

HARSCO CORP
Form 10-Q
August 04, 2016
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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 June 30, 2016

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 001-03970

HARSCO CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 23-1483991
(State or other jurisdiction of incorporation or organization) (I.R.S. employer identification number)

350 Poplar Church Road, Camp Hill, Pennsylvania 17011
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code 717-763-7064

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 (§ 232.405 of this chapter) 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 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 Smaller reporting company
(Do not check if a 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 registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 29, 2016
Common stock, par value \$1.25 per share	80,174,963

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HARSCO CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(In thousands)	June 30 2016	December 31 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$69,238	\$79,756
Trade accounts receivable, net	265,241	254,877
Other receivables	16,875	30,395
Inventories	208,243	216,967
Other current assets	80,503	82,527
Total current assets	640,100	664,522
Investments	236,112	252,609
Property, plant and equipment, net	531,292	564,035
Goodwill	394,423	400,367
Intangible assets, net	47,078	53,043
Other assets	110,016	126,621
Total assets	\$1,959,021	\$2,061,197
LIABILITIES		
Current liabilities:		
Short-term borrowings	\$10,129	\$30,229
Current maturities of long-term debt	35,588	25,084
Accounts payable	113,532	136,018
Accrued compensation	40,736	38,899
Income taxes payable	7,192	4,408
Dividends payable	—	4,105
Insurance liabilities	11,927	11,420
Advances on contracts and other customer advances	107,912	107,250
Due to unconsolidated affiliate	7,715	7,733
Unit adjustment liability	11,681	22,320
Other current liabilities	121,536	118,657
Total current liabilities	467,948	506,123
Long-term debt	832,339	845,621
Deferred income taxes	15,364	12,095
Insurance liabilities	25,078	30,400
Retirement plan liabilities	210,482	241,972
Due to unconsolidated affiliate	14,138	13,674
Unit adjustment liability	52,510	57,614
Other liabilities	40,213	42,895
Total liabilities	1,658,072	1,750,394
COMMITMENTS AND CONTINGENCIES		
HARSCO CORPORATION STOCKHOLDERS' EQUITY		
Preferred stock	—	—
Common stock	140,622	140,503
Additional paid-in capital	169,048	170,699

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Accumulated other comprehensive loss	(488,302)	(515,688)
Retained earnings	1,199,313	1,236,355
Treasury stock	(760,391)	(760,299)
Total Harsco Corporation stockholders' equity	260,290	271,570
Noncontrolling interests	40,659	39,233
Total equity	300,949	310,803
Total liabilities and equity	\$1,959,021	\$2,061,197

See accompanying notes to unaudited condensed consolidated financial statements.

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HARSCO CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
(In thousands, except per share amounts)	2016	2015	2016	2015
Revenues from continuing operations:				
Service revenues	\$249,626	\$292,209	\$475,120	\$579,637
Product revenues	120,307	163,538	248,094	327,689
Total revenues	369,933	455,747	723,214	907,326
Costs and expenses from continuing operations:				
Cost of services sold	191,508	243,838	381,325	489,699
Cost of products sold	125,388	116,561	218,632	231,782
Selling, general and administrative expenses	49,520	58,463	100,304	122,365
Research and development expenses	956	1,514	1,838	2,433
Other (income) expenses	1,247	(358)	10,370	(13,563)
Total costs and expenses	368,619	420,018	712,469	832,716
Operating income from continuing operations	1,314	35,729	10,745	74,610
Interest income	552	431	1,087	687
Interest expense	(13,805)	(11,818)	(26,168)	(23,702)
Change in fair value to the unit adjustment liability and loss on dilution of equity method investment	(1,489)	(2,164)	(13,706)	(4,409)
Income (loss) from continuing operations before income taxes and equity income (loss)	(13,428)	22,178	(28,042)	47,186
Income tax expense	(12,000)	(7,105)	(9,834)	(19,960)
Equity in income (loss) of unconsolidated entities, net	(694)	(7,584)	2,481	(3,501)
Income (loss) from continuing operations	(26,122)	7,489	(35,395)	23,725
Discontinued operations:				
Income (loss) on disposal of discontinued business	2,886	434	2,380	(212)
Income tax benefit (expense) related to discontinued business	(1,065)	(161)	(878)	78
Income (loss) from discontinued operations	1,821	273	1,502	(134)
Net income (loss)	(24,301)	7,762	(33,893)	23,591
Less: Net income attributable to noncontrolling interests	(1,872)	(1,187)	(3,149)	(1,752)
Net income (loss) attributable to Harsco Corporation	\$(26,173)	\$6,575	\$(37,042)	\$21,839
Amounts attributable to Harsco Corporation common stockholders:				
Income (loss) from continuing operations, net of tax	\$(27,994)	\$6,302	\$(38,544)	\$21,973
Income (loss) from discontinued operations, net of tax	1,821	273	1,502	(134)
Net income (loss) attributable to Harsco Corporation common stockholders	\$(26,173)	\$6,575	\$(37,042)	\$21,839
Weighted-average shares of common stock outstanding	80,337	80,221	80,288	80,230
Basic earnings (loss) per common share attributable to Harsco Corporation common stockholders:				
Continuing operations	\$(0.35)	\$0.08	\$(0.48)	\$0.27
Discontinued operations	0.02	—	0.02	—
Basic earnings (loss) per share attributable to Harsco Corporation common stockholders	\$(0.33)	\$0.08	\$(0.46)	\$0.27
Diluted weighted-average shares of common stock outstanding	80,337	80,418	80,288	80,385
Diluted earnings (loss) per common share attributable to Harsco Corporation common stockholders:				
Continuing operations	\$(0.35)	\$0.08	\$(0.48)	\$0.27

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Discontinued operations	0.02	—	0.02	—
Diluted earnings (loss) per share attributable to Harsco Corporation common stockholders	\$(0.33) \$0.08	\$(0.46) \$0.27
Cash dividends declared per common share	\$—	\$0.205	\$—	\$0.410

See accompanying notes to unaudited condensed consolidated financial statements.

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HARSCO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (Unaudited)