

HARSCO CORP
Form 10-Q
May 08, 2014
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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, 2014

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
(Address of principal executive offices)

17011
(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 o

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 o

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 o

Non-accelerated filer o

Smaller reporting company o

(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 o 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 30, 2014

Common stock, par value \$1.25 per share

80,741,820

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HARSCO CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(In thousands)	March 31 2014	December 31 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$83,362	\$93,605
Trade accounts receivable, net	399,701	353,181
Other receivables	52,078	46,470
Inventories	166,778	155,689
Assets held-for-sale	—	113,968
Other current assets	74,792	75,842
Total current assets	776,711	838,755
Investments	301,338	298,856
Property, plant and equipment, net	723,019	711,346
Goodwill	438,847	431,265
Intangible assets, net	67,839	53,261
Other assets	111,599	108,265
Total assets	\$2,419,353	\$2,441,748
LIABILITIES		
Current liabilities:		
Short-term borrowings	\$6,230	\$7,489
Current maturities of long-term debt	21,545	20,257
Accounts payable	192,383	181,410
Accrued compensation	49,313	53,113
Income taxes payable	5,316	7,199
Dividends payable	16,546	16,536
Insurance liabilities	11,510	10,523
Advances on contracts	66,350	24,053
Liabilities of assets held-for-sale	—	109,176
Due to unconsolidated affiliate	15,330	24,954
Unit adjustment liability	22,320	22,320
Other current liabilities	145,294	129,739
Total current liabilities	552,137	606,769
Long-term debt	834,345	783,158
Deferred income taxes	8,080	8,217
Insurance liabilities	42,667	41,879
Retirement plan liabilities	222,005	241,049
Due to unconsolidated affiliate	27,679	27,292
Unit adjustment liability	80,988	84,023
Other liabilities	48,174	42,526
Total liabilities	1,816,075	1,834,913
COMMITMENTS AND CONTINGENCIES		
HARSCO CORPORATION STOCKHOLDERS' EQUITY		
Preferred stock	—	—
Common stock	140,327	140,248

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Additional paid-in capital	161,048	159,025
Accumulated other comprehensive loss	(371,872) (370,615)
Retained earnings	1,375,888	1,381,321
Treasury stock	(746,830) (746,237)
Total Harsco Corporation stockholders' equity	558,561	563,742
Noncontrolling interests	44,717	43,093
Total equity	603,278	606,835
Total liabilities and equity	\$2,419,353	\$2,441,748

See accompanying notes to unaudited condensed consolidated financial statements.

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HARSCO CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In thousands, except per share amounts)	Three Months Ended	
	March 31	
	2014	2013
Revenues from continuing operations:		
Service revenues	\$351,010	\$551,155
Product revenues	161,689	164,240
Total revenues	512,699	715,395
Costs and expenses from continuing operations:		
Cost of services sold	293,999	443,396
Cost of products sold	115,466	120,862
Selling, general and administrative expenses	66,794	124,698
Research and development expenses	2,619	2,196
Loss on disposal of the Harsco Infrastructure Segment and transaction costs	2,138	—
Other income	(656)	(1,542)
Total costs and expenses	480,360	689,610
Operating income from continuing operations	32,339	25,785
Interest income	297	406
Interest expense	(11,421)	(11,743)
Change in fair value to unit adjustment liability	(2,546)	—
Income from continuing operations before income taxes and equity loss	18,669	14,448
Income tax expense	(4,495)	(4,965)
Equity in loss of unconsolidated entities, net	(1,230)	(14)
Income from continuing operations	12,944	9,469
Discontinued operations:		
Loss on disposal of discontinued business	(640)	(642)
Income tax benefit related to discontinued business	237	245
Loss from discontinued operations	(403)	(397)
Net income	12,541	9,072
Less: Net income attributable to noncontrolling interests	(1,402)	(1,827)
Net income attributable to Harsco Corporation	\$11,139	\$7,245
Amounts attributable to Harsco Corporation common stockholders:		
Income from continuing operations, net of tax	\$11,542	\$7,642
Loss from discontinued operations, net of tax	(403)	(397)
Net income attributable to Harsco Corporation common stockholders	\$11,139	\$7,245
Weighted-average shares of common stock outstanding	80,816	80,706
Basic earnings per common share attributable to Harsco Corporation common stockholders:		
Continuing operations	\$0.14	\$0.09
Discontinued operations	—	—
Basic earnings per share attributable to Harsco Corporation common stockholders	\$0.14	\$0.09
Diluted weighted-average shares of common stock outstanding	81,022	80,930
Diluted earnings per common share attributable to Harsco Corporation common stockholders:		
Continuing operations	\$0.14	\$0.09
Discontinued operations	—	—
Diluted earnings per share attributable to Harsco Corporation common stockholders	\$0.14	\$0.09

Cash dividends declared per common share	\$0.205	\$0.205
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See accompanying notes to unaudited condensed consolidated financial statements.

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HARSCO CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(In thousands)	Three Months Ended	
	March 31	
	2014	2013
Net income	\$12,541	\$9,072
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of deferred income taxes of \$(101) and 9,055	(1,270) (12,016
Net gain (loss) on cash flow hedging instruments, net of deferred income taxes of \$386 and \$(437) in 2014 and 2013, respectively	(3,963) 2,061
Pension liability adjustments, net of deferred income taxes of \$(406) and \$(4,091) in 2014 and 2013, respectively	3,681	28,003
Unrealized gain (loss) on marketable securities, net of deferred income taxes of \$3 and \$(5) in 2014 and 2013, respectively	(5) 8
Total other comprehensive income (loss)	(1,557) 18,056
Total comprehensive income	10,984	27,128
Less: Comprehensive income attributable to noncontrolling interests	1,102	1,649
Comprehensive income attributable to Harsco Corporation	\$9,882	\$25,479

See accompanying notes to unaudited condensed consolidated financial statements.

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HARSCO CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In thousands)	Three Months Ended	
	2014	2013
Cash flows from operating activities:		
Net income	\$ 12,541	\$ 9,072
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	41,834	61,282
Amortization	3,001	4,444
Change in fair value to unit adjustment liability	2,546	—
Deferred income tax expense (benefit)	2,349	(1,407)
Equity in loss of unconsolidated entities, net	1,230	14
Loss on disposal of Harsco Infrastructure Segment	699	—
Other, net	(750)	(180)
Changes in assets and liabilities:		
Accounts receivable	(49,671)	(30,108)
Inventories	(4,454)	(10,757)
Accounts payable	(6,246)	13,252
Accrued interest payable	8,207	5,874
Accrued compensation	(3,586)	(17,725)
Advances on contracts	34,006	(10,311)
Harsco Infrastructure Segment 2010 Restructuring Program accrual	—	(84)
Harsco 2011/2012 Restructuring Program accrual	(528)	(8,054)
Other assets and liabilities	(13,650)	(11,897)
Net cash provided by operating activities	27,528	3,415
Cash flows from investing activities:		
Purchases of property, plant and equipment	(39,883)	(53,733)
Proceeds from the Infrastructure transaction	3,296	—
Proceeds from sales of assets	3,806	10,595
Purchases of businesses, net of cash acquired	(26,046)	—
Payment of unit adjustment liability	(5,580)	—
Other investing activities, net	(1,178)	2,903
Net cash used by investing activities	(65,585)	(40,235)
Cash flows from financing activities:		
Short-term borrowings, net	(1,721)	4,093
Current maturities and long-term debt:		
Additions	65,000	63,719
Reductions	(18,424)	(15,064)
Cash dividends paid on common stock	(16,562)	(16,536)
Dividends paid to noncontrolling interests	—	(755)
Contributions from noncontrolling interests	—	857
Purchase of noncontrolling interests	—	(166)
Common stock issued - options	—	214
Net cash provided by financing activities	28,293	36,362
Effect of exchange rate changes on cash	(479)	(1,851)

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Net decrease in cash and cash equivalents	(10,243)	(2,309)
Cash and cash equivalents at beginning of period	93,605		95,250	
Cash and cash equivalents at end of period	\$83,362		\$92,941	

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 and per share amounts)	Harsco Corporation Stockholders' Equity			Retained Earnings	Accumulated		Noncontrolling Interests	Total
	Common Stock		Additional Paid-in Capital		Other Comprehensive Loss			
	Issued	Treasury						
Balances, January 1, 2013	\$ 140,080	\$(745,205)	\$ 152,645	\$ 1,675,490	\$(411,168)	\$ 49,782	\$ 861,624	
Net income				7,245		1,827	9,072	
Cash dividends declared:								
Common @ \$0.205 per share				(16,551)			(16,551)	
Noncontrolling interests						(755)	(755)	
Total other comprehensive income (loss), net of deferred income taxes of \$4,522					18,234	(178)	18,056	
Contributions from noncontrolling interests						857	857	
Purchase of subsidiary shares from noncontrolling interest			(292)			107	(185)	
Stock options exercised, net 12,000 shares	15		223				238	
Vesting of restricted stock units and other stock grants, net 60,176 shares	116	(833)	2,059				1,342	
Amortization of unearned portion of stock-based compensation, net of forfeitures			865				865	
Balances, March 31, 2013	\$ 140,211	\$(746,038)	\$ 155,500	\$ 1,666,184	\$(392,934)	\$ 51,640	\$ 874,563	
	Harsco Corporation Stockholders' Equity							
	Common Stock		Additional Paid-in Capital					
(In thousands, except share and per share amounts)								