

W R GRACE & CO
Form 10-Q
November 08, 2018

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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, 2018

or

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

Commission File Number 1-13953

W. R. GRACE & CO.

(Exact name of registrant as specified in its charter)

Delaware

65-0773649

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

7500 Grace Drive, Columbia, Maryland 21044-4098

(Address of principal executive offices) (Zip code)

(410) 531-4000

(Registrant's telephone number, including area code)

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 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

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

Class

Outstanding at October 31, 2018

Common Stock, \$0.01 par value per share 66,989,580 shares

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The Financial Accounting Standards Board® is referred to in this Report as the “FASB.” The FASB issues, among other things, the FASB Accounting Standards Codification® (“ASC”) and Accounting Standards Updates (“ASU”). The U.S. Internal Revenue Service is referred to in this Report as the “IRS.”

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Review by Independent Registered Public Accounting Firm

With respect to the interim consolidated financial statements included in this Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm, has applied limited procedures in accordance with professional auditing standards for a review of such information. Their report on the interim consolidated financial statements, which follows, states that they did not audit and they do not express an opinion on the unaudited interim consolidated financial statements. Accordingly, the degree of reliance on their report on the unaudited interim consolidated financial statements should be restricted in light of the limited nature of the review procedures applied. This report is not considered a "report" within the meaning of Sections 7 and 11 of the Securities Act of 1933, and, therefore, the independent accountants' liability under Section 11 does not extend to it.

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Report of Independent Registered Public Accounting Firm
To the Shareholders and Board of Directors of W. R. Grace & Co.:

Results of Review of Financial Statements

We have reviewed the accompanying consolidated balance sheet of W. R. Grace & Co. and its subsidiaries (“the Company”) as of September 30, 2018, and the related consolidated statements of operations and comprehensive income (loss) for the three-month and nine-month periods ended September 30, 2018 and 2017 and the consolidated statements of equity and of cash flows for the nine-month periods ended September 30, 2018 and 2017, including the related notes (collectively referred to as the “interim financial statements”). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2017, and the related consolidated statements of operations, of comprehensive income, of equity, and of cash flows for the year then ended (not presented herein), and in our report dated February 22, 2018, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2017, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These interim financial statements are the responsibility of the Company’s management. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ PricewaterhouseCoopers LLP
Baltimore, Maryland
November 8, 2018

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Consolidated Statements of Operations (unaudited)

| (In millions, except per share amounts) | Three Months Ended | | Nine Months Ended | |
|---|--------------------|---------|-------------------|-----------|
| | September 30, | | September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| Net sales | \$494.9 | \$429.5 | \$1,412.1 | \$1,257.0 |
| Cost of goods sold | 292.7 | 258.2 | 841.7 | 765.3 |
| Gross profit | 202.2 | 171.3 | 570.4 | 491.7 |
| Selling, general and administrative expenses | 75.6 | 69.3 | 227.1 | 204.1 |
| Research and development expenses | 15.7 | 14.0 | 46.5 | 41.5 |
| Provision for environmental remediation, net | 72.7 | 6.4 | 73.3 | 19.6 |
| Equity in earnings of unconsolidated affiliate | (5.9) | (4.8) | (19.5) | (17.9) |
| Restructuring and repositioning expenses | 8.4 | 9.3 | 32.8 | 17.0 |
| Interest expense and related financing costs | 20.4 | 20.1 | 59.6 | 59.7 |
| Other (income) expense, net | (1.3) | (1.7) | 2.2 | (15.0) |
| Total costs and expenses | 185.6 | 112.6 | 422.0 | 309.0 |
| Income (loss) before income taxes | 16.6 | 58.7 | 148.4 | 182.7 |
| (Provision for) benefit from income taxes | (0.7) | (11.6) | (50.5) | (49.2) |
| Net income (loss) | 15.9 | 47.1 | 97.9 | 133.5 |
| Less: Net (income) loss attributable to noncontrolling interests | 0.2 | 0.3 | 0.6 | 0.7 |
| Net income (loss) attributable to W. R. Grace & Co. shareholders | \$16.1 | \$47.4 | \$98.5 | \$134.2 |
| Earnings Per Share Attributable to W. R. Grace & Co. Shareholders | | | | |
| Basic earnings per share: | | | | |
| Net income (loss) | \$0.24 | \$0.70 | \$1.46 | |