

CAMBREX CORP  
Form 10-Q  
November 08, 2018

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, 2018

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 31, 2018, there were 33,560,061 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 “forward-looking statements,” including statements or tables regarding expected performance. These and other forward-looking statements may be identified by the fact that they use words such as “guidance,” “expects,” “anticipates,” “intends,” “estimates,” “believes” 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 in Item 1A of Part I of the Company’s Annual Report on Form 10-K for the period ended December 31, 2017 captioned “Risk Factors,” or otherwise described in the Company’s filings with the SEC 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, the possibility that the benefits from the acquisition of Halo Pharma may not be as anticipated, customer and product concentration, the Company’s ability to win new customer contracts and renew existing contracts on favorable terms, significant declines in sales of products to the Company’s customers, pharmaceutical outsourcing trends, competitive pricing or product developments, market acceptance and adoption rate of its customers’ products, government legislation and regulations (including those pertaining to environmental issues), tax rate, interest rate, technology, manufacturing and legal issues, including the outcome of outstanding litigation, environmental matters, changes in foreign exchange rates, uncollectible receivables, the timing and/or volume of orders or shipments and the Company’s ability to meet its production plan and customer delivery schedules, expected timing of completion of capacity expansions, our ability to successfully integrate acquired businesses, loss on disposition of assets, cancellations or delays in renewal of contracts, lack of suitable raw materials, the Company’s ability to receive regulatory approvals for its products, continued demand in the U.S. for late stage clinical products and the successful outcome of the Company’s investment in new products.

For further details and a discussion of these and other risks and uncertainties, investors are encouraged to review the Cambrex Annual Report on Form 10-K for the fiscal year ended December 31, 2017, including the Forward-Looking Statement sections therein, and other filings with the SEC. The Company cautions investors and potential investors not to place undue reliance on the forward-looking statements contained in this Quarterly Report on Form 10-Q and to give careful consideration to the risks and uncertainties listed above and contained in the Company’s SEC filings. The forward-looking statements in this Quarterly Report on Form 10-Q speak only as of the date of this document, and the Company undertakes no obligation to update or revise any of these statements.

## Part I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## CAMBREX CORPORATION AND SUBSIDIARIES

## Consolidated Balance Sheets

(in thousands, except share data)

	September 30, 2018	December 31, 2017
	(unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 97,135	\$ 183,284
Trade receivables, net	71,582	75,144
Contract assets	112,845	-
Other receivables	14,824	20,891
Inventories, net	103,648	138,542
Prepaid expenses and other current assets	16,776	4,217
Total current assets	416,810	422,078
Property, plant and equipment, net	352,947	254,299
Goodwill	271,424	43,626
Intangible assets, net	191,959	13,868
Deferred income taxes	11,557	3,198
Other non-current assets	3,192	3,496
Total assets	\$ 1,247,889	\$ 740,565
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 38,205	\$ 35,017
Contract liabilities, current	10,269	4,707
Taxes payable	2,727	43
Accrued expenses and other current liabilities	40,578	42,774
Total current liabilities	91,779	82,541
Long-term debt	325,000	-
Contract liabilities, non-current	43,379	39,000
Deferred income taxes	66,231	7,806
Accrued pension benefits	38,429	41,141
Other non-current liabilities	23,793	25,213
Total liabilities	588,611	195,701
Stockholders' equity:		
Common stock, \$.10 par value; authorized 100,000,000, issued		
34,813,949 and 34,270,975 shares at respective dates	3,481	3,427
Additional paid-in capital	181,435	165,979
Retained earnings	537,251	429,826
Treasury stock, at cost, 1,273,888 and 1,424,153 shares at		
respective dates	(10,860 )	(12,140 )
Accumulated other comprehensive loss	(52,029 )	(42,228 )

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Total stockholders' equity	659,278	544,864
Total liabilities and stockholders' equity	\$ 1,247,889	\$ 740,565

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		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Gross sales	\$104,231	\$112,233	\$390,575	\$350,431
Commissions, allowances and rebates	240	225	641	1,468
Net sales	103,991	112,008	389,934	348,963
Other revenues, net	627	611	7,827	3,216
Net revenue	104,618	112,619	397,761	352,179
Cost of goods sold	71,893	65,676	249,389	200,802
Gross profit	32,725	46,943	148,372	151,377
Operating expenses:				