

CALGON CARBON CORPORATION

Form 10-Q

May 08, 2012

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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 March 31, 2012**

**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 April 27, 2012  
56,925,833 shares

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## CALGON CARBON CORPORATION

## FORM 10-Q

QUARTER ENDED March 31, 2012

The 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 Form 10-Q and in the Company's most recent Annual Report pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995. 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 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.

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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, 2011, as filed with the Securities and Exchange Commission by the Company 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 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

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## CALGON CARBON CORPORATION

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Dollars in Thousands Except Share and Per Share Data)

(Unaudited)

	Three Months Ended March 31,	
	2012	2011
Net sales	\$ 136,608	\$ 124,380
Cost of products sold (excluding depreciation and amortization)	93,826	82,989
Depreciation and amortization	6,513	5,540
Selling, general and administrative expenses	22,202	20,564
Research and development expenses	1,744	1,768
Environmental and litigation	153	179
	124,438	111,040
Income from operations	12,170	13,340
Interest income	18	63
Interest expense	(25)	(18)
Other expense net	(251)	(190)
Income before income tax provision	11,912	13,195
Income tax provision	4,174	4,718
Net income	7,738	8,477
Other comprehensive income, net of tax benefit of \$(0.3) million and \$(0.3) million, respectively	1,563	4,428
Comprehensive income	\$ 9,301	\$ 12,905
Net income per common share		
Basic	\$ 0.14	\$ 0.15
Diluted	\$ 0.14	\$ 0.15
Weighted average shares outstanding		
Basic	56,512,227	56,124,101
Diluted	57,124,459	56,892,742

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, 2012	December 31, 2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 11,789	\$ 13,574
Restricted cash	1,183	1,152
Receivables (net of allowance of \$993 and \$1,200)	98,722	102,540
Revenue recognized in excess of billings on uncompleted contracts	13,488	9,911
Inventories	123,455	118,348
Deferred income taxes - current	17,279	19,190
Other current assets	13,831	13,226
<b>Total current assets</b>	<b>279,747</b>	<b>277,941</b>
Property, plant and equipment, net	241,241	234,549
Intangibles	7,141	7,579
Goodwill	26,989	26,839
Deferred income taxes - long-term	2,781	2,805
Other assets	3,204	3,277
<b>Total assets</b>	<b>\$ 561,103</b>	<b>\$ 552,990</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 68,842	\$ 72,437
Billings in excess of revenue recognized on uncompleted contracts	3,796	4,183
Payroll and benefits payable	9,934	12,178
Accrued income taxes	1,060	923
Short-term debt	27,615	22,894
Current portion of long-term debt	3,207	3,372
<b>Total current liabilities</b>	<b>114,454</b>	<b>115,987</b>
Long-term debt	302	1,103
Deferred income taxes - long-term	13,820	14,771
Accrued pension and other liabilities	45,416	44,012
<b>Total liabilities</b>	<b>173,992</b>	<b>175,873</b>
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Common shares, \$.01 par value, 100,000,000 shares authorized, 59,517,219 and 59,381,636 shares issued	595	594
Additional paid-in capital	175,184	174,074
Retained earnings	254,977	247,239
Accumulated other comprehensive loss	(11,954)	(13,517)

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Treasury stock, at cost, 3,128,203 and 3,100,419 shares	418,802 (31,691)	408,390 (31,273)
Total shareholders' equity	387,111	377,117
Total liabilities and shareholders' equity	\$ 561,103	\$ 552,990

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)

	Three Months Ended March 31,	
	2012	2011
<b><u>Cash flows from operating activities</u></b>		
Net income	\$ 7,738	\$ 8,477
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,513	5,540
Employee benefit plan provisions	936	411
Stock-based compensation	622	615
Deferred income tax expense	1,146	3,258
Changes in assets and liabilities-net of effects from foreign exchange:		
Decrease in receivables	2,834	4,598
Increase in inventories	(5,767)	(4,547)
Increase in revenue in excess of billings on uncompleted contracts and other current assets	(4,212)	(810)
Decrease in accounts payable, accrued liabilities, and accrued interest	(4,009)	(8,035)
Pension contributions	(397)	(1,420)
Other items net	(238)	(517)
<b>Net cash provided by operating activities</b>	<b>5,166</b>	<b>7,570</b>
<b><u>Cash flows from investing activities</u></b>		
Property, plant and equipment expenditures	(11,811)	(12,665)
Government grants received	215	
<b>Net cash used in investing activities</b>	<b>(11,596)</b>	<b>(12,665)</b>
<b><u>Cash flows from financing activities</u></b>		
Revolving credit facility borrowings	23,294	138,961
Revolving credit facility repayments	(17,312)	(138,912)
Reductions of debt obligations	(776)	(778)
Treasury stock purchased	(418)	(422)
Common stock issued	421	89
Excess tax benefit from stock-based compensation	(68)	121
<b>Net cash provided by (used in) financing activities</b>	<b>5,141</b>	<b>(941)</b>
Effect of exchange rate changes on cash and cash equivalents	(496)	(942)
Decrease in cash and cash equivalents	(1,785)	(6,978)
Cash and cash equivalents, beginning of period	13,574	33,992
<b>Cash and cash equivalents, end of period</b>	<b>\$</b>	