

CAMBREX CORP
Form 10-Q
August 04, 2011

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 June 30, 2011

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 1-10638

CAMBREX CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or
organization)

22-2476135
(I.R.S. Employer Identification No.)

ONE MEADOWLANDS PLAZA, EAST RUTHERFORD, NEW JERSEY 07073
(Address of principal executive offices)

(201) 804-3000
(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 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. (Check one):

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

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

As of July 29, 2011, there were 29,431,884 shares outstanding of the registrant's Common Stock, \$.10 par value.

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CAMBREX CORPORATION AND SUBSIDIARIES

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CAMBREX CORPORATION AND SUBSIDIARIES

Forward-Looking Statements

This document may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding expected performance, especially expectations with respect to sales, research and development expenditures, earnings per share, capital expenditures, acquisitions, divestitures, collaborations, or other expansion opportunities. These statements may be identified by the fact that they use words such as “expects,” “anticipates,” “intends,” “estimates,” “believes” or similar expressions. Any forward-looking statements contained herein are based on current plans and expectations and involve risks and uncertainties that could cause actual outcomes and results to differ materially from current expectations. The factors described in Item 1A of Part I contained in the Company’s Annual Report on Form 10-K for the period ended December 31, 2010, captioned “Risk Factors,” or otherwise described in the Company’s filings with the Securities and Exchange Commission, as well as any cautionary language in the Company’s Annual Report on Form 10-K for the period ended December 31, 2010, provide examples of such risks and uncertainties that may cause the Company’s actual results to differ materially from the expectations the Company describes in its forward-looking statements, including but not limited to, pharmaceutical outsourcing trends, competitive pricing or product developments, government legislation and regulations (particularly environmental issues), tax rate, interest rate, technology, manufacturing and legal issues, including the outcome of outstanding litigation disclosed in the Company’s public filings, changes in foreign exchange rates, uncollectable receivables, loss on disposition of assets, cancellation or delays in renewal of contracts, lack of suitable raw materials or packaging materials, and the Company’s ability to receive regulatory approvals for its products.

The forward-looking statements are based on the beliefs and assumptions of Company management and the information available to Company management at the time these disclosures were prepared. Although the Company believes the expectations reflected in these statements are reasonable, the Company cannot guarantee future results, levels of activity, performance or achievements. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this Quarterly Report on Form 10-Q. The Company undertakes no obligation to update these forward-looking statements, even if the Company’s situation changes in the future.

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Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

CAMBREX CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
(in thousands, except share data)

	June 30, 2011 (unaudited)	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$40,911	\$ 29,614
Trade receivables, net	38,273	39,025
Inventories, net	67,961	61,408
Prepaid expenses and other current assets	7,891	5,082
Total current assets	155,036	135,129
Property, plant and equipment, net	152,057	150,483
Goodwill	40,177	37,694
Intangible assets, net	4,898	4,687
Investment in partially-owned affiliate	18,878	19,709
Other non-current assets	2,994	4,049
Total assets	\$374,040	\$ 351,751
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$19,619	\$ 19,480
Accrued expenses and other current liabilities	36,926	33,503
Current portion of long-term debt	116,400	—
Total current liabilities	172,945	52,983
Long-term debt	—	115,900
Deferred income tax	18,790	17,893
Accrued pension and postretirement benefits	40,206	43,921
Other non-current liabilities	13,332	13,419
Total liabilities	245,273	244,116
Stockholders' equity:		
Common stock, \$.10 par value; authorized 100,000,000, issued 31,409,638 shares at respective dates	3,140	3,140
Additional paid-in capital	101,626	101,271
Retained earnings	39,458	31,992
Treasury stock, at cost, 1,990,583 and 1,978,533 shares at respective dates	(16,809)	(16,876)
Accumulated other comprehensive gain/(loss)	1,352	(11,892)
Total stockholders' equity	128,767	107,635

Total liabilities and stockholders' equity	\$374,040	\$ 351,751
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See accompanying notes to unaudited consolidated financial statements.

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CAMBREX CORPORATION AND SUBSIDIARIES
Consolidated Income Statements
(unaudited - in thousands, except per-share data)

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Gross sales	\$67,484	\$57,403	\$129,138	\$113,558
Commissions, allowances and rebates	523	376	814	712
Net sales	66,961	57,027	128,324	112,846
Other	1,421	1,190	643	1,464
Net revenues	68,382	58,217	128,967	114,310
Cost of goods sold	49,325	40,284	92,455	81,884
Gross profit	19,057	17,933	36,512	32,426
Operating expenses:				
Selling, general and administrative expenses	9,191	8,184	18,279	16,980
Research and development expenses	2,572	2,841	5,632	4,826
Total operating expenses	11,763	11,025	23,911	21,806
Operating profit	7,294	6,908	12,601	10,620
Other expenses/(income):				
Interest expense, net	605	1,171	1,178	2,369
Other (income)/expenses, net	(282)	14	(285)	17
Equity in losses of partially-owned affiliate	303	—	667	—
Income before income taxes	6,668	5,723	11,041	8,234
Provision for income taxes	1,911	2,057	3,429	2,885
Income from continuing operations	4,757	3,666	7,612	5,349
Income/(loss) from discontinued operations, net of tax	—	1,105	(146)	1,105
Net income	\$4,757	\$4,771	\$7,466	\$6,454
Basic earnings/(loss) per share of common stock:				
Income from continuing operations	\$0.16	\$0.12	\$0.26	\$0.18
Income/(loss) from discontinued operations, net of tax	\$—	\$0.04	\$(0.01)	\$0.04
Net Income	\$0.16	\$0.16	\$0.25	\$0.22
Diluted earnings/(loss) per share of common stock:				
Income from continuing operations	\$0.16	\$0.12	\$0.26	\$0.18
Income/(loss) from discontinued operations, net of tax	\$—	\$0.04	\$(0.01)	\$0.04
Net Income	\$0.16	\$0.16	\$0.25	\$0.22
Weighted average shares outstanding:				

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Basic	29,419	29,333	29,433	29,324
Effect of dilutive stock based compensation	74	71	57	78
Diluted	29,493	29,404	29,490	29,402

See accompanying notes to unaudited consolidated financial statements.

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CAMBREX CORPORATION AND SUBSIDIARIES
 Consolidated Statements of Cash Flows
 (unaudited - in thousands)

	Six months ended	
	June 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$7,466	\$6,454
Adjustments to reconcile net income to cash flows:		
Depreciation and amortization	11,603	10,610
Increase in inventory reserve	696	259
Stock based compensation included in net income	753	1,003
Deferred income tax provision	(69)	(214)
Equity in losses of partially-owned affiliate	667	—
Other	(69)	(164)
Changes in assets and liabilities:		