

CAMBREX CORP
Form 10-Q
November 01, 2013

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 September 30, 2013

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

22-2476135

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) 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 October 31, 2013, there were 30,245,949 shares outstanding of the registrant's Common Stock, \$.10 par value.

CAMBREX CORPORATION AND SUBSIDIARIES

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Forward-Looking Statements

This document contains and incorporates by reference forward-looking statements including statements regarding expected performance, especially the Company's estimate relating to its performance of production, the timing of shipments and sales under the Company's Phase 3 supply agreement signed during 2012, the Company's belief that cash flows from operations, along with funds available from the revolving line of credit, will be adequate to meet the operational and debt servicing needs of the Company, as well as other statements relating to expectations with respect to sales, research and development expenditures, earnings per share, capital expenditures, the outcome of pending litigation (including environmental proceedings and remediation investigations) and related estimates of potential liability, acquisitions, divestitures, collaborations or other expansion opportunities. These statements may be identified by the fact that they use words such as "may," "will," "could," "should," "would," "expect," "anticipate," "intend," "estimate," "believe" 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, or incorporated by reference, in Item 1A of Part I contained in the Company's Annual Report on Form 10-K for the period ended December 31, 2012, captioned "Risk Factors," or otherwise described in the Company's filings with the Securities and Exchange Commission 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 rates, interest rates, technology, manufacturing and legal issues, including the outcome of outstanding litigation disclosed in the Company's public filings, changes in foreign exchange rates, uncollectible receivables, loss on disposition of assets, cancellation or delays in renewal of contracts, lack of suitable raw materials or packaging materials, the Company's ability to receive regulatory approvals for its products, continued demand in the U.S. for late stage clinical products, as well as risks relating to the build-up of inventory and capital expenditures that have been made in advance of revenue for a Phase 3 supply agreement signed during 2012 including that the customer's product will obtain the necessary regulatory approvals to commercialize the product, that anticipated quantities will not be meaningfully reduced, and that the Company continues to meet customer timelines for production, which will require, among other variables, that the Company's new large scale GMP manufacturing facility in Charles City, Iowa continues to perform as anticipated.

The forward-looking statements are based on the beliefs and assumptions of Company management and the information available to Company management as of the date of this report. The Company cautions investors not to place significant reliance on expectations regarding future results, levels of activity, performance, achievements or other forward-looking statements. The information contained in this Quarterly Report on Form 10-Q is provided by the Company as of the date hereof, and, unless required by law, the Company does not undertake and specifically disclaims any obligation to update these forward-looking statements contained in this Quarterly Report on Form 10-Q as a result of new information, future events or otherwise.

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Item 1. Financial Statements

CAMBREX CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(in thousands, except share data)

	September 30, 2013 (unaudited)	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 25,092	\$ 23,551
Trade receivables, net	53,996	43,094
Inventories, net	101,407	71,221
Prepaid expenses and other current assets	18,179	6,104
Total current assets	198,674	143,970
Property, plant and equipment, net	166,990	151,815
Goodwill	38,019	37,312
Intangible assets, net	3,993	4,091
Investments in and advances to partially-owned affiliates	13,023	15,094
Deferred income taxes	37,079	39,262
Other non-current assets	8,667	2,924
Total assets	\$ 466,445	\$ 394,468
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 32,044	\$ 27,612
Deferred revenue	11,541	11,570
Accrued expenses and other current liabilities	43,257	43,844
Total current liabilities	86,842	83,026
Long-term debt	101,050	64,000
Deferred income taxes	19,458	18,577
Accrued pension benefits	54,382	55,373
Other non-current liabilities	18,383	10,195
Total liabilities	280,115	231,171
Stockholders' equity:		
Common stock, \$.10 par value; authorized 100,000,000, issued 31,982,229 and 31,704,230 shares at respective dates	3,199	3,169
Additional paid-in capital	107,528	104,173
Retained earnings	122,279	105,263
Treasury stock, at cost, 1,790,873 and 1,795,082 shares at respective dates	(15,269)	(15,217)
Accumulated other comprehensive loss	(31,407)	(34,091)
Total stockholders' equity	186,330	163,297

Total liabilities and stockholders' equity	\$ 466,445	\$ 394,468
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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 September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Gross sales	\$77,992	\$59,841	\$214,201	\$207,542
Commissions, allowances and rebates	547	456	775	1,772
Net sales	77,445	59,385	213,426	205,770
Other	7	(175)	1,714	801
Net revenues	77,452	59,210	215,140	206,571
Cost of goods sold	52,486	40,679	146,174	137,167
Gross profit	24,966	18,531	68,966	69,404
Operating expenses:				
Selling, general and administrative expenses	11,128	11,910	32,854	33,829
Research and development expenses	2,588	2,347	7,547	7,297
Total operating expenses	13,716	14,257	40,401	41,126
Gain on sale of asset	-	-	4,680	-
Operating profit	11,250	4,274	33,245	28,278
Other expenses:				
Interest expense, net	664	576	1,647	1,905
Other expenses, net	5	72	11	96
Equity in losses of partially-owned affiliates	508	630	1,657	1,221
Income before income taxes	10,073	2,996	29,930	25,056
Provision for income taxes	3,799	975	9,095	6,069
Income from continuing operations	6,274	2,021	20,835	18,987
Loss from discontinued operations, net of tax	(2,700)	(332)	(3,819)	(332)
Net income	\$3,574	\$1,689	\$17,016	\$18,655
Basic earnings/(loss) per share of common stock:				
Income from continuing operations	\$0.21	\$0.07	\$0.69	\$0.64
Loss from discontinued operations, net of tax	\$(0.09)	\$(0.01)	\$(0.12)	\$(0.01)
Net income	\$0.12	\$0.06	\$0.57	\$0.63

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Diluted earnings/(loss) per share of common stock:

Income from continuing operations	\$0.20	\$0.07	\$0.67	\$0.63
Loss from discontinued operations, net of tax	\$(0.08)	\$(0.01)	\$(0.12)	\$(0.01)
Net income	\$0.12	\$0.06	\$0.55	\$0.62

Weighted average shares outstanding:

Basic	30,184	29,711	30,081	29,645
Effect of dilutive stock based compensation	868	876	857	495
Diluted	31,052	30,587	30,938	30,140

See accompanying notes to unaudited consolidated financial statements.

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CAMBREX CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(unaudited – in thousands)

	Three months ended September 30, 2013		Nine months ended September 30, 2013	
	2012		2012	
Net income	\$3,574	\$1,689	\$17,016	\$18,655
Other comprehensive income:				
Foreign currency translation adjustments	4,700	5,293	1,816	2,336
Foreign currency forward contracts, net of tax of \$0, \$25, \$0 and \$110 at respective dates	-	(71)	-	(270)
Interest rate swap agreement, net of tax of (\$17), \$0, \$88 and \$0 at respective dates	(32)	(216)	163	(1,036)
Pension plan amortization of net actuarial loss and prior service cost, net of tax of \$106, \$12, \$337 and \$37 at respective dates	241	301	705	899
Comprehensive income	\$8,483	\$6,996	\$19,700	\$20,584

See accompanying notes to unaudited consolidated financial statements.

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CAMBREX CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(unaudited – in thousands)

Nine
months
ended