PR Newswire	<u>Smurfit-Stone Elects Steven J. Klinger to Its Board of Directors</u>
12	11/7/2008	CRMZ News Service	<u>SMURFIT STONE CONTAINER CORP: a Form 10-Q has been Filed with the SEC</u>
13	10/31/2008	CRMZ News Service	<u>SMURFIT STONE CONTAINER CORP FILES (8-K) Disclosing Change in Directors or Principal Officers, Financial Statements and Exhibits</u>
14	10/31/2008	PR Newswire	<u>Alan E. Goldberg Retires From Smurfit-Stone Container Corporation Board of Directors</u>
15	10/30/2008	PR Newswire	<u>Smurfit-Stone Declares Quarterly Dividend on Preferred Stock</u>
16	10/23/2008	CRM News Service	<u>Smurfit-Stone Container Corporation -- updated financials available</u>
17	10/22/2008	CRM News Service	<u>SMURFIT STONE CONTAINER CORP FILES (8-K) Disclosing Results of Operations and Financial Condition, Financial Statements and Exhibits</u>
18	10/9/2008	CRM News Service	<u>SMURFIT STONE CONTAINER CORP FILES (8-K) Disclosing Results of Operations and Financial Condition, Other Events, Financial Statements and Exhibits</u>
22	8/6/2008	CRM News Service	<u>SMURFIT STONE CONTAINER CORP: a Form 10-Q has been Filed with the SEC</u>
23	7/30/2008	CRM News Service	<u>SMURFIT STONE CONTAINER CORP FILES (8-K) Disclosing Entry into a Material Definitive Agreement, Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a R</u>
24	7/30/2008	CRM News Service	<u>Smurfit-Stone Container Corporation -- updated financials available</u>
25	7/29/2008	CRM News Service	<u>SMURFIT STONE CONTAINER CORP FILES (8-K) Disclosing Results of Operations and Financial Condition, Financial Statements and Exhibits</u>
32	5/7/2008	CRM News Service	<u>SMURFIT STONE CONTAINER CORP: a Form 10-Q has been Filed with the SEC</u>
33	4/23/2008	CRM News Service	<u>Smurfit-Stone Container Corporation -- updated financials available</u>

Files Chapter
11...

S&P
Downgrades...

S&P
Downgrades...

Sold
businesses &
disposed of
property to
raise cash...

Director
departs...

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...need more depth? Look at the Performance Ratios...
 ...Degradation in percentage of Gross Margin, Operating Margin, Net Income, and Cash Flow...

Performance Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	3 mos 9/30/2008	3 mos 6/30/2008	3 mos 3/31/2008	3 mos 12/31/2007	3 mos 9/30/2007
Net sales \$	\$1,879,000	\$1,835,000	\$1,795,000	\$1,841,000	\$1,885,000
% change	2.40%	2.23%	-2.50%	-2.33%	0.80%
Gross margin \$	\$183,000	\$176,000	\$212,000	\$252,000	\$289,000
% change	3.98%	-16.98%	-15.87%	-12.80%	10.73%
% of sales	9.74%	9.59%	11.81%	13.69%	15.33%
SG&A \$	\$148,000	\$157,000	\$191,000	\$147,000	\$163,000
% change	-5.73%	-17.80%	29.93%	-9.82%	-0.61%
% of sales	7.88%	8.56%	10.64%	7.98%	8.65%
Operating margin \$	\$22,000	\$11,000	\$20,000	\$136,000	\$50,000
% change	100.00%	-45.00%	-85.29%	172.00%	-39.02%
% of sales	1.17%	0.60%	1.11%	7.39%	2.65%
EBITDA \$	\$112,000	\$96,000	\$104,000	\$216,000	\$137,000
% change	16.67%	-7.69%	-51.85%	57.66%	-24.73%
% of sales	5.96%	5.23%	5.79%	11.73%	7.27%
Pre-tax income \$	(\$33,000)	(\$57,000)	(\$31,000)	\$63,000	(\$49,000)
% change	42.11%	-83.87%	-149.21%	228.57%	-1125.00%
% of sales	-1.76%	3.11%	-1.73%	3.42%	-2.60%
Net income (loss) \$	\$65,000	(\$37,000)	(\$13,000)	\$44,000	(\$93,000)
% change	275.68%	-184.62%	-129.55%	147.31%	-4550.00%
% of sales	3.46%	-2.02%	-0.72%	2.39%	-4.93%
Tax expense \$	(\$98,000)	(\$20,000)	(\$18,000)	\$19,000	\$44,000
Effective tax rate	296.97%	35.09%	58.06%	30.16%	-89.80%
Depreciation expense \$	\$90,000	\$88,000	\$87,000	\$88,000	\$91,000
% of sales	4.79%	4.80%	4.85%	4.78%	4.83%
% of capital expenses	92.78%	77.88%	92.55%	75.86%	93.81%
% of PP&E, net (annualized)	10.19%	10.05%	9.98%	10.11%	10.11%
Capital expenditures \$	\$97,000	\$113,000	\$94,000	\$116,000	\$97,000
% change	-14.16%	20.21%	-18.97%	19.59%	29.33%
% of PP&E, net (annualized)	10.99%	12.91%	10.78%	13.33%	10.77%
% of working capital (annualized)	-1989.74%	614.97%	940.00%	2379.49%	1464.15%
Interest coverage ratio	1.78	1.48	1.65	3.32	1.44
% change	20.37%	-10.53%	-50.32%	130.43%	-26.31%
Free cash flow \$	\$45,000	(\$94,000)	(\$121,000)	(\$7,000)	(\$34,000)
% change	147.87%	22.31%	-1628.57%	79.41%	-41.87%
Source:	10-Q 11/7/2008	10-Q 8/6/2008	10-Q 5/7/2008	10-K 2/28/2008	10-Q 11/7/2008

...In the MD&A section, the CEO and CFO tell us that the company is not proving to be profitable and has spent a millions on restructuring the company. They are dependant on a credit amendment to avoid defaulting, which would severely "impair their liquidity."

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From MD&A section, period 9/30/2008, filed 11/7/2008:

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2008, subject to the above limitations, we had unused borrowing capacity under SSCE's revolving credit facilities of \$171 million, after giving consideration to outstanding letters of credit. In response to the current economic environment, we are taking actions to maintain liquidity, including deferral of certain capital expenditures, cost reductions, sale of assets and improvements of working capital.

...At September 30, 2008, we were in compliance with the financial covenants required by the Credit Agreement. However, if market conditions change and sales prices or volumes for our products decrease materially, negatively impacting our future results, we may not be in compliance with such covenants. In such an event, we would seek an amendment to the Credit Agreement. Although we believe that we could obtain such an amendment, failure to obtain an amendment would result in a default under the Credit Agreement, which could result in a material adverse impact on our financial condition...

...We recorded restructuring charges of \$27 million in the first nine months of 2008, net of a gain of \$2 million from the sale of a previously closed facility. Restructuring charges include \$20 million for exit liabilities, which were principally for severance and benefits. During the nine months ended September 30, 2008, we incurred cash expenditures of \$13 million for these exit liabilities. The remaining exit liabilities are expected to be paid in the fourth quarter of 2008.

For the nine months ended September 30, 2008, we contributed \$56 million to our pension plans and expect to contribute a total of approximately \$75 million in 2008. During 2008, the fair value of our pension plan assets have declined. Future contributions to our pension and other postretirement plans will be dependent upon future returns on our pension plan assets and changes in discount rates which would impact our benefit obligations.

Scheduled debt payments, including capital lease payments, for the remainder of 2008 and 2009 are \$6 million and \$533 million, respectively. Our 2009 debt maturities consist principally of \$481 million of our revolving credit facilities that mature on November 1, 2009. In addition, our Canadian and U.S. off-balance sheet accounts receivable securitization programs mature in March 2009 and November 2009, respectively. At September 30, 2008, the off-balance sheet debt related to the Canadian and U.S. accounts receivable securitization programs was \$41 million and \$350 million, respectively. Although we intend to refinance our senior secured credit facilities and our accounts receivable securitization programs at prevailing market terms and conditions, there can be no assurance that we will be able to refinance such indebtedness on favorable terms or at all by the applicable maturity dates and, if we cannot, there is no assurance that we will be able to obtain substitute financing, which could cause us to default on our obligations and impair our liquidity. Our ability to refinance will depend on conditions in the capital markets and our financial condition at such time.

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