

HARSCO CORP
Form 10-Q
August 05, 2015
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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 June 30, 2015

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 July 31, 2015

Common stock, par value \$1.25 per share

80,093,923

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HARSCO CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(In thousands)	June 30 2015	December 31 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$67,148	\$62,843
Trade accounts receivable, net	329,467	325,104
Other receivables	22,167	28,145
Inventories	208,043	178,922
Other current assets	82,603	88,465
Total current assets	709,428	683,479
Investments	262,689	288,505
Property, plant and equipment, net	626,616	663,244
Goodwill	412,998	416,155
Intangible assets, net	57,868	58,524
Other assets	186,707	159,320
Total assets	\$2,256,306	\$2,269,227
LIABILITIES		
Current liabilities:		
Short-term borrowings	\$12,352	\$16,748
Current maturities of long-term debt	21,585	25,188
Accounts payable	152,034	146,506
Accrued compensation	44,572	53,780
Income taxes payable	3,127	1,985
Dividends payable	16,419	16,535
Insurance liabilities	11,976	12,415
Advances on contracts	119,473	117,398
Due to unconsolidated affiliate	8,929	8,142
Unit adjustment liability	22,320	22,320
Other current liabilities	136,696	144,543
Total current liabilities	549,483	565,560
Long-term debt	909,235	829,709
Deferred income taxes	10,467	6,379
Insurance liabilities	31,605	35,470
Retirement plan liabilities	322,143	350,889
Due to unconsolidated affiliate	20,773	20,169
Unit adjustment liability	64,692	71,442
Other liabilities	36,450	37,699
Total liabilities	1,944,848	1,917,317
COMMITMENTS AND CONTINGENCIES		
HARSCO CORPORATION STOCKHOLDERS' EQUITY		
Preferred stock	—	—
Common stock	140,502	140,444
Additional paid-in capital	167,824	165,666
Accumulated other comprehensive loss	(554,875)	(532,256)

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Retained earnings	1,272,591	1,283,549
Treasury stock	(760,294) (749,815
Total Harsco Corporation stockholders' equity	265,748	307,588
Noncontrolling interests	45,710	44,322
Total equity	311,458	351,910
Total liabilities and equity	\$2,256,306	\$2,269,227

See accompanying notes to unaudited condensed consolidated financial statements.

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HARSCO CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
(In thousands, except per share amounts)	2015	2014	2015	2014
Revenues from continuing operations:				
Service revenues	\$292,209	\$361,966	\$579,637	\$712,760
Product revenues	163,538	173,378	327,689	335,067
Total revenues	455,747	535,344	907,326	1,047,827
Costs and expenses from continuing operations:				
Cost of services sold	243,838	296,532	489,699	590,840
Cost of products sold	116,561	120,657	231,782	236,123
Selling, general and administrative expenses	58,463	77,969	122,365	144,763
Research and development expenses	1,514	1,058	2,433	3,721
Loss on disposal of the Harsco Infrastructure Segment and transaction costs	—	2,918	—	4,599
Other (income) expenses	(358)	) 27,516	(13,563)	) 26,860
Total costs and expenses	420,018	526,650	832,716	1,006,906
Operating income from continuing operations	35,729	8,694	74,610	40,921
Interest income	431	410	687	707
Interest expense	(11,818)	) (11,958)	) (23,702)	) (23,379)
Change in fair value to the unit adjustment liability	(2,164)	) (2,473)	) (4,409)	) (5,019)
Income (loss) from continuing operations before income taxes and equity loss	22,178	(5,327)	) 47,186	13,230
Income tax expense	(7,105)	) (4,843)	) (19,960)	) (10,154)
Equity in loss of unconsolidated entities, net	(7,584)	) (3,518)	) (3,501)	) (4,748)
Income (loss) from continuing operations	7,489	(13,688)	) 23,725	(1,672)
Discontinued operations:				
Income (loss) on disposal of discontinued business	434	1,732	(212)	) 1,092
Income tax (expense) benefit related to discontinued business	(161)	) (642)	) 78	(405)
Income (loss) from discontinued operations	273	1,090	(134)	) 687
Net income (loss)	7,762	(12,598)	) 23,591	(985)
Less: Net income attributable to noncontrolling interests	(1,187)	) (14)	) (1,752)	) (1,416)
Net income (loss) attributable to Harsco Corporation	\$6,575	\$(12,612)	) \$21,839	\$(2,401)
Amounts attributable to Harsco Corporation common stockholders:				
Income (loss) from continuing operations, net of tax	\$6,302	\$(13,702)	) \$21,973	\$(3,088)
Income (loss) from discontinued operations, net of tax	273	1,090	(134)	) 687
Net income (loss) attributable to Harsco Corporation common stockholders	\$6,575	\$(12,612)	) \$21,839	\$(2,401)
Weighted-average shares of common stock outstanding	80,221	80,885	80,230	80,850
Basic earnings (loss) per common share attributable to Harsco Corporation common stockholders:				
Continuing operations	\$0.08	\$(0.17)	) \$0.27	\$(0.04)
Discontinued operations	—	0.01	—	0.01
Basic earnings (loss) per share attributable to Harsco Corporation common stockholders	\$0.08	\$(0.16)) \$0.27	\$(0.03)
	80,418	80,885	80,385	80,850

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Diluted weighted-average shares of common stock
outstanding

Diluted earnings (loss) per common share attributable to Harsco Corporation common stockholders:

Continuing operations	\$0.08	\$(0.17	) \$0.27	\$(0.04)
Discontinued operations	—	0.01	—	0.01	
Diluted earnings (loss) per share attributable to Harsco Corporation common stockholders	\$0.08	\$(0.16	) \$0.27	\$(0.03)
Cash dividends declared per common share	\$0.205	\$0.205	\$0.41	\$0.41	

See accompanying notes to unaudited condensed consolidated financial statements.

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HARSCO CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (Unaudited)

	Three Months Ended	
	June 30	
(In thousands)	2015	2014
Net income (loss)	\$7,762	\$(12,598)
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of deferred income taxes of \$4,542 and \$(359) in 2015 and 2014, respectively	(8,975)	) 3,017
Net gain (loss) on cash flow hedging instruments, net of deferred income taxes of \$984 and \$282 in 2015 and 2014, respectively	(1,693)	) 2,096
Pension liability adjustments, net of deferred income taxes of \$2,131 and \$333 in 2015 and 2014, respectively	(17,077)	) (3,005)
Unrealized gain on marketable securities, net of deferred income taxes of \$(1) and \$(5) in 2015 and 2014, respectively	4	9
Total other comprehensive income (loss)	(27,741)	) 2,117
Total comprehensive loss	(19,979)	) (10,481)
Less: Comprehensive (income) loss attributable to noncontrolling interests	(846)	) 100
Comprehensive loss attributable to Harsco Corporation	\$(20,825)	) \$(10,381)
	Six Months Ended	
	June 30	
(In thousands)	2015	2014
Net income (loss)	\$23,591	\$(985)
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of deferred income taxes of \$2,892 and \$(460) in 2015 and 2014, respectively	(37,817)	) 1,747
Net gain (loss) on cash flow hedging instruments, net of deferred income taxes of \$(538) and \$668 in 2015 and 2014, respectively	5,881	(1,867)
Pension liability adjustments, net of deferred income taxes of \$(960) and \$(73) in 2015 and 2014, respectively	8,216	676
Unrealized gain (loss) on marketable securities, net of deferred income taxes of \$3 and \$(2) in 2015 and 2014, respectively	(4)	) 4
Total other comprehensive income (loss)	(23,724)	) 560
Total comprehensive loss	(133)	) (425)
Less: Comprehensive income attributable to noncontrolling interests	(647)	) (1,002)
Comprehensive loss attributable to Harsco Corporation	\$(780)	) \$(1,427)

See accompanying notes to unaudited condensed consolidated financial statements.

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HARSCO CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended	
	June 30 2015	2014
(In thousands)		
Cash flows from operating activities:		
Net income (loss)	\$23,591	\$(985)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	73,507	84,333
Amortization	6,073	6,046
Change in fair value to the unit adjustment liability	4,409	5,019
Deferred income tax expense	2,133	2,862
Equity in loss of unconsolidated entities, net	3,501	4,748
Loss on disposal of Harsco Infrastructure Segment	—	2,911
Other, net	(17,473)	16,926
Changes in assets and liabilities:		
Accounts receivable	(10,698)	(31,496)
Inventories	(31,192)	(12,972)
Accounts payable	11,437	(7,172)
Accrued interest payable	(163)	704
Accrued compensation	(6,870)	2,072
Advances on contracts	8,246	32,870
Harsco 2011/2012 Restructuring Program accrual	(101)	(2,198)
Other assets and liabilities	(21,182)	(28,338)
Net cash provided by operating activities	45,218	75,330
Cash flows from investing activities:		
Purchases of property, plant and equipment	(63,246)	(82,496)
Proceeds from the Infrastructure Transaction	—	15,699
Proceeds from sales of assets	13,351	6,120
Purchases of businesses, net of cash acquired	(7,757)	(26,046)
Payment of unit adjustment liability	(11,160)	(11,160)
Other investing activities, net	(4,783)	(1,926)
Net cash used by investing activities	(73,595)	(99,809)
Cash flows from financing activities:		
Short-term borrowings, net	(3,046)	(1,570)
Current maturities and long-term debt:		
Additions	92,980	108,431
Reductions	(16,152)	(62,595)
Cash dividends paid on common stock	(32,891)	(33,146)
Dividends paid to noncontrolling interests	(1,559)	(1,586)
Common stock acquired for treasury	(12,143)	—
Other financing activities, net	(2,192)	(2)
Net cash provided by financing activities	24,997	9,532
Effect of exchange rate changes on cash	7,685	(1,191)
Net increase (decrease) in cash and cash equivalents	4,305	(16,138)
Cash and cash equivalents at beginning of period	62,843	93,605

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Cash and cash equivalents at end of period	\$67,148	\$77,467
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See accompanying notes to unaudited condensed consolidated financial statements.

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HARSCO CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

Harsco Corporation Stockholders' Equity

Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other
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