

CALGON CARBON CORPORATION  
Form 10-Q  
May 08, 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 March 31, 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: 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 2, 2013**  
54,092,954 shares



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CALGON CARBON CORPORATION

QUARTERLY REPORT ON FORM 10-Q

QUARTER ENDED March 31, 2013

This Quarterly Report on Form 10-Q contains historical information and forward-looking statements. Forward-looking statements typically contain words such as expect, believe, estimate, anticipate, 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. Although our management considers these expectations to be reasonable they involve known and unknown risks and uncertainties that may cause the Company's 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 higher energy and raw material costs, costs of imports and related tariffs, labor relations, availability of capital, environmental requirements as they relate both to our operations and to 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 on Form 10-K. The forward-looking statements included in this Quarterly Report on Form 10-Q are based solely on information currently available to the Company and speak only as of the date of this report. We do not assume any obligation and do not intend to update any forward-looking statements, whether as a result of new information, future developments or otherwise, except as may be required by the securities laws, and we caution you not to rely on them unduly.

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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 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 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

(Dollars in Thousands Except Share and Per Share Data)

(Unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
Net sales	\$ 135,040	\$ 136,608
Cost of products sold (excluding depreciation)	92,415	93,826
Depreciation and amortization	6,747	6,513
Selling, general and administrative expenses	19,526	22,202
Research and development expenses	1,402	1,744
Restructuring (Note 1)	(24)	
Litigation and other contingencies		153
	120,066	124,438
Income from operations	14,974	12,170
Interest income	124	18
Interest expense	(177)	(25)
Other expense net	(828)	(251)
Income before income tax provision	14,093	11,912
Income tax provision	4,279	4,174
Net income	9,814	7,738
Other comprehensive income (loss), net of tax (Note 5)		
Foreign currency translation	(6,288)	1,994
Derivatives	574	127
Employee benefit plans	(378)	(558)
Comprehensive income	\$ 3,722	\$ 9,301
Net income per common share		
Basic	\$ 0.18	\$ 0.14
Diluted	\$ 0.18	\$ 0.14
Weighted average shares outstanding		
Basic	53,620,349	56,512,227
Diluted	54,200,210	57,124,459

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 Share and Per Share Data)

(Unaudited)

	March 31, 2013	December 31, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 14,554	\$ 18,161
Receivables (net of allowance of \$1,447 and \$1,362)	110,864	101,918
Revenue recognized in excess of billings on uncompleted contracts	11,143	14,680
Inventories	105,581	107,166
Deferred income taxes current	16,169	17,317
Other current assets	12,189	13,964
Total current assets	270,500	273,206
Property, plant and equipment, net	262,078	262,993
Intangibles, net	6,990	7,388
Goodwill	26,354	27,030
Deferred income taxes long-term	3,579	3,558
Other assets	3,396	3,594
Total assets	\$ 572,897	\$ 577,769
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 65,231	\$ 76,214
Restructuring reserve (Note 1)	1,164	3,226
Billings in excess of revenue recognized on uncompleted contracts	5,833	3,865
Payroll and benefits payable	9,259	10,114
Accrued income taxes	1,545	2,666
Short-term debt	16,107	19,565
Total current liabilities	99,139	115,650
Long-term debt	48,053	44,408
Deferred income taxes long-term	12,306	12,379
Accrued pension and other liabilities	56,050	54,035
Total liabilities	215,548	226,472
Commitments and contingencies (Note 8)		
Shareholders equity:		
Common shares, \$.01 par value, 100,000,000 shares authorized, 56,644,575 and 56,450,632 shares issued	566	564
Additional paid-in capital	171,266	168,599
Retained earnings	280,325	270,511
Accumulated other comprehensive loss	(22,619)	(16,527)
	429,538	423,147
Treasury stock, at cost, 6,435,765 and 6,415,176 shares	(72,189)	(71,850)

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Total shareholders' equity	357,349	351,297
Total liabilities and shareholders' equity	\$ 572,897	\$ 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)

	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
<b><u>Cash flows from operating activities</u></b>		
Net income	\$ 9,814	\$ 7,738
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,747	6,513
Employee benefit plan provisions	876	936
Stock-based compensation	946	622
Deferred income tax expense	740	1,146
Restructuring (Note 1)	(24)	
Restructuring cash payments (Note 1)	(2,616)	
Changes in assets and liabilities-net of effects from foreign exchange:		
(Increase) decrease in receivables	(13,361)	2,834
Increase in inventories	(1,588)	(5,767)
Decrease (increase) in revenue in excess of billings on uncompleted contracts and other current assets	5,300	(4,212)
Decrease in accounts payable and accrued liabilities	(9,845)	(4,009)
Pension contributions	(456)	(397)
Other items net	2,855	(238)
Net cash (used in) provided by operating activities	(612)	5,166
<b><u>Cash flows from investing activities</u></b>		
Proceeds from sale of business (Note 1)	642	
Capital expenditures	(10,617)	(11,811)
Government grants received	1,693	215
Net cash used in investing activities	(8,282)	(11,596)
<b><u>Cash flows from financing activities</u></b>		
Japanese Revolving credit facility borrowings short-term (Note 10)		1,694
Japanese Revolving credit facility repayments short-term (Note 10)	(1,090)	(7,712)
U.S. Revolving credit facility borrowings long term (Note 10)	28,200	21,600
U.S. Revolving credit facility repayments long term (Note 10)	(24,550)	(9,600)
Proceeds of debt obligations	173	
Reductions of debt obligations	(901)	(776)
Treasury stock purchased	(339)	(418)
Common stock issued	1,572	421
Excess tax benefit from stock-based compensation		(68)
Net cash provided by financing activities	3,065	5,141
Effect of exchange rate changes on cash and cash equivalents	2,222	(496)
Decrease in cash and cash equivalents	(3,607)	