

MULTI COLOR Corp
Form 10-Q
November 12, 2013
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UNITED STATES
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, 2013

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 Number 0-16148

Multi-Color Corporation

(Exact name of Registrant as specified in its charter)

OHIO
(State or Other Jurisdiction of
Incorporation or Organization)
4053 Clough Woods Dr.
Batavia, Ohio 45103
(Address of Principal Executive Offices)
Registrant's Telephone Number (513) 381-1480

31-1125853
(IRS Employer
Identification No.)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 (Check one):

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 16,398,591 (as of October 31, 2013)

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MULTI-COLOR CORPORATION

FORM 10-Q

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Forward-Looking Statements

This report contains certain statements that are not historical facts that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and that 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. Such forward-looking statements speak only as of the date made. The Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which they are made.

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; the ability to consummate and successfully integrate acquisitions; ability to recognize the benefits of acquisitions, including potential synergies and cost savings; failure of an acquisition or acquired company to achieve its plans and objectives generally; risk that proposed or consummated acquisitions may disrupt operations or pose difficulties in employee retention or otherwise affect financial or operating results; 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. 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. In addition to the factors described in this paragraph, Part I, Item 1A of our Annual Report on Form 10-K for the year ended March 31, 2013 contains a list and description of uncertainties, risks and other matters that may affect the Company.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (unaudited)

MULTI-COLOR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(in thousands, except per share data)

	Three Months Ended September 30, 2013		Six Months Ended September 30, 2012	
	2013	2012	2013	2012
Net revenues	\$ 176,635	\$ 169,870	\$ 343,478	\$ 334,880
Cost of revenues	143,138	139,434	279,549	273,521
Gross profit	33,497	30,436	63,929	61,359
Selling, general and administrative expenses	13,425	13,443	27,758	27,095
Operating income	20,072	16,993	36,171	34,264
Interest expense	5,366	5,598	10,542	11,163
Other (income) expense, net	42	(535)	428	(636)
Income before income taxes	14,664	11,930	25,201	23,737
Income tax expense	5,046	4,560	8,911	8,471
Net income	\$ 9,618	\$ 7,370	\$ 16,290	\$ 15,266
Weighted average shares and equivalents outstanding:				
Basic	16,331	16,127	16,287	16,121
Diluted	16,601	16,314	16,546	16,295
Basic earnings per common share	\$ 0.59	\$ 0.46	\$ 1.00	\$ 0.95
Diluted earnings per common share	\$ 0.58	\$ 0.45	\$ 0.98	\$ 0.94
Dividends per common share	\$ 0.05	\$ 0.05	\$ 0.10	\$ 0.10

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**MULTI-COLOR CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(unaudited)

(in thousands)

	Three Months Ended September 30, 2013		Six Months Ended September 30, 2013	
	2013	2012	2013	2012
Net income	\$ 9,618	\$ 7,370	\$ 16,290	\$ 15,266
Other comprehensive income (loss):				
Unrealized foreign currency translation gain (loss) (1)	5,534	4,090	(6,865)	(3,330)
Unrealized gain (loss) on interest rate swaps, net of tax (2)	(205)	(613)	598	(1,483)
Total other comprehensive income (loss)	5,329	3,477	(6,267)	(4,813)
Comprehensive income (loss)	\$ 14,947	\$ 10,847	\$ 10,023	\$ 10,453

(1) Amount is not net of tax as the earnings are reinvested within foreign jurisdictions.

(2) Amount is net of tax of \$130 and \$392 for the three months ended September 30, 2013 and 2012, respectively, and \$373 and \$948 for the six months ended September 30, 2013 and 2012, respectively.

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**MULTI-COLOR CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(unaudited)

(in thousands, except per share data)

	September 30, 2013	March 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 21,276	\$ 15,737
Accounts receivable, net of allowance of \$1,808 and \$1,652 at September 30, 2013 and March 31, 2013, respectively	111,676	102,996
Other receivables	6,939	4,257
Inventories, net	51,241	48,734
Deferred income taxes	9,878	9,796
Prepaid expenses and other current assets	9,009	9,024
Total current assets	210,019	190,544
Assets held for sale	60	60
Property, plant and equipment, net of accumulated depreciation of \$118,899 and \$108,173 at September 30, 2013 and March 31, 2013, respectively	194,799	178,552
Goodwill	362,098	347,671
Intangible assets, net	118,749	116,785
Deferred financing fees and other non-current assets	7,514	5,271
Deferred income taxes	531	667
Total assets	\$ 893,770	\$ 839,550
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 32,573	\$ 23,946
Accounts payable	66,537	61,759
Accrued expenses and other liabilities	34,780	36,732
Total current liabilities	133,890	122,437
Long-term debt	396,158	378,910
Deferred income taxes	50,679	43,115
Other liabilities	26,340	20,064
Total liabilities	607,067	564,526
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 16,482 and 16,246 shares issued at September 30, 2013 and March 31, 2013, respectively	985	971
Paid-in capital	129,656	126,174
Treasury stock, 98 and 89 shares at cost at September 30, 2013 and March 31, 2013, respectively	(1,438)	(1,114)
Restricted stock	(476)	(591)
Retained earnings	161,759	147,100
Accumulated other comprehensive income (loss)	(3,783)	2,484
Total stockholders' equity	286,703	275,024
Total liabilities and stockholders' equity	\$ 893,770	\$ 839,550

See accompanying Notes to Condensed Consolidated Financial Statements.

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MULTI-COLOR CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	Six Months Ended	
	September 30, 2013	September 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 16,290	\$ 15,266
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	13,546	13,660
Amortization of intangible assets	4,610	4,821
Amortization of deferred financing costs	989	989
Net (gain) loss on disposal of property, plant and equipment	(11)	389
Stock based compensation expense	723	602
Excess tax benefit from stock based compensation	(174)	(34)
Deferred income taxes, net	3,431	2,465
Net decrease (increase) in accounts receivable	412	(1,172)
Net increase in inventories	(514)	(2,499)
Net decrease (increase) in prepaid expenses and other assets	560	(1,819)
Net decrease in accounts payable	(1,668)	(375)
Net decrease in accrued expenses and other liabilities	(3,355)	(5,268)
Net cash provided by operating activities	34,839	27,025
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(18,896)	(11,046)
Investment in acquisitions, net of cash acquired	(36,068)	(15,979)
Proceeds from sale of Kansas City facility		625
Proceeds from sale of property, plant and equipment	139	1,053
Net cash used in investing activities	(54,825)	(25,347)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under revolving lines of credit	156,252	115,277
Payments under revolving lines of credit	(122,403)	(74,600)
Borrowings of long-term debt	1,750	
Repayment of long-term debt	(10,674)	(16,306)
Payment of York deferred payment		(14,380)
Payment of Labelgraphics deferred payment		(5,049)
Proceeds from issuance of common stock	2,397	206
Excess tax benefit from stock based compensation	174	34

Dividends paid	(1,631)	(1,615)
Net cash provided by financing activities	25,865	3,567
Effect of foreign exchange rate changes on cash	(340)	27
Net increase in cash and cash equivalents	5,539	5,272
Cash and cash equivalents, beginning of period	15,737	10,014
Cash and cash equivalents, end of period	\$ 21,276	\$ 15,286

See accompanying Notes to Condensed Consolidated Financial Statements.

See Note 16 for supplemental cash flow disclosures.

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MULTI-COLOR CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

(in thousands, except per share data)

1. Description of Business and Significant Accounting Policies

The Company

Multi-Color Corporation (Multi-Color, MCC, We, Us, Our or the Company), headquartered in Cincinnati, Ohio, is a leader in global label solutions supporting a number of the world's most prominent brands including leading producers of home & personal care, wine & spirit, food & beverage, healthcare and specialty consumer products. MCC serves international brand owners in North, Central and South America, Europe, Australia, New Zealand, South Africa and China with a comprehensive range of the latest label technologies in Pressure Sensitive, Glue-Applied (Cut and Stack), In-Mold, Shrink Sleeve and Heat Transfer.

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. A description of the Company's significant accounting policies is included in the Company's Annual Report on Form 10-K for the year ended March 31, 2013 (the 2013 10-K). These condensed consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in the 2013 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 period 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.

New Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued revised accounting guidance on the reporting of reclassifications out of accumulated other comprehensive income. The amendment requires an entity to

present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income if the amount is required to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. This guidance is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2012, which for the Company was the fiscal year beginning April 1, 2013. We chose to present the new disclosure requirements in the notes to the condensed consolidated financial statements (see Note 11).

2. Earnings Per Common Share

Basic earnings per common share (EPS) is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS is computed by dividing net income by the sum of the weighted average number of common shares outstanding during the period plus 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 following is a reconciliation of the number of shares used in the basic EPS and diluted EPS computations:

	Three Months Ended				Six Months Ended			
	September 30, 2013		September 30, 2012		September 30, 2013		September 30, 2012	
	Shares	Per Share Amount	Shares	Per Share Amount	Shares	Per Share Amount	Shares	Per Share Amount
Basic EPS	16,331	\$ 0.59	16,127	\$ 0.46	16,287	\$ 1.00	16,121	\$ 0.95
Effect of dilutive stock options and restricted shares	270	(0.01)	187	(0.01)	259	(0.02)	174	(0.01)
Diluted EPS	16,601	\$ 0.58	16,314	\$ 0.45	16,546	\$ 0.98	16,295	\$ 0.94

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The Company excluded 168 and 461 options to purchase shares in the three months ended September 30, 2013 and 2012, respectively, from the computation of diluted EPS because these shares would have an anti-dilutive effect. The Company excluded 168 and 533 options to purchase shares in the six months ended September 30, 2013 and 2012, respectively, from the computation of diluted EPS because these shares would have an anti-dilutive effect.

3. Inventories

The Company's inventories consisted of the following:

	September 30, 2013	March 31, 2013
Finished goods	\$ 28,723	\$ 26,839
Work-in-process	6,335	7,918
Raw materials	19,569	18,533
 Total inventories, gross	 54,627	 53,290
Inventory reserves	(3,386)	(4,556)
 Total inventories, net	 \$ 51,241	 \$ 48,734

4. Debt

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

	September 30, 2013	March 31, 2013
U.S. Revolving Credit Facility, 3.89% and 3.95% weighted variable interest rate at September 30, 2013 and March 31, 2013, due in 2016	\$ 86,411	\$ 88,125
Term Loan Facility, 3.75% and 3.78% variable interest rate at September 30, 2013 and March 31, 2013, due in quarterly installments from 2013 to 2016	301,125	309,375
Australian Sub-Facility, 6.14% variable interest rate at September 30, 2013, due in 2016	33,462	
Capital leases	1,776	2,747
Other subsidiary debt	5,957	2,609
 Total debt	 428,731	 402,856
Less current portion of debt	(32,573)	(23,946)
 Total long-term debt	 \$ 396,158	 \$ 378,910

The following is a schedule of future annual principal payments as of September 30, 2013:

	Debt	Capital Leases	Total
October 2013 - September 2014	\$ 31,381	\$ 1,192	\$ 32,573
October 2014 - September 2015	34,603	527	35,130
October 2015 - September 2016	360,053	57	360,110
October 2016 - September 2017	668		668
October 2017 - September 2018	229		229
Thereafter	21		21
Total	\$ 426,955	\$ 1,776	\$ 428,731

On February 29, 2008, the Company executed a five year \$200,000 credit agreement with a consortium of bank lenders (Credit Facility) with an original expiration date in 2013. As a result of the first through fifth amendments, which were executed in fiscal 2011 through fiscal 2013, the following current provisions are in place for the Credit Facility. The expiration date is August 2016. The Credit Facility contains an election to increase the facility by up to an additional \$100,000, subject to agreement by one or more lenders to increase its commitment.

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 at September 30, 2013: (i) a minimum consolidated net worth; (ii) a maximum consolidated leverage ratio of 4.25 to 1.00 and (iii) a minimum consolidated interest charge coverage ratio of 4.00 to 1.00. The

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maximum consolidated leverage ratio has scheduled step downs to 3.50 to 1.00 in future periods. 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, but excluding real property. The Company is in compliance with all covenants under the Credit Facility as of September 30, 2013.

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 bear interest either at: (i) base rate (as defined in the credit agreement) plus the applicable margin for such loans which ranges from 1.00% to 2.50%; or (ii) the applicable London interbank offered rate, plus the applicable margin for such loans which ranges from 2.00% to 3.50% based on the Company's leverage ratio at the time of the borrowing. Loans under the Australian Sub-Facility bear interest at the BBSY Rate plus the applicable margin for such loans, which ranges from 2.00% to 3.50% based on the Company's leverage ratio at the time of the borrowing.

At September 30, 2013, the aggregate commitment amount of \$471,125 under the Credit Facility is comprised of the following: (i) a \$130,000 revolving Credit Facility that allows the Company to borrow in alternative currencies up to the equivalent of \$50,000 (U.S. Revolving Credit Facility); (ii) the Australian dollar equivalent of a \$40,000 revolving Credit Facility (Australian Sub-Facility); and (iii) a \$301,125 term loan facility (Term Loan Facility) which amortizes quarterly based on an escalating percentage of the initial aggregate value of the Term Loan Facility. The Term Loan Facility amortizes quarterly based on the following schedule: (i) September 30, 2013 through December 31, 2013 amortization of \$4,125, (ii) March 31, 2014 through December 31, 2015 amortization of \$8,250 and (iii) March 31, 2016 through June 30, 2016 amortization of \$12,375, with the balance due at maturity.

The Company incurred \$8,562 of debt issuance costs in fiscal 2012 related to the debt modification, which are being deferred and amortized over the life of the amended Credit Facility. In conjunction with the modification to our debt in the third amendment to the Credit Facility, we analyzed the new loan costs related to the amended Credit Facility and the existing unamortized loan costs related to the prior agreement allocated to the revolving line of credit, prior term loan and amended term loan separately to determine the amount of costs to be capitalized and the amount to be expensed. As a result of the analysis, the Company recorded a charge to interest expense of \$490 in fiscal 2012 to write-off certain deferred financing fees, which were paid to originate the prior agreement, including the unamortized portion of the loan costs allocated to creditors no longer participating in the amended Credit Facility. The unamortized portion of loan costs allocated to creditors participating in both the original and amended Credit Facility are being amortized over the term of the modified agreement.

The Company recorded \$495 and \$494 in interest expense for the three months ended September 30, 2013 and 2012, respectively, in the condensed consolidated statements of income to amortize deferred financing costs. The Company recorded \$989 in interest expense for the six months ended September 30, 2013 and 2012, respectively, in the condensed consolidated statements of income to amortize deferred financing costs.

Available borrowings under the Credit Facility at September 30, 2013 consisted of \$43,202 under the U.S. Revolving Credit Facility and \$6,538 under the Australian Sub-Facility. The Company also has various other uncommitted lines of credit available at September 30, 2013 in the amount of \$10,003.

Capital Leases

The present value of the net minimum payments on the capitalized leases is as follows:

	September 30, 2013	March 31, 2013
Total minimum lease payments	\$ 1,839	\$ 2,858
Less amount representing interest	(63)	(111)
Present value of net minimum lease payments	1,776	2,747
Current portion	(1,192)	(1,693)
Capitalized lease obligations, less current portion	\$ 584	\$ 1,054

The capitalized leases carry interest rates from 2.13% to 8.76% and mature from fiscal 2014 to fiscal 2016.

5. Major Customers

During the three months ended September 30, 2013 and 2012, sales to major customers (those exceeding 10% of the Company's net revenues in one or more of the periods presented) approximated 17% and 16%, respectively, of the Company's consolidated net revenues. All of these sales were made to the Procter & Gamble Company.

During the six months ended September 30, 2013 and 2012, sales to major customers (those exceeding 10% of the Company's net revenues in one or more of the periods presented) approximated 16% and 15%, respectively, of the Company's consolidated net revenues. All of these sales were made to the Procter & Gamble Company.

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In addition, accounts receivable balances from the Procter & Gamble Company approximated 5% of the Company's total accounts receivable balance at September 30, 2013 and March 31, 2013. The loss or substantial reduction of the business of this major customer could have a material adverse impact on the Company's results of operations and cash flows.

6. Income Taxes

The Company files income tax returns in the U.S. federal jurisdiction, various foreign jurisdictions and various state and local jurisdictions where the statutes of limitations generally range from three to five years. At September 30, 2013, the Company is no longer subject to U.S. federal examinations by tax authorities for years before fiscal 2009. The Company is no longer subject to state and local examinations by tax authorities for years before fiscal 2008. In foreign jurisdictions, the Company is no longer subject to examinations by tax authorities for years before fiscal 1999.

The benefits of tax positions are not 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.

As of September 30, 2013 and March 31, 2013, the Company had liabilities of \$6,410 and \$3,411, respectively, recorded for unrecognized tax benefits for U.S. federal, state and foreign tax jurisdictions. During the three months ended September 30, 2013 and 2012, the Company recognized \$129 and \$40, respectively, of interest and penalties in income tax expense in the condensed consolidated statements of income. During the six months ended September 30, 2013 and 2012, the Company recognized \$205 and \$21, respectively, of interest and penalties in income tax expense in the condensed consolidated statements of income. The liability for the gross amount of interest and penalties at September 30, 2013 and March 31, 2013, was \$2,052 and \$1,568, respectively. The liability for unrecognized tax benefits is classified in other noncurrent liabilities on the condensed consolidated balance sheets for the portion of the liability where payment of cash is not anticipated within one year of the balance sheet date. During the three and six months ended September 30, 2013, the Company did not release any reserves, including interest and penalties, related to uncertain tax positions that have been settled. The Company believes it is reasonably possible that approximately \$239 of unrecognized tax benefits as of September 30, 2013 will decrease within the next 12 months due to the lapse of statute of limitations and settlements of certain foreign income tax matters. The liability for these unrecognized tax benefits is classified in accrued expenses and other liabilities on the condensed consolidated balance sheets. The unrecognized tax benefits that, if recognized, would favorably impact the effective tax rate are \$6,410.

7. Financial Instruments

Interest Rate Swaps

The Company uses interest rate swap agreements (Swaps) to minimize its exposure to interest rate fluctuations on variable rate debt 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 Swaps, a \$40,000 non-amortizing Swap and a \$40,000 amortizing Swap, to convert variable interest rates on a portion of outstanding debt to fixed interest rates. The Swaps expired in February 2013 and resulted in interest payments based on fixed rates of 3.45% for the non-amortizing Swap and 3.04% for the amortizing Swap, plus the applicable margin per the requirements in the Credit Facility ranging from 2.00% to 3.50% based on the Company's leverage ratio.

In October 2011, in connection with the draw down of the \$315,000 term loan for the acquisition of York Label Group, the Company entered into three forward starting non-amortizing Swaps for a total notional amount of \$125,000 to convert variable rate debt to fixed rate debt. The Swaps became effective October 2012 and expire in August 2016. The Swaps result in interest payments based on an average fixed rate of 1.396% plus the applicable margin per the requirements in the Credit Facility.

The Swaps are designated as cash flow hedges, with the effective portion of gains and losses, net of tax, measured on an ongoing basis, recorded in accumulated other comprehensive income. If a hedge or a portion thereof were determined to be ineffective, any gains and losses would be recorded in interest expense in the condensed consolidated statements of income. The amount of gain (loss) on the interest rate swaps recognized in other comprehensive income (OCI) and the condensed consolidated statements of income was as follows:

	Three Months Ended		Six Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2013	2012	2013	2012
Gain (loss) recognized in OCI on interest rate swaps (effective portion)	\$ (335)	\$ (1,005)	\$ 971	\$ (2,431)

No amounts related to the Swaps were reclassified out of accumulated other comprehensive income (loss) into the condensed consolidated statements of income during the six months ended September 30, 2013 and 2012. There was no hedge ineffectiveness related to the Swaps during the six months ended September 30, 2013 and 2012. During the next 12 months, the amount of the gains (losses) included in the September 30, 2013 accumulated OCI balance that is expected to be reclassified into the condensed consolidated statements of income is not material. The fair value of the Swaps was included in other long-term liabilities on the condensed consolidated balance sheets. See Note 10 for additional information on the fair value of the Swaps.

Table of Contents**Foreign Currency Forward Contracts**

Foreign currency exchange risk arises from our international operations in Australia, Europe, South America, Mexico, Canada, China and South Africa as well as from transactions with customers or suppliers denominated in currencies other than the U.S. dollar. The functional currency of each of the Company's subsidiaries is generally the currency of the country in which the subsidiary operates. At times, the Company uses forward currency contracts to minimize the impact of fluctuations in currency exchange rates.

At September 30, 2013, the Company has entered into multiple foreign currency forward contracts to fix the purchase price in U.S. dollars of foreign currency denominated firm commitments to purchase presses and other equipment. The forward contracts are designated as fair value hedges and changes in the fair value of the contracts are recorded in other income and expense in the condensed consolidated statements of income in the same period during which the related hedged items affect the condensed consolidated statements of income. The amount of gain (loss) on the foreign currency forward contracts recognized in the condensed consolidated statements of income was as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2013	2012	2013	2012
Gain (loss) on foreign currency forward contracts	\$ 76	\$ 58	\$ 122	\$ (87)
Gain (loss) on related hedged items	\$ (78)	\$	\$ (136)	\$

At September 30, 2013, the Company has entered into a foreign currency forward contract to fix the U.S. dollar value of certain intercompany loan payments. This contract was not designated as a hedging instrument; therefore, changes in the fair value of the contract are immediately recognized in other income and expense in the condensed consolidated statements of income.

The fair value of the contracts designated as hedging instruments was included in prepaid expenses and other current assets on the condensed consolidated balance sheets. The fair value of the contract not designated as a hedging instrument was included in accrued expenses and other liabilities. See Note 10 for additional information on the fair value of the contracts.

8. Accrued Expenses and Other Liabilities

The Company's accrued expenses and other liabilities consisted of the following:

	September 30, 2013	March 31, 2013
Deferred payment (1)	\$ 6,929	\$ 6,929
Accrued payroll and benefits	15,021	15,076
Unrecognized tax benefits (including interest and penalties)	239	225
Accrued income taxes	1,617	1,152
Professional fees	319	482
Accrued taxes other than income taxes	1,178	1,205
Deferred lease incentive	510	518
Accrued interest	95	197

Accrued severance	738	580
Customer rebates	1,795	1,061
Deferred press payments	1,290	4,418
Other	5,049	4,889
Total accrued expenses and other liabilities	\$ 34,780	\$ 36,732

- (1) The balance at September 30, 2013 and March 31, 2013 consisted of a deferred payment of \$6,929 related to the acquisition of York Label Group that was to be paid on April 1, 2012. This \$6,929 related to the acquisition of York Label Group is subject to dispute as further described in Note 15 and was placed in an escrow account controlled by the Company.

Table of Contents**9. Acquisitions****Flexo Print S.A. De C.V. (Flexo Print) Summary**

On August 1, 2013, the Company acquired 100% of Flexo Print, based in Guadalajara, Mexico. Flexo Print is a leading producer of home & personal care, food & beverage, wine & spirit and pharmaceutical labels in Latin America. The acquisition provides Multi-Color with significant growth opportunities in Mexico through our many common customers, technologies and suppliers. The results of Flexo Print's operations were included in the Company's condensed consolidated financial statements beginning August 1, 2013.

The purchase price for Flexo Print consisted of the following:

Cash from proceeds of borrowings	\$ 29,134
Deferred payments	2,713
Purchase price, before net debt assumed	31,847
Net debt assumed	2,184
Total purchase price	\$ 34,031

The cash portion of the purchase price was funded through borrowings under the Credit Facility (see Note 4 for details of the Credit Facility). Assumed net debt includes \$2,884 of bank debt less \$140 due from the sellers and \$560 of cash acquired. Upon closing, \$3,058 of the purchase price was deposited into an escrow account, and an additional \$1,956 of the purchase price was retained by MCC and is deferred until the third anniversary of the closing date, at which time it should be deposited into the escrow account. These combined escrow amounts are to be released to the seller on the fifth anniversary of the closing date in accordance with the purchase agreement. An additional \$757 of the purchase price was retained by MCC at closing and is to be paid to the seller on the 3rd anniversary of the closing date in accordance with the purchase agreement. The combined escrow and retention amounts are to fund certain potential indemnification obligations of the seller with respect to the transaction. The Company spent \$337 in acquisition expenses related to the Flexo Print acquisition, which was recorded in selling, general and administrative expense in the condensed consolidated statements of income.

Labelgraphics (Holdings) Ltd. (Labelgraphics) Summary

On April 2, 2012, the Company acquired 100% of Labelgraphics, a wine & spirit label specialist located in Glasgow, Scotland. The acquisition expanded MCC's global presence in the wine & spirit label market, particularly in the United Kingdom. The results of Labelgraphics' operations were included in the Company's condensed consolidated financial statements beginning April 2, 2012.

The purchase price for Labelgraphics consisted of the following:

Cash from proceeds of borrowings	\$ 16,024
Deferred payment	5,149
Contingent consideration	3,461

Purchase price, before debt assumed	24,634
Net debt assumed	712

Total purchase price	\$ 25,346
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The cash portion of the purchase price was funded through borrowings under the Credit Facility (see Note 4 for details of the Credit Facility). Assumed net debt includes \$757 of bank debt and capital leases less \$45 of cash acquired. The purchase price includes a future performance based earn out of approximately 15% of the above total which will be paid out in July 2014 assuming certain financial targets are met. The Company spent \$394 in acquisition expenses related to the Labelgraphics acquisition, which was recorded in selling, general and administrative expense in the condensed consolidated statements of income.

Purchase Price Allocation and Other Items

The determination of the final purchase price and its allocation to specific assets acquired and liabilities assumed for Flexo Print will be finalized prior to the end of July 2014 once independent fair value appraisals of assets and liabilities and valuation of tax liabilities are finalized. The determination of the final purchase price and its allocation to specific assets acquired and liabilities assumed for Labelgraphics was finalized during the fourth quarter of fiscal year 2013 once independent fair value appraisals of assets and liabilities and valuation of tax liabilities were finalized. There were no material changes to the preliminary purchase price or related allocation for Labelgraphics.

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Based on fair value estimates, the final purchase prices for Flexo Print and Labelgraphics have been allocated to individual assets acquired and liabilities assumed as follows:

	Flexo Print	Labelgraphics
<u>Assets Acquired:</u>		
Accounts receivable	8,050	3,275
Inventories	2,096	1,794
Property, plant and equipment	11,314	8,680
Intangible assets	5,367	10,319
Goodwill	16,493	9,786
Other assets	6,476	2,679
 Total assets acquired	 49,796	 36,533
<u>Liabilities Assumed:</u>		
Accounts payable	6,967	6,954
Accrued income taxes payable	409	693
Accrued expenses and other liabilities	5,172	375
Net debt assumed	2,184	712
Deferred tax liabilities	3,217	3,165
 Total liabilities assumed	 17,949	 11,899
 Net assets acquired	 \$ 31,847	 \$ 24,634

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

	Flexo Print		Labelgraphics	
	Fair Value	Useful Lives	Fair Value	Useful Lives
Customer relationships	\$ 5,367	17 years	\$ 9,775	20 years
Trademarks			320	2 years
Non-compete agreements			224	5 years
 Total identifiable intangible assets	 \$ 5,367		 \$ 10,319	

Identifiable intangible assets are amortized over their estimated useful lives based on a number of assumptions including the estimated period of economic benefit and utilization.

The goodwill for Flexo Print is attributable to access to the Mexican label market and workforce of the acquired business. The goodwill for Labelgraphics is attributable to access to the UK spirit label market and the acquired workforce. None of the goodwill arising from the Flexo Print or Labelgraphics acquisitions is deductible for income tax purposes. Below is a roll-forward of the acquisition goodwill from acquisition date to September 30, 2013:

	Flexo Print	Labelgraphics
Balance at acquisition date	\$ 16,493	\$ 9,786
Foreign exchange impact	(458)	98
Balance at September 30, 2013	\$ 16,035	\$ 9,884

The accounts receivable acquired as part of the Flexo Print acquisition had a fair value of \$8,050 at the acquisition date. The gross contractual value of the receivables prior to any adjustments was 8,258 and the estimated contractual cash flows that are not expected to be collected are \$208. The accounts receivable acquired as part of the Labelgraphics acquisition had a fair value of \$3,275 at the acquisition date. The gross contractual value of the receivables prior to any adjustments was \$3,403 and the estimated contractual cash flows that are not expected to be collected are \$128.

The net revenues and net income of Flexo Print from the acquisition date through September 30, 2013 included in the condensed consolidated statements of income were \$4,098 and \$29, respectively.

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Other Acquisition Activity

On April 2, 2013, the Company completed acquisitions in Australia and France for \$7,495. In Adelaide, Australia, MCC acquired Labelmakers Wine Division. In the Champagne region of France, MCC acquired Imprimerie Champenoise, which increases our ability to support local champagne producers in the region. The results of operations of these acquired businesses have been included in the condensed consolidated financial statements since the date of acquisition and have been determined to be individually and collectively immaterial for further disclosure.

On October 3, 2011, the Company acquired York Label Group (York), including its joint venture in Santiago, Chile, for \$329,204 plus net debt assumed of \$9,870. York, which was headquartered in Omaha, Nebraska, is a leader in the home & personal care, food & beverage and wine & spirit label markets with manufacturing facilities in the U.S., Canada and Chile.

As part of the purchase price, the Company issued 2,664 shares of its common stock, valued at \$46,684, to York with a restriction on sale or transfer within two years of the closing date. All shares are restricted from sale until the one year anniversary of the closing date of the transaction and 50% of the shares are restricted from sale from the one year anniversary date to the two year anniversary date of the closing of the transaction.

Of the purchase price, \$21,309 was to be paid on April 1, 2012 and of this amount, \$2,500 was required to be deposited into an escrow account to satisfy DLJ South American Partners, L.P. (DLJ)'s indemnification obligations with respect to the transaction. On April 1, 2012, the Company paid DLJ \$11,880 and deposited \$2,500 into escrow in accordance with the Purchase Agreement. The balance due DLJ (\$6,929) is subject to dispute as further described in Note 15 and was placed into a separate escrow account controlled by the Company.

10. Fair Value Measurements

The Company 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, the Company uses a 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.

Derivative Financial Instruments

The Company has three non-amortizing interest rate Swaps with a total notional amount of \$125,000 at September 30, 2013 to convert variable interest rates on a portion of outstanding debt to fixed interest rates to minimize interest rate risk. The Company adjusts the carrying value of these derivatives to their estimated fair values and records the adjustment in accumulated other comprehensive income. See Note 7 for additional information on the Swaps.

The Company has entered into multiple foreign currency forward contracts to fix the purchase price in U.S. dollars of foreign currency denominated firm commitments to purchase presses and other equipment. The forward contracts are

designated as fair value hedges and changes in the fair value of the contracts are recorded in other income and expense in the condensed consolidated statements of income in the same period during which the related hedged items affect the condensed consolidated statements of income.

The Company has entered into a foreign currency forward contract to fix the U.S. dollar value of certain intercompany loan payments. This contract was not designated as a hedging instrument; therefore, changes in the fair value of the contract are immediately recognized in other income and expense in the condensed consolidated statements of income. See Note 7 for additional information on the foreign currency forward contracts.

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At September 30, 2013, the Company carried the following financial assets (liabilities) at fair value:

	Fair Value at September 30, 2013	Fair Value Measurement Using Level 1	Level 2	Level 3
Assets:				
Derivatives designated as hedging instruments:				
Foreign currency forward contracts	\$ 70		70	
Liabilities:				
Derivatives designated as hedging instruments:				
Interest rate swaps	\$ (2,494)		\$ (2,494)	
Derivatives not designated as hedging instruments:				
Foreign currency forward contracts	(27)		(27)	
Total liabilities	\$ (2,521)	\$	\$ (2,521)	\$

At March 31, 2013, the Company carried the following financial liabilities at fair value:

	Fair Value at March 31, 2013	Fair Value Measurement Using Level 1	Level 2	Level 3
Liabilities:				
Derivatives designated as hedging instruments:				
Interest rate swaps	\$ (3,465)		\$ (3,465)	
Foreign currency forward contracts	(73)		(73)	
Total liabilities	\$ (3,538)	\$	\$ (3,538)	\$

The Company values interest rate Swaps using proprietary pricing models based on well recognized financial principles and available market data. The Company values foreign currency forward contracts by using spot rates at the date of valuation.

Other Fair Value Measurements

Fair value measurements of nonfinancial assets and nonfinancial liabilities are primarily used in goodwill, other intangible assets and long-lived assets impairment analyses, the valuation of acquired intangibles and in the valuation of assets held for sale. The Company tests goodwill for impairment annually, as of the last day of February of each fiscal year. Impairment is also tested when events or changes in circumstances indicate that the assets' carrying values may be greater than the fair values. As of September 30, 2013, circumstances do not indicate that the assets' carrying values may be greater than fair values. If we continue to lose sales in Latin America due to market conditions and experience operational inefficiencies, the related assets' carrying values may be impacted and further analysis may be necessary in future quarters. In fiscal years 2014, through September 30, 2013, and 2013, the Company did not adjust goodwill or intangible assets to their fair values as a result of any impairment analyses. Goodwill and intangible assets are valued using Level 3 inputs.

As part of the recent acquisitions, the Company acquired presses that were appraised and adjusted to their fair value as part of the purchase price accounting. See Note 9 for further information regarding the acquisitions. The carrying value of cash and equivalents, accounts receivable, accounts payable and debt approximate fair value. The fair value of long-term debt is based on observable inputs, including quoted market prices for similar instruments (Level 2).

11. Accumulated Other Comprehensive Income

The components of the Company's accumulated other comprehensive income (loss) consisted of the following:

	September 30, 2013	March 31, 2013
Net unrealized foreign currency translation adjustments	\$ (1,792)	\$ 5,073
Net unrealized loss on interest rate swaps, net of tax	(1,523)	(2,121)
Minimum pension liability, net of tax	(468)	(468)
Accumulated other comprehensive income (loss)	\$ (3,783)	\$ 2,484

No material amounts were reclassified out of accumulated other comprehensive income (loss) into net income during the three and six months ended September 30, 2013.

Table of Contents**12. Goodwill and Intangible Assets**

Below is a roll-forward of the Company's goodwill:

Balance at March 31, 2013	\$ 347,671
Acquisitions	21,097
Currency translation	(6,670)
Balance at September 30, 2013	\$ 362,098

The Company's intangible assets consisted of the following:

	Balance at cost at March 31, 2013	Acquisitions	Foreign Exchange	Intangibles at Cost	Accumulated Amortization	Net Intangibles at September 30, 2013
Customer relationships	\$ 136,321	\$ 6,255	\$ (414)	\$ 142,162	\$ (25,464)	\$ 116,698
Technologies	1,598		(33)	1,565	(1,252)	313
Trademarks	1,012		6	1,018	(937)	81
Licensing intangible	2,408		52	2,460	(1,591)	869
Non-compete agreements	214	784	(76)	922	(134)	788
Total	\$ 141,553	\$ 7,039	\$ (465)	\$ 148,127	\$ (29,378)	\$ 118,749

The amortization expense of intangible assets for the three months ended September 30, 2013 and 2012 was \$2,406 and \$2,563, respectively. The amortization expense of intangible assets for the six months ended September 30, 2013 and 2012 was \$4,610 and \$4,821, respectively.

13. Facility Closures

In January 2012, the Company announced plans to consolidate its manufacturing facility located in Kansas City, Missouri into our other existing facilities. In connection with the consolidation of the Kansas City facility, the Company incurred charges of \$855 in fiscal 2013 (\$573 and \$282 in the three months ended June 30, 2012 and September 30, 2012, respectively) primarily for employee severance and other termination benefits, non-cash charges related to asset impairments and relocation and other costs. The transition from the Kansas City facility has been completed, and all related employee severance and other termination benefits have been paid. In September 2012, the Kansas City facility was sold for net proceeds of \$625.

In the third quarter of fiscal 2013, the Company consolidated the two operations located in Montreal, Canada into one manufacturing facility. The Company incurred charges of \$676 in fiscal 2013 (\$178 and \$498 in the three months ended September 30, 2012 and December 31, 2012, respectively) related to fixed asset write-offs and relocation costs in conjunction with the plant consolidation.

14. Geographic Information

On August 1, 2013, the Company acquired Flexo Print in Guadalajara, Mexico. On April 2, 2013, the Company acquired Labelmakers Wine Division in Adelaide, Australia and Imprimerie Champenoise in the Champagne region of France. On April 2, 2012, the Company acquired Labelgraphics in Glasgow, Scotland. All of these acquisitions expanded the Company's geographic presence. For further information regarding these acquisitions, see Note 9 to the Company's condensed consolidated financial statements. The Company now manufactures labels in the United States, Australia, South Africa, France, Italy, Poland, Scotland, China, Canada, Chile, Argentina and Mexico. Net revenues, based on the geographic area from which the product is shipped, for the three and six months ended September 30, 2013 and 2012 and long-lived assets by geographic area as of September 30, 2013 and March 31, 2013 were as follows:

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	Three Months Ended September 30, 2013		September 30, 2012		Six Months Ended September 30, 2013		September 30, 2012	
Net revenues:								
United States	\$ 112,089	\$	111,030		\$ 221,015	\$	218,299	
Australia	17,964		18,284		35,257		33,125	
Italy	14,835		14,757		29,212		30,166	
Other International	31,747		25,799		57,994		53,290	
Total	\$ 176,635	\$	169,870		\$ 343,478	\$	334,880	

	September 30, 2013		March 31, 2013	
Long-lived assets:				
United States	\$	348,195	\$	346,274
Australia		102,968		111,711
Italy		61,547		58,815
Other International		170,510		131,539
Total	\$	683,220	\$	648,339

15. Commitments and Contingencies**Litigation**

The Company is a party in a case styled DLJ South American Partners, L.P. (DLJ) v. Multi-Color Corporation, et al., Case No. C.A. No. 7417-CS which is pending in the Delaware Court of Chancery. In a complaint filed on April 13, 2012, DLJ alleges that the Company failed to make certain payments required by the Merger and Stock Purchase Agreement (the Merger Agreement) entered into by the Company with Adhesion Holdings, Inc., a Delaware corporation, DLJ, and Diamond Castle Partners IV, L.P., a Delaware limited partnership, (Diamond Castle), pursuant to which the Company acquired York Label Group. Ari J. Benacerraf and Simon T. Roberts, who are affiliated with Diamond Castle, are current members of the Company's Board of Directors.

DLJ seeks the payment of \$6,939 and interest, legal fees and other equitable relief that the Company is unable to reasonably estimate at this time. On May 18, 2012, the Company filed an answer, counterclaim and third party complaint asserting various causes of action against DLJ, Diamond Castle and affiliated entities arising out of their breaches of the Merger Agreement and other actions. This matter has been scheduled for trial in February 2015.

The Company is also subject to various legal claims and contingencies that arise out of the normal course of business, including claims related to commercial transactions, product liability, health and safety, taxes, environmental, employee-related matters and other matters. Litigation is subject to numerous uncertainties and the outcome of individual claims and contingencies is not predictable. It is possible that some legal matters for which reserves have not been established could result in an unfavorable outcome for the Company and any such unfavorable outcome could have a material adverse effect on our financial condition, results of operations and cash flows.

16. Supplemental Cash Flow Disclosures

Supplemental disclosures with respect to cash flow information and non-cash investing and financing activities are as follows:

	Six Months Ended	
	September 30, 2011	September 30, 2012
Supplemental Disclosures of Cash Flow Information:		
Interest paid	\$ 9,500	\$ 9,766
Income taxes paid, net of refunds	3,942	6,576
Supplemental Disclosures of Non-Cash Activities:		
Change in interest rate swap fair value	\$ 971	\$ (2,431)
Business combinations accounted for as a purchase:		
Assets acquired (excluding cash)	\$ 58,345	\$ 35,970
Liabilities assumed	(19,564)	(11,381)
Liabilities for deferred payments	(2,713)	(8,610)
Net cash paid	\$ 36,068	\$ 15,979

Table of Contents**17. Subsequent Events**

On September 24, 2013, the Company announced that it has entered into agreements to acquire 100% of John Watson & Company Limited, a wet glue spirit label producer based in Glasgow, Scotland, and Gern & Cie SA, a premier wine label producer based in Neuchatel, Switzerland. Both acquisitions were completed on October 1, 2013.

On October 16, 2013, the Company announced plans to consolidate our manufacturing facility located in El Dorado Hills, California, into the Napa, California facility. The transition will begin immediately and is expected to be complete by the end of fiscal 2014. In connection with the closures of the El Dorado Hills facility, the Company expects to record charges of \$1,000 to \$1,500 in the third and fourth quarters of fiscal 2014 for employee severance and other termination benefits and relocation and other costs.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Information included in this Quarterly Report on Form 10-Q contains certain forward-looking statements that involve potential risks and uncertainties. Multi-Color Corporation'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, 2013 (the "2013 10-K"). 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.

Refer to "Forward-Looking Statements" following the index in this Form 10-Q. In the discussion that follows, all amounts are in thousands (both tables and text), except per share data and percentages.

Following is a discussion and analysis of the financial statements and other statistical data that management believes will enhance the understanding of the company's financial condition and results of operations:

Executive Overview

We are a leader in global label solutions supporting a number of the world's most prominent brands including leading producers of home & personal care, wine & spirit, food & beverage, healthcare and specialty consumer products. MCC serves international brand owners in North, Central and South America, Europe, Australia, New Zealand, South Africa and China with a comprehensive range of the latest label technologies in Pressure Sensitive, Glue-Applied (Cut and Stack), In-Mold, Shrink Sleeve and Heat Transfer.

Results of Operations**Three Months Ended September 30, 2013 compared to the Three Months Ended September 30, 2012:****Net Revenues**

	2013	2012	\$ Change	% Change
Net Revenues	\$ 176,635	\$ 169,870	\$ 6,765	4%

Net revenues increased 4% to \$176,635 from \$169,870 compared to the three months ended September 30, 2012. Net revenues increased 4% or \$7,500 due to acquisitions occurring during fiscal 2014. Volume increases in North

America accounted for a 2% increase in net revenues for the quarter, offset by a 1% decrease due to pricing/sales mix and a 1% decrease due to the unfavorable impact of foreign exchange rates driven by depreciation in the Australian dollar.

Cost of Revenues and Gross Profit

	2013	2012	\$ Change	% Change
Cost of Revenues	\$ 143,138	\$ 139,434	\$ 3,704	3%
% of Net Revenues	81%	82%		
Gross Profit	\$ 33,497	\$ 30,436	\$ 3,061	10%
% of Net Revenues	19%	18%		

Cost of revenues increased 3% or \$3,704 compared to the prior year quarter due primarily to acquisitions occurring during fiscal 2014.

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Gross profit increased 10% or \$3,061 compared to the prior year quarter, and gross profit as a percentage of net revenues increased from 18% in the prior year quarter to 19% in the current quarter due to productivity gains in North America for the current quarter compared to the prior year quarter.

Selling, General and Administrative Expenses

	2013	2012	\$ Change	% Change
Selling, General and Administrative Expenses	\$ 13,425	\$ 13,443	\$ (18)	0%
% of Net Revenues	8%	8%		

Selling, general and administrative (SG&A) expenses decreased \$18 compared to the prior year quarter, remaining flat as a percentage of net revenues for both quarters at 8%. In the current quarter, the Company incurred \$300 of acquisition expenses and \$117 of expenses related to the integration of the Labelmakers Wine Division in Australia. In the prior year quarter, the Company incurred \$460 in costs related to the consolidation of the Kansas City, Missouri and Montreal, Canada facilities into our other existing facilities and \$488 in integration expenses related to the York acquisition.

Interest Expense and Other (Income) Expense, Net

	2013	2012	\$ Change	% Change
Interest Expense	\$ 5,366	\$ 5,598	\$ (232)	(4%)
Other (Income) Expense, net	\$ 42	\$ (535)	\$ 577	108%

Interest expense decreased by \$232 compared to the prior year quarter due primarily to lower interest rates in the current quarter. The Company had \$428,731 of debt outstanding at September 30, 2013 compared to \$427,092 outstanding at September 30, 2012.

Income Tax Expense

	2013	2012	\$ Change	% Change
Income Tax Expense	\$ 5,046	\$ 4,560	\$ 486	11%

Our effective tax rate decreased from 38% in the three months ended September 30, 2012 to 34% in the three months ended September 30, 2013 due primarily to discrete tax benefits in the current quarter related to tax law changes in foreign jurisdictions. The Company expects its annual effective tax rate to be approximately 35% in fiscal year 2014.

Six Months Ended September 30, 2013 compared to the Six Months Ended September 30, 2012:**Net Revenues**

	2013	2012	\$ Change	% Change
Net Revenues	\$ 343,478	\$ 334,880	\$ 8,598	3%

Net revenues increased 3% to \$343,478 from \$334,880 compared to the six months ended September 30, 2012. Acquisitions occurring during fiscal 2014 accounted for 3% or \$8,500 of the increase. Higher North American sales volumes accounted for 3% of the increase, offset by a 2% decrease due to pricing/sales mix and a 1% decrease due to the unfavorable impact of foreign exchange rates primarily driven by depreciation in the Australian dollar.

Table of Contents**Cost of Revenues and Gross Profit**

	2013	2012	\$ Change	% Change
Cost of Revenues	\$ 279,549	\$ 273,521	\$ 6,028	2%
% of Net Revenues	81%	82%		
Gross Profit	\$ 63,929	\$ 61,359	\$ 2,570	4%
% of Net Revenues	19%	18%		

Cost of revenues increased 2% or \$6,028 compared to the prior year due primarily to acquisitions occurring during fiscal 2014 and unusually high costs related to press transfers and installations and charges for inventory write-offs. The cost of revenues in the prior year was impacted by a one-time charge of \$458 related to the step-up of finished goods and work-in-process inventory in the purchase price accounting for Labelgraphics.

Gross profit increased 4% or \$2,570 compared to the prior year, and gross profit as a percentage of net revenues increased from 18% in the prior year to 19% in the six months ended September 30, 2013 due primarily to productivity gains in the North America.

Selling, General and Administrative Expenses

	2013	2012	\$ Change	% Change
Selling, General and Administrative Expenses	\$ 27,758	\$ 27,095	\$ 663	2%
% of Net Revenues	8%	8%		

Selling, general and administrative (SG&A) expenses increased \$663 compared to the prior year, but remained flat as a percentage of net revenues at 8% in both periods. In the current six month period, the Company incurred \$1,116 of expenses related to the integration of the Labelmakers Wine Division in Australia, as well as acquisition expenses of \$682. In the prior year six month period, the Company incurred \$1,033 in costs related to the consolidation of the Kansas City, Missouri and Montreal, Canada facilities into our other existing facilities, \$760 in integration expenses related to the York acquisition and \$128 in acquisition related expenses.

Interest Expense and Other (Income) Expense, Net

	2013	2012	\$ Change	% Change
Interest Expense	\$ 10,542	\$ 11,163	\$ (621)	(6%)
Other (Income) Expense, net	\$ 428	\$ (636)	\$ 1,064	167%

Interest expense decreased by \$621 compared to the prior year due primarily to lower interest rates in the current period. The Company had \$428,731 of debt outstanding at September 30, 2013 compared to \$427,092 outstanding at September 30, 2012.

Income Tax Expense

	2013	2012	\$ Change	% Change
Income Tax Expense	\$ 8,911	\$ 8,471	\$ 440	5%

Our effective tax rate decreased from 36% in the six months ended September 30, 2012 to 35% in the six months ended September 30, 2013 due primarily to discrete tax benefits in the current year related to tax law changes in foreign jurisdictions partially offset by a shift in the geographical mix of forecasted worldwide earnings and a reduction to the tax benefit associated with certain permanent tax deductions in foreign jurisdictions during the current year. The Company expects its annual effective tax rate to be approximately 35% in fiscal year 2014.

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Liquidity and Capital Resources

Comparative Cash Flow Analysis

Through the six months ended September 30, 2013, net cash provided by operating activities was \$34,839 compared to \$27,025 in the same period of the prior year. The cash provided by operating activities came from net income adjusted primarily for non-cash expenses of depreciation and amortization, stock-based compensation expense and changes in deferred taxes and working capital. The increase in cash provided by operating activities in the six months ended September 30, 2013, compared to the same period of the prior year, of \$7,814 was due primarily to an increase in cash generated from earnings and changes in deferred taxes and working capital. Changes in cash from working capital used in operating activities was \$4,565 and \$11,133 in the six months ended September 30, 2013 and 2012, respectively.

Through the six months ended September 30, 2013, net cash used in investing activities was \$54,825 compared to \$25,347 in the same period of the prior year. Investing activities in the current year include capital expenditures of \$18,896 and investments in acquisitions of \$36,068. Cash used in investing activities in the prior year period included capital expenditures of \$11,046 and cash used for the acquisition of Labelgraphics of \$15,979.

Capital expenditures of \$18,896 and \$11,046 in the six months ended September 30, 2013 and 2012, respectively, were funded primarily from cash flows from operations. Capital expenditures in the six months ended September 30, 2013 were related primarily to the purchase of new presses. The projected amount of capital expenditures for fiscal year 2014 is \$30,000.

Through the six months ended September 30, 2013, net cash provided by financing activities was \$25,865 compared to \$3,567 in the same period of the prior year. During the six months ended September 30, 2013, we had net debt additions of \$24,925, proceeds from issuance of common stock of \$2,397 and dividends paid were \$1,631 compared to net debt additions of \$24,371, proceeds from issuance of common stock of \$206 and dividends paid of \$1,615 in the same period of the prior year. Financing activities include net debt additions to finance the acquisition of Flexo Print in the second quarter of fiscal 2014 and Labelgraphics in the first quarter of fiscal 2013. Net cash provided by financing activities for the six months ended September 30, 2012 includes deferred payments related to the Labelgraphics acquisition of \$5,049 and the York acquisition of \$14,380, which the Company paid on July 2, 2012 and April 1, 2012, respectively.

Capital Resources

On February 29, 2008, the Company executed a five year \$200,000 credit agreement with a consortium of bank lenders (Credit Facility) with an original expiration date in 2013. As a result of the first through fifth amendments, which were executed in fiscal 2011 through fiscal 2013, the following current provisions are in place for the Credit Facility. The expiration date is August 2016. The Credit Facility contains an election to increase the facility by up to an additional \$100,000, subject to agreement by one or more lenders to increase its commitment.

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 at September 30, 2013: (i) a minimum consolidated net worth; (ii) a maximum consolidated leverage ratio of 4.25 to 1.00 and (iii) a minimum consolidated interest charge coverage ratio of 4.00 to 1.00. The maximum consolidated leverage ratio has scheduled step downs to 3.50 to 1.00 in future periods. 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, but excluding real property. The Company is in compliance with all

covenants under the Credit Facility as of September 30, 2013.

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 bear interest either at: (i) base rate (as defined in the credit agreement) plus the applicable margin for such loans which ranges from 1.00% to 2.50%; or (ii) the applicable London interbank offered rate, plus the applicable margin for such loans which ranges from 2.00% to 3.50% based on the Company's leverage ratio at the time of the borrowing. Loans under the Australian Sub-Facility bear interest at the BBSY Rate plus the applicable margin for such loans, which ranges from 2.00% to 3.50% based on the Company's leverage ratio at the time of the borrowing.

At September 30, 2013, the aggregate commitment amount of \$471,125 under the Credit Facility is comprised of the following: (i) a \$130,000 revolving Credit Facility that allows the Company to borrow in alternative currencies up to the equivalent of \$50,000 (U.S. Revolving Credit Facility); (ii) the Australian dollar equivalent of a \$40,000 revolving Credit Facility (Australian Sub-Facility); and (iii) a \$301,125 term loan facility (Term Loan Facility) which amortizes quarterly based on an escalating percentage of the initial aggregate value of the Term Loan Facility. The Term Loan Facility amortizes quarterly based on the following schedule: (i) September 30, 2013 through December 31, 2013 amortization of \$4,125, (ii) March 31, 2014 through December 31, 2015 amortization of \$8,250 and (iii) March 31, 2016 through June 30, 2016 amortization of \$12,375, with the balance due at maturity.

The Company incurred \$8,562 of debt issuance costs in fiscal 2012 related to the debt modification, which are being deferred and amortized over the life of the amended Credit Facility. In conjunction with the modification to our debt in the third amendment to the Credit Facility, we analyzed the new loan costs related to the amended Credit Facility and the existing unamortized loan costs related to the prior agreement allocated to the revolving line of credit, prior term loan and amended term loan separately to determine the amount of costs to be capitalized and the amount to be expensed. As a result of the analysis, the Company recorded a charge to interest expense of \$490 in fiscal 2012 to write-off certain deferred financing fees, which were paid to originate the prior agreement, including the unamortized portion of the loan costs allocated to creditors no longer participating in the amended Credit Facility. The unamortized portion of loan costs allocated to creditors participating in both the original and amended Credit Facility are being amortized over the term of the modified agreement.

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The Company recorded \$495 and \$494 in interest expense for the three months ended September 30, 2013 and 2012, respectively, in the condensed consolidated statements of income to amortize deferred financing costs. The Company recorded \$989 in interest expense for the six months ended September 30, 2013 and 2012, respectively, in the condensed consolidated statements of income to amortize deferred financing costs.

Available borrowings under the Credit Facility at September 30, 2013 consisted of \$43,202 under the U.S. Revolving Credit Facility and \$6,538 under the Australian Sub-Facility. The Company also has various other uncommitted lines of credit available at September 30, 2013 in the amount of \$10,003.

We believe that we have both sufficient short and long-term liquidity and financing at this time. We had a working capital position of \$76,129 and \$68,107 at September 30, 2013 and March 31, 2013, 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 the Company's contractual obligations as of September 30, 2013:

	Total	Year 1	Year 2	Year 3	Year 4	Year 5	More than 5 years
Long-term debt	\$ 426,955	\$ 31,381	\$ 34,603	\$ 360,053	\$ 668	\$ 229	\$ 21
Capital leases	1,776	1,192	527	57			
Interest on long-term debt (1)	53,991	19,847	18,302	15,796	34	11	1
Rent due under operating leases	60,627	11,221	9,936	7,981	6,130	5,080	20,279
Unconditional purchase obligations	1,880	1,880					
Pension and post retirement obligations	1,064	13	42	65	78	90	776
Unrecognized tax benefits (2)							
Deferred purchase price	15,062	10,889		4,173			
Total contractual obligations	\$ 561,355	\$ 76,423	\$ 63,410	\$ 388,125	\$ 6,910	\$ 5,410	\$ 21,077

(1) Interest on floating rate debt was estimated using projected forward LIBOR and BBSY rates as of September 30, 2013.

(2) The table excludes \$6,410 of liabilities related to unrecognized tax benefits as the timing and extent of such payments are not determinable.

Recent Acquisitions

On August 1, 2013, the Company acquired 100% of Flexo Print, based in Guadalajara, Mexico, for \$31,847 plus net debt assumed of \$2,184. Flexo Print is a leading producer of home & personal care, food & beverage, wine & spirit and pharmaceutical labels in Latin America.

On April 2, 2013, the Company completed acquisitions in Australia and France for \$7,495. In Adelaide, Australia, MCC acquired Labelmakers Wine Division. In the Champagne region of France, MCC acquired Imprimerie

Champenoise, which increases our ability to support local champagne producers in the region.

On April 2, 2012, the Company acquired Labelgraphics, a wine & spirit label specialist located in Glasgow, Scotland, for \$24,634 plus net debt assumed of \$712. The purchase price includes a future performance based earn out of approximately 15% of the above total which will be paid out in July 2014 assuming certain financial targets are met. The acquisition expanded MCC's global presence in the wine & spirit label market, particularly in the United Kingdom.

On October 3, 2011, the Company acquired York, including its joint venture in Santiago, Chile, for \$329,204 plus net debt assumed of \$9,870. York, which was headquartered in Omaha, Nebraska, is a leader in the home & personal care, food & beverage and wine & spirit label markets with manufacturing facilities in the U.S., Canada and Chile. The acquisition strengthened Multi-Color's presence in its core markets through the combination of the Company's existing customer relationships with York's customer base.

The Company plans to leverage York's strength in pressure sensitive label technologies to expand into new market segments. In addition, Multi-Color can offer all label technologies including IML, Heat Transfer and Shrink Sleeve to York's customers. The combined entities of Multi-Color and York anticipate opportunities to leverage raw material purchases and streamline suppliers.

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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.

Our critical accounting policies and estimates are discussed in the Critical Accounting Policies and Estimates section of Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of our 2013 10-K. In addition, our significant accounting policies are discussed in Note 2 of the Notes to Consolidated Financial Statements included in our 2013 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company has no material changes to the disclosures made in the Company's Annual Report on Form 10-K for the year ended March 31, 2013.

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, 2013.

During the quarter ended September 30, 2013, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, MCC's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Refer to Note 15 in this Form 10-Q for update on legal proceedings.

Item 1A. Risk Factors

The Company had no material changes to the Risk Factors disclosed in the Company's Annual Report on Form 10-K for the year ended March 31, 2013.

Item 6. Exhibits

31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification by the Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification by the Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURES

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

Multi-Color Corporation
(Registrant)

Date: November 12, 2013

By: /s/ Sharon E. Birkett
Sharon E. Birkett
Vice President, Chief Financial
and Accounting Officer, Secretary