

CALGON CARBON CORPORATION  
Form 10-Q  
November 05, 2013  
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

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

**For the quarterly period ended September 30, 2013**

**OR**

**o 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 November 5, 2013**  
54,604,765 shares



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CALGON CARBON CORPORATION

FORM 10-Q

QUARTER ENDED September 30, 2013

This Quarterly Report on Form 10-Q contains historical information and forward-looking statements. Forward-looking statements typically contain words such as expect, 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, 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. Therefore, you should not unduly rely on any forward-looking statements contained 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, capital and environmental requirements, 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 on Form 10-K. 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 Quarterly Report on 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 representations 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, 2012, as filed with the Securities and Exchange Commission by the Company in its 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 nine months of 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

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## CALGON CARBON CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Dollars in Thousands except Per Share Data)

(Unaudited)

Net sales	\$	139,375	\$	135,467
	\$		\$	414,847
	\$		\$	420,478
Cost of products sold (excluding depreciation)		93,001		98,544
Depreciation and amortization		7,347		6,756
Selling, general and administrative expenses		19,362		23,874
Research and development expenses		1,614		1,941
Restructuring (Note 1)		(87)		7,958
Litigation and other contingencies		266		266
		121,503		139,073
Income (loss) from operations		17,872		(3,606)
				53,083
				25,149
Interest income		3		3
Interest expense		(122)		(4)
Other expense net		(395)		(1,042)
				(1,564)
				(1,806)
Income (loss) before income tax provision (benefit)		17,358		(4,649)
				51,230
				23,352
Income tax provision (benefit)		5,473		(196)
				16,561
				9,183
Net income (loss)		11,885		(4,453)
				34,669
				14,169
Other comprehensive income (loss), net of tax (Note 5)				
Foreign currency translation		4,551		3,797
Derivatives		(391)		(17)
Employee benefit plans		425		(39)
				1,759
				(1,071)
Comprehensive income (loss)	\$	16,470	\$	(712)
	\$		\$	35,629
	\$		\$	15,116
Net income (loss) per common share				
Basic	\$	0.22	\$	(0.08)
Diluted	\$	0.22	\$	(0.08)
	\$		\$	0.64
	\$		\$	0.25
Weighted average shares outstanding				
Basic		53,900,119		56,682,153
Diluted		54,763,796		57,197,419
				53,774,268
				56,611,496
				54,506,378
				57,170,842

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)

(Unaudited)

	September 30, 2013	December 31, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 29,977	\$ 18,161
Receivables (net of allowance of \$1,739 and \$1,362)	105,169	101,918
Revenue recognized in excess of billings on uncompleted contracts	10,056	14,680
Inventories	107,842	107,166
Deferred income taxes current	19,452	17,317
Other current assets	11,308	13,964
Total current assets	283,804	273,206
Property, plant and equipment, net	264,792	262,993
Intangibles, net	6,179	7,388
Goodwill	26,537	27,030
Deferred income taxes long-term	3,966	3,558
Other assets	2,788	3,594
Total assets	\$ 588,066	\$ 577,769
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 58,174	\$ 76,214
Restructuring reserve (Note 1)	551	3,226
Billings in excess of revenue recognized on uncompleted contracts	5,563	3,865
Payroll and benefits payable	12,362	10,114
Accrued income taxes	2,287	2,666
Short-term debt	270	19,565
Total current liabilities	79,207	115,650
Long-term debt	48,340	44,408
Deferred income taxes long-term	18,973	12,379
Accrued pension and other liabilities	48,922	54,035
Total liabilities	195,442	226,472
<b>Commitments and contingencies (Note 8)</b>		
<b>Shareholders' equity:</b>		
Common shares, \$.01 par value, 100,000,000 shares authorized, 56,837,072 and 56,450,632 shares issued	568	564
Additional paid-in capital	174,637	168,599
Retained earnings	305,180	270,511
Accumulated other comprehensive loss	(15,567)	(16,527)
	464,818	423,147

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Treasury stock, at cost, 6,435,860 and 6,415,176 shares	(72,194)	(71,850)
Total shareholders' equity	392,624	351,297
Total liabilities and shareholders' equity	\$ 588,066	\$ 577,769

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)

	Nine Months Ended September 30,	
	2013	2012
<u>Cash flows from operating activities</u>		
Net income	\$ 34,669	\$ 14,169
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,399	19,711
Employee benefit plan provisions	1,370	4,468
Stock-based compensation	2,391	2,057
Deferred income tax expense (benefit)	2,877	(1,474)
Restructuring (Note 1)	(129)	7,958
Restructuring cash payments (Note 1)	(3,124)	
Changes in assets and liabilities net of effects from foreign exchange:		
(Increase) decrease in receivables	(7,096)	5,657