

CALGON CARBON CORPORATION
Form 10-Q
November 09, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2007 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)

Delaware
(State or other jurisdiction of
incorporation or organization)

25-0530110
(I.R.S. Employer
Identification No.)

P.O. Box 717, Pittsburgh, PA 15230-0717
(Address of principal executive offices)
(Zip Code)

(412) 787-6700
(Registrant's telephone number, including area code)

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

Yes No

Applicable only to corporate issuers:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 7, 2007
Common Stock, \$.01 par value	40,472,992 shares

CALGON CARBON CORPORATION
FORM 10-Q
QUARTER ENDED September 30, 2007

The Quarterly Report on Form 10-Q contains historical information and forward-looking statements. Statements looking forward in time are included in this Form 10-Q pursuant to the “safe harbor” provisions 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 the future to differ from performance suggested herein. In the context of forward-looking information provided in this Form 10-Q and in other reports, please refer to the discussion of risk factors detailed in, as well as the other information contained in the Company’s filings with the Securities and Exchange Commission.

I N D E X

		Page
PART 1 - CONDENSED CONSOLIDATED FINANCIAL INFORMATION		
Item I.	Condensed Consolidated Financial Statements	
	Introduction to the Condensed Consolidated Financial Statements	2
	Condensed Consolidated Statements of Operations (unaudited)	3
	Condensed Consolidated Balance Sheets (unaudited)	4
	Condensed Consolidated Statements of Cash Flows (unaudited)	5
	Notes to Condensed Consolidated Financial Statements (unaudited)	6
Item 2.	Management's Discussion and Analysis of Results of Operations and Financial Condition	25
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	32
Item 4.	Controls and Procedures	32
PART II - OTHER INFORMATION		
Item 1.	Legal Proceedings	33
Item 1a.	Risk Factors	33
Item 2c.	Unregistered Sales of Equity Securities and Use of Proceeds	33
Item 6.	Exhibits	33

SIGNATURES

34

CERTIFICATIONS

1

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 (the Company), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in 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 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, 2006 filed with the Securities and Exchange Commission by the Company in 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 are necessary for a fair presentation, in all material respects, of financial results for the interim periods presented. Operating results for the first nine months of 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

CALGON CARBON CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in Thousands Except Share and Per Share Data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net sales	\$ 81,912	\$ 77,840	\$ 249,579	\$ 229,110
Net sales to related parties	2,949	1,840	6,740	7,659
Total	84,861	79,680	256,319	236,769
Cost of products sold (excluding depreciation and amortization)	57,642	58,897	175,622	176,270
Depreciation and amortization	4,427	4,719	13,019	14,311
Selling, general and administrative expenses	15,306	16,547	44,921	47,489
Research and development expenses	966	1,146	2,701	3,384
Gain on insurance settlement	-	(3,173)	-	(8,072)
Restructuring charge	-	-	-	7
	78,341	78,136	236,263	233,389
Income from operations	6,520	1,544	20,056	3,380
Interest income	455	233	1,157	553
Interest expense	(1,363)	(1,530)	(4,223)	(4,628)
Other expense—net	(482)	(660)	(1,293)	(2,018)
Income (loss) from continuing operations before income taxes and equity income	5,130	(413)	15,697	(2,713)
Provision (benefit) for income taxes	396	114	5,923	(1,156)
Income (loss) from continuing operations before equity income	4,734	(527)	9,774	(1,557)
Equity in income from equity investments	310	31	1,766	211
Income (loss) from continuing operations	5,044	(496)	11,540	(1,346)
Income (loss) from discontinued operations	(96)	38	(96)	1,910
Net income (loss)	\$ 4,948	\$ (458)	\$ 11,444	\$ 564

Net income (loss) per common share

Basic:

Income (loss) from continuing operations	\$	.12	\$	(.01)	\$	.28	\$	(.03)
Income (loss) from discontinued operations		-		-		-		.05
Net income (loss)	\$	.12	\$	(.01)	\$	.28	\$	.01

Diluted:

Income (loss) from continuing operations	\$	.10	\$	(.01)	\$	.24	\$	(.03)
Income (loss) from discontinued operations		-		-		-		.05
Net income (loss)	\$	.10	\$	(.01)	\$	.24	\$	.01

Weighted average shares outstanding

Basic	40,357,325	39,881,805	40,289,260	39,870,778
Diluted	50,358,179	39,881,805	47,324,443	39,870,778

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CALGON CARBON CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands except share data)
(Unaudited)

	September 30, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 19,371	\$ 5,631
Receivables (net of allowance of \$3,113 and \$1,981)	55,806	53,239
Receivables from related parties	2,351	1,797
Revenue recognized in excess of billings on uncompleted contracts	6,454	7,576
Inventories	78,227	70,339
Deferred income taxes - current	9,902	5,761
Other current assets	3,713	4,369
Total current assets	175,824	148,712
Property, plant and equipment, net	103,187	106,101
Equity investments	9,006	6,971
Intangibles	8,212	8,521
Goodwill	27,965	27,497
Deferred income taxes - long-term	5,326	20,225
Other assets	4,401	4,337
Total assets	\$ 333,921	\$ 322,364
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 63,818	\$ -
Accounts payable and accrued liabilities	33,711	36,446
Accounts payable to related parties	-	168
Billings in excess of revenue recognized on uncompleted contracts	3,961	2,516
Accrued interest	542	1,440
Payroll and benefits payable	8,704	6,533
Accrued income taxes	2,765	8,423
Total current liabilities	113,501	55,526
Long-term debt	12,925	74,836
Deferred income taxes - long-term	-	1,679
Accrued pension and other liabilities	46,073	42,450
Total liabilities	172,499	174,491
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Common shares, \$.01 par value, 100,000,000 shares authorized, 42,726,577 and 42,550,290 shares issued	427	425
Additional paid-in capital	73,861	70,345
Retained earnings	101,878	94,035
Accumulated other comprehensive income	12,650	10,305

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	188,816	175,110
Treasury stock, at cost, 2,845,012 and 2,819,690 shares	(27,394)	(27,237)
Total shareholders' equity	161,422	147,873
Total liabilities and shareholders' equity	\$ 333,921	\$ 322,364

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CALGON CARBON CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2007	2006
<u>Cash flows from operating activities</u>		
Net income	\$ 11,444	\$ 564
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Gain on insurance settlement	-	(8,072)
Gain from divestitures	-	(6,719)
Depreciation and amortization	13,019	14,313
Equity income from equity investments	(1,766)	(211)
Distributions received from equity investments	739	-
Employee benefit plan provisions	947	2,283
Non-cash pension curtailment (gain) loss	(265)	788
Decrease in deferred income taxes	5,648	835
Changes in assets and liabilities:		
Increase in receivables	(1,890)	(81)
Increase in inventories	(6,513)	(3,024)
Increase in revenue in excess of billings on uncompleted contracts and other current assets	1,920	(1,772)
Decrease in accounts payable, accrued liabilities, and billings in excess of revenue	(2,566)	(4,724)
Decrease in accrued pension	(6,914)	(10,588)
Other items - net	3,086	1,327
Net cash provided by (used in) operating activities	16,889	(15,081)
<u>Cash flows from investing activities</u>		
Proceeds from divestitures	-	21,213
Property, plant and equipment expenditures	(7,639)	(9,989)
Proceeds from insurance settlement for plant and equipment	-	4,595
Proceeds from disposals of property, plant and equipment	187	676
Net cash (used in) provided by investing activities	(7,452)	16,495
<u>Cash flows from financing activities</u>		
Proceeds from borrowings	6,233	147,105
Repayments of borrowings	(4,326)	(149,337)
Treasury stock purchases	(157)	(108)
Common stock issued through exercise of stock options	1,213	464
Net cash provided by (used in) financing activities	2,963	(1,876)
Effect of exchange rate changes on cash	1,340	87
Increase (decrease) in cash and cash equivalents	13,740	(375)
Cash and cash equivalents, beginning of period	5,631	5,446

Cash and cash equivalents, end of period	\$	19,371	\$	5,071
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The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

5

CALGON CARBON CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands)
(Unaudited)

1. Inventories:

	September 30, 2007	December 31, 2006
Raw materials	\$ 17,847	\$ 16,587
Finished goods	60,380	53,752
	\$ 78,227	\$ 70,339

2. Supplemental Cash Flow Information:

Cash paid for interest during the nine months ended September 30, 2007 and 2006 was \$5.1 million and \$4.2 million, respectively. Income taxes paid, net of refunds, were \$0.8 million and \$0.7 million, for the nine months ended September 30, 2007 and 2006, respectively.

The non-cash vesting of restricted stock-based compensation was \$0.6 million and \$0.4 million for the nine months ended September 30, 2007 and 2006, respectively. The non-cash impact of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109," ("FIN 48"), which was adopted January 1, 2007, was \$4.3 million for the nine months ended September 30, 2007.

3. Dividends:

The Company's Board of Directors did not declare or pay a dividend for the three or nine month periods ended September 30, 2007 and 2006.

4. Comprehensive income (loss):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net income (loss)	\$ 4,948	\$ (458)	\$ 11,444	\$ 564
Other comprehensive income (loss), net of taxes	(333)	(209)	2,345	3,534
Comprehensive income (loss)	\$ 4,615	\$ (667)	\$ 13,789	\$ 4,098

The only matters contributing to the other comprehensive income (loss) during the three and nine months ended September 30, 2007 were the foreign currency translation adjustment of \$0.1 million and \$2.2 million, respectively, the changes in employee benefit accounts of \$(0.3) million and \$(0.3) million, respectively, and the change in the fair value of the derivative instruments of \$(0.1) million and \$0.4 million as described in Note 6. The only matters contributing to the other comprehensive income during the three and nine months ended September 30, 2006 were the foreign currency translation adjustment of \$(0.3) million and \$3.6 million, respectively, and the change in the fair value of the derivative instruments of \$0.1 million and \$(27) thousand, respectively.

5. Segment Information:

The Company's management has identified three segments based on product line and associated services. Those segments include Activated Carbon and Service, Equipment, and Consumer. The Company's chief operating decision maker, its chief executive officer, receives and reviews financial information in this format. The Activated Carbon and Service segment manufactures granular activated carbon for use in applications to remove organic compounds from liquids, gases, water, and air. This segment also consists of services related to activated carbon including reactivation of spent carbon and the leasing, monitoring, and maintenance of carbon fills at customer sites. The service portion of this segment also includes services related to the Company's ion exchange technologies for treatment of groundwater and process streams. The Equipment segment provides solutions to customers' gaseous and liquid process problems through the design, fabrication, and operation of systems that utilize the Company's enabling technologies: carbon adsorption, ultraviolet light, and advanced ion exchange separation. The Consumer segment brings the Company's purification technologies directly to the consumer in the form of products and services including carbon cloth and activated carbon for household odors. The following segment information represents the results of the Company's continuing operations.

Three Months Ended
September 30,

Nine Months Ended
September 30,