

CALGON CARBON Corp  
Form 10-Q  
May 08, 2014  
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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 March 31, 2014**

**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: 1-10776**

**CALGON CARBON CORPORATION**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**25-0530110**  
(I.R.S. Employer  
Identification No.)

**P.O. Box 717, Pittsburgh, PA**  
(Address of principal executive offices)

**15230-0717**  
(Zip Code)

**(412) 787-6700**

(Registrant's telephone number, including area code)

**None**

(Former name, former address and former fiscal year, if changed since last report)

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 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.

Large accelerated filer

Accelerated filer

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

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 issuer's classes of common stock, as of the latest practicable date.

**Class**  
Common Stock, \$.01 par value per share

**Outstanding at May 1, 2014**  
53,277,286 shares



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CALGON CARBON CORPORATION

QUARTERLY REPORT ON FORM 10-Q

QUARTER ENDED March 31, 2014

This Quarterly Report on Form 10-Q contains historical information and forward-looking statements. Forward-looking statements typically contain words such as expects, believes, estimates, anticipates, or similar words indicating that future outcomes are uncertain. Statements looking forward in time, including statements regarding future growth and profitability, price increases, cost savings, broader product lines, enhanced competitive posture and acquisitions, are included in this Quarterly Report on Form 10-Q and in the Company's most recent Annual Report on Form 10-K pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve known and unknown risks and uncertainties that may cause Calgon Carbon Corporation's (the Company) actual results in future periods to be materially different from any future performance suggested herein. Further, the Company operates in an industry sector where securities values may be volatile and may be influenced by economic and other factors beyond the Company's control. Some of the factors that could affect future performance of the Company are changes in, or delays in the implementation of, regulations that cause a market for our products, acquisitions, higher energy and raw material costs, costs of imports and related tariffs, labor relations, availability of capital, and environmental requirements as they relate both to our operations and our customers, changes in foreign currency exchange rates, borrowing restrictions, validity of patents and other intellectual property, and pension costs. In the context of the forward-looking information provided in this Quarterly Report on Form 10-Q and in other reports, please refer to the discussions of risk factors and other information detailed in, as well as the other information contained in the Company's most recent Annual Report. Any forward-looking statement speaks only as of the date on which such statement is made and the Company does not intend to correct or update any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by the Federal securities laws of the United States.

In reviewing any agreements incorporated by reference in this Form 10-Q, please remember such agreements are included to provide information regarding the terms of such agreements and are not intended to provide any other factual or disclosure information about the Company. The agreements may contain representations and warranties by the Company, which should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties should those statements prove to be inaccurate. The representation and warranties were made only as of the date of the relevant agreement or such other date or dates as may be specified in such agreement and are subject to more recent developments. Accordingly, these representations and warranties alone may not describe the actual state of affairs as of the date they were made or at any other time.

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**PART I CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

Item 1. Condensed Consolidated Financial Statements

**INTRODUCTION TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The unaudited interim condensed consolidated financial statements included herein have been prepared by Calgon Carbon Corporation and subsidiaries (the Company), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in audited annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. Management of the Company believes that the disclosures included herein are adequate to make the information presented not misleading when read in conjunction with the Company's audited consolidated financial statements and the notes included therein for the year ended December 31, 2013, as filed with the Securities and Exchange Commission by the Company on Annual Report on Form 10-K.

In management's opinion, the unaudited interim condensed consolidated financial statements reflect all adjustments, which are of a normal and recurring nature, and which are necessary for a fair presentation, in all material respects, of financial results for the interim periods presented. Operating results for the first three months of 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

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## CALGON CARBON CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in Thousands except Per Share Data)

(Unaudited)

	Three Months Ended March 31,	
	2014	2013
Net sales	\$ 131,632	\$ 135,040
Cost of products sold (excluding depreciation and amortization)	87,463	92,415
Depreciation and amortization	7,029	6,747
Selling, general and administrative expenses	20,064	19,526
Research and development expenses	1,578	1,402
Restructuring	(103)	(24)
	116,031	120,066
Income from operations	15,601	14,974
Interest income	10	124
Interest expense	(109)	(177)
Other expense net	(546)	(828)
Income before income tax provision	14,956	14,093
Income tax provision	5,147	4,279
Net income	9,809	9,814
Other comprehensive income (loss), net of tax (Note 9)		
Foreign currency translation	124	(6,288)
Derivatives	(206)	574
Employee benefit plans	202	(378)
Total other comprehensive income (loss)	120	(6,092)
Total comprehensive income	\$ 9,929	\$ 3,722
Net income per common share		
Basic	\$ 0.18	\$ 0.18
Diluted	\$ 0.18	\$ 0.18
Weighted average shares outstanding		
Basic	53,608,465	53,620,349
Diluted	54,525,367	54,200,210

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.





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## CALGON CARBON CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands except Per Share Data)

(Unaudited)

	March 31, 2014	December 31, 2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 36,215	\$ 32,942
Receivables (net of allowance of \$1,347 and \$1,328)	100,349	96,996
Revenue recognized in excess of billings on uncompleted contracts	7,401	8,090
Inventories	108,621	109,517
Deferred income taxes current	18,280	20,787
Other current assets	14,679	13,118
Total current assets	285,545	281,450
Property, plant and equipment, net	266,949	266,849
Intangibles, net	5,917	5,602
Goodwill	26,523	26,552
Deferred income taxes long-term	3,850	3,791
Other assets	5,412	5,834
Total assets	\$ 594,196	\$ 590,078
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 55,057	\$ 57,213
Restructuring reserve	385	535
Billings in excess of revenue recognized on uncompleted contracts	5,247	5,406
Payroll and benefits payable	10,362	14,144
Accrued income taxes	2,113	2,726
Short-term debt	3,612	2,172
Total current liabilities	76,776	82,196
Long-term debt	52,043	32,114
Deferred income taxes long-term	30,980	30,902
Accrued pension and other liabilities	27,373	28,361
Total liabilities	187,172	173,573
Commitments and contingencies (Note 12)		
Shareholders equity:		
Common shares, \$.01 par value, 100,000,000 shares authorized, 57,346,877 and 57,232,050 shares issued	573	572
Additional paid-in capital	172,139	170,320
Retained earnings	326,033	316,224
Accumulated other comprehensive loss	(1,020)	(1,140)
	497,725	485,976

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Treasury stock, at cost, 7,266,916 and 6,242,326 shares	(90,701)	(69,471)
Total shareholders' equity	407,024	416,505
Total liabilities and shareholders' equity	\$ 594,196	\$ 590,078

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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## CALGON CARBON CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

(Unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b><u>Cash flows from operating activities</u></b>		
Net income	\$ 9,809	\$ 9,814
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,029	6,747
Employee benefit plan provisions	18	876
Stock-based compensation	721	946
Deferred income tax expense	2,535	740
Restructuring	(103)	(24)
Restructuring cash payments	(47)	(2,616)
Changes in assets and liabilities-net of effects from foreign exchange:		
Increase in receivables	(3,038)	(13,361)
Decrease (increase) in inventories	1,271	(1,588)
(Increase) decrease in revenue in excess of billings on uncompleted contracts and other current assets	(1,393)	5,300
Decrease in accounts payable and accrued liabilities	(5,557)	(9,845)
Pension contributions	(707)	(456)
Other items net	(316)	2,855
Net cash provided by (used in) operating activities	10,222	(612)
<b><u>Cash flows from investing activities</u></b>		
Proceeds from sale of business		642
Capital expenditures	(8,638)	(10,617)
Government grants received	1,254	1,693
Net cash used in investing activities	(7,384)	(8,282)
<b><u>Cash flows from financing activities</u></b>		
Japanese working capital loan borrowings short-term (Note 4)	1,955	
Japanese working capital loan repayments short-term (Note 4)	(488)	(1,090)
U.S. Revolving credit facility borrowings long term (Note 4)	31,950	28,200
U.S. Revolving credit facility repayments long term (Note 4)	(10,700)	(24,550)
Proceeds of debt obligations		173
Reductions of debt obligations	(1,527)	(901)
Treasury stock purchased	(21,230)	(339)
Common stock issued	959	1,572
Net cash provided by financing activities	919	3,065
Effect of exchange rate changes on cash and cash equivalents	(484)	2,222
Increase (decrease) in cash and cash equivalents	3,273	(3,607)
Cash and cash equivalents, beginning of period		