

HARSCO CORP
Form 10-Q
May 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 March 31, 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 April 29, 2016
Common stock, par value \$1.25 per share	80,097,958

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HARSCO CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(In thousands)	March 31 2016	December 31 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$70,405	\$79,756
Trade accounts receivable, net	252,660	254,877
Other receivables	19,458	30,395
Inventories	233,335	216,967
Other current assets	75,537	82,527
Total current assets	651,395	664,522
Investments	230,003	252,609
Property, plant and equipment, net	555,786	564,035
Goodwill	402,659	400,367
Intangible assets, net	50,573	53,043
Other assets	115,116	126,621
Total assets	\$2,005,532	\$2,061,197
LIABILITIES		
Current liabilities:		
Short-term borrowings	\$61,314	\$30,229
Current maturities of long-term debt	28,238	25,084
Accounts payable	119,616	136,018
Accrued compensation	36,122	38,899
Income taxes payable	4,919	4,408
Dividends payable	—	4,105
Insurance liabilities	12,181	11,420
Advances on contracts	101,974	107,250
Due to unconsolidated affiliate	7,694	7,733
Unit adjustment liability	5,841	22,320
Other current liabilities	126,552	118,657
Total current liabilities	504,451	506,123
Long-term debt	798,478	845,621
Deferred income taxes	13,825	12,095
Insurance liabilities	29,874	30,400
Retirement plan liabilities	225,340	241,972
Due to unconsolidated affiliate	13,906	13,674
Unit adjustment liability	56,861	57,614
Other liabilities	40,464	42,895
Total liabilities	1,683,199	1,750,394
COMMITMENTS AND CONTINGENCIES		
HARSCO CORPORATION STOCKHOLDERS' EQUITY		
Preferred stock	—	—
Common stock	140,503	140,503
Additional paid-in capital	172,174	170,699

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Accumulated other comprehensive loss	(496,312)	(515,688)
Retained earnings	1,225,486	1,236,355
Treasury stock	(760,299)	(760,299)
Total Harsco Corporation stockholders' equity	281,552	271,570
Noncontrolling interests	40,781	39,233
Total equity	322,333	310,803
Total liabilities and equity	\$2,005,532	\$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	
	March 31	
(In thousands, except per share amounts)	2016	2015
Revenues from continuing operations:		
Service revenues	\$225,494	\$287,428
Product revenues	127,787	164,151
Total revenues	353,281	451,579
Costs and expenses from continuing operations:		
Cost of services sold	189,817	245,861
Cost of products sold	93,244	115,221
Selling, general and administrative expenses	50,784	63,902
Research and development expenses	882	919
Other (income) expenses	9,123	(13,205)
Total costs and expenses	343,850	412,698
Operating income from continuing operations	9,431	38,881
Interest income	535	256
Interest expense	(12,363)	(11,884)
Change in fair value to the unit adjustment liability and loss on dilution of equity method investment	(12,217)	(2,245)
Income (loss) from continuing operations before income taxes and equity income	(14,614)	25,008
Income tax benefit (expense)	2,166	(12,855)
Equity in income of unconsolidated entities, net	3,175	4,083
Income (loss) from continuing operations	(9,273)	16,236
Discontinued operations:		
Loss on disposal of discontinued business	(506)	(646)
Income tax benefit related to discontinued business	187	239
Loss from discontinued operations	(319)	(407)
Net income (loss)	(9,592)	15,829
Less: Net income attributable to noncontrolling interests	(1,277)	(565)
Net income (loss) attributable to Harsco Corporation	\$(10,869)	\$15,264
Amounts attributable to Harsco Corporation common stockholders:		
Income (loss) from continuing operations, net of tax	\$(10,550)	\$15,671
Loss from discontinued operations, net of tax	(319)	(407)
Net income (loss) attributable to Harsco Corporation common stockholders	\$(10,869)	\$15,264
Weighted-average shares of common stock outstanding	80,238	80,240
Basic earnings (loss) per common share attributable to Harsco Corporation common stockholders:		
Continuing operations	\$(0.13)	\$0.20
Discontinued operations	—	(0.01)
Basic earnings (loss) per share attributable to Harsco Corporation common stockholders	\$(0.14)	(a)\$0.19
Diluted weighted-average shares of common stock outstanding	80,238	80,352
Diluted earnings (loss) per common share attributable to Harsco Corporation common stockholders:		
Continuing operations	\$(0.13)	\$0.20
Discontinued operations	—	(0.01)
Diluted earnings (loss) per share attributable to Harsco Corporation common stockholders	\$(0.14)	(a)\$0.19

Cash dividends declared per common share	\$—	\$0.205
(a) Does not total due to rounding.		

See accompanying notes to unaudited condensed consolidated financial statements.

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HARSCO CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended March 31	
(In thousands)	2016	2015
Net income (loss)	\$(9,592)	\$15,829
Other comprehensive income:		
Foreign currency translation adjustments, net of deferred income taxes of \$(3,577) and \$(1,650) in 2016 and 2015, respectively	11,621	(28,842)
Net gain (loss) on cash flow hedging instruments, net of deferred income taxes of \$14 and \$(1,522) in 2016 and 2015, respectively	(2,407)	7,574
Pension liability adjustments, net of deferred income taxes of \$(1,574) and \$(3,091) in 2016 and 2015, respectively	10,440	25,293
Unrealized loss on marketable securities, net of deferred income taxes of \$4 in both 2016 and 2015	(7)	(8)
Total other comprehensive income	19,647	4,017
Total comprehensive income	10,055	19,846
Less: Comprehensive (income) loss attributable to noncontrolling interests	(1,548)	199
Comprehensive income attributable to Harsco Corporation	\$8,507	\$20,045

See accompanying notes to unaudited condensed consolidated financial statements.

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HARSCO CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three Months Ended March 31	
(In thousands)	2016	2015
Cash flows from operating activities:		
Net income (loss)	\$(9,592)	\$15,829
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	33,081	36,654
Amortization	2,964	3,237
Change in fair value to the unit adjustment liability and loss on dilution of equity method investment	12,217	2,245
Deferred income tax expense	(567)	2,629
Equity in income of unconsolidated entities, net	(3,175)	(4,083)
Dividends from unconsolidated entities	16	—
Other, net	(9,875)	(9,612)
Changes in assets and liabilities:		
Accounts receivable	15,952	(20,151)
Inventories	(12,408)	(19,496)
Accounts payable	(15,851)	5,775
Accrued interest payable	6,668	6,828
Accrued compensation	(3,777)	(9,019)
Advances on contracts	(8,995)	8,693
Harsco 2011/2012 Restructuring Program accrual	—	(188)
Other assets and liabilities	(9,633)	(8,868)
Net cash provided (used) by operating activities	(2,975)	10,473
Cash flows from investing activities:		
Purchases of property, plant and equipment	(16,951)	(31,630)
Proceeds from sales of assets	2,819	6,781
Purchases of businesses, net of cash acquired	(26)	(6,828)
Payment of unit adjustment liability	—	(5,580)
Other investing activities, net	5,427	2,360
Net cash used by investing activities	(8,731)	(34,897)
Cash flows from financing activities:		
Short-term borrowings, net	(366)	4,898
Current maturities and long-term debt:		
Additions	29,010	52,039
Reductions	(42,921)	(5,147)
Cash dividends paid on common stock	(4,105)	(16,443)
Common stock acquired for treasury	—	(12,143)
Proceeds from cross-currency interest rate swap termination	16,625	—
Deferred financing costs	(894)	(2,049)
Net cash provided (used) by financing activities	(2,651)	21,155
Effect of exchange rate changes on cash	5,006	6,975
Net increase (decrease) in cash and cash equivalents	(9,351)	3,706

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Cash and cash equivalents at beginning of period	79,756	62,843
Cash and cash equivalents at end of period	\$70,405	\$66,549

See accompanying notes to unaudited condensed consolidated financial statements.

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HARSCO CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

(In thousands, except share amounts)	Harsco Corporation Stockholders' Equity						
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
Issued	Treasury						
Balances, January 1, 2015	\$ 140,444	\$(749,815)	\$ 165,666	\$ 1,283,549	\$(532,256)	\$ 44,322	\$ 351,910
Net income				15,264		565	15,829
Cash dividends declared: Common				(16,348)			(16,348)
Total other comprehensive income (loss), net of deferred income taxes of \$(6,259)					4,781	(764)	4,017
Contributions from noncontrolling interests						2,100	2,100
Vesting of restricted stock units and other stock grants, net 23,962 shares	45	(192)	(81)				(228)
Treasury shares repurchased, 596,632 shares		(10,220)					(10,220)
Amortization of unearned portion of stock-based compensation, net of forfeitures			761				761
Balances, March 31, 2015	\$ 140,489	\$(760,227)	\$ 166,346	\$ 1,282,465	\$(527,475)	\$ 46,223	\$ 347,821
(In thousands)	Harsco Corporation Stockholders' Equity						
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
Issued	Treasury						
Balances, January 1, 2016	\$ 140,503	\$(760,299)	\$ 170,699	\$ 1,236,355	\$(515,688)	\$ 39,233	\$ 310,803
Net income (loss)				(10,869)		1,277	(9,592)
Total other comprehensive income, net of deferred income taxes of \$(5,133)					19,376	271	19,647
Amortization of unearned portion of stock-based compensation, net of forfeitures			1,475				1,475
Balances, March 31, 2016							