

Koppers Holdings Inc.
Form 10-Q
May 06, 2016
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, 2016

Commission file number 1-32737

KOPPERS HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Pennsylvania 20-1878963
(State of incorporation)(IRS Employer Identification No.)

436 Seventh Avenue

Pittsburgh, Pennsylvania 15219

(Address of principal executive offices)

(412) 227-2001

(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 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 Exchange Act). Yes No

Common Stock, par value \$0.01 per share, outstanding at April 30, 2016 amounted to 20,622,272 shares.

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

KOPPERS HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

| | Three Months Ended March 31, | |
|--|---------------------------------|-------------|
| | 2016 | 2015 |
| (Dollars in millions, except per share amounts) | (Unaudited) | (Unaudited) |
| Net sales | \$346.8 | \$ 397.8 |
| Cost of sales (excluding items below) | 288.5 | 343.5 |
| Depreciation and amortization | 15.1 | 14.4 |
| Gain on sale of business | 0.0 | (3.2) |
| Impairment and restructuring charges | 5.1 | 3.3 |
| Selling, general and administrative expenses | 30.3 | 31.8 |
| Operating profit | 7.8 | 8.0 |
| Other income | 1.6 | 0.2 |
| Interest expense | 12.3 | 13.0 |
| Loss before income taxes | (2.9) | (4.8) |
| Income tax benefit | (0.5) | (0.6) |
| Loss from continuing operations | (2.4) | (4.2) |
| Income from discontinued operations, net of tax expense of \$0.2 and \$0.0 | 0.6 | 0.0 |
| Net loss | (1.8) | (4.2) |
| Net loss attributable to noncontrolling interests | (0.5) | (0.8) |
| Net loss attributable to Koppers | \$(1.3) | \$ (3.4) |
| (Loss) earnings per common share attributable to Koppers common shareholders: | | |
| Basic - | | |
| Continuing operations | \$(0.09) | \$ (0.16) |
| Discontinued operations | 0.03 | 0.00 |
| Loss per basic common share | \$(0.06) | \$ (0.16) |
| Diluted - | | |
| Continuing operations | \$(0.09) | \$ (0.16) |
| Discontinued operations | 0.03 | 0.00 |
| Loss per diluted common share | \$(0.06) | \$ (0.16) |
| Comprehensive income (loss) | \$7.2 | \$ (14.3) |
| Comprehensive loss attributable to noncontrolling interests | (0.5) | (0.8) |
| Comprehensive income (loss) attributable to Koppers | \$7.7 | \$ (13.5) |
| Weighted average shares outstanding (in thousands): | | |
| Basic | 20,582 | 20,512 |
| Diluted | 20,582 | 20,512 |

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

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KOPPERS HOLDINGS INC.

CONDENSED CONSOLIDATED BALANCE SHEET

| | March 31, | December 31, |
|--|-------------|--------------|
| | 2016 | 2015 |
| | (Unaudited) | |
| (Dollars in millions, except per share amounts) | | |
| Assets | | |
| Cash and cash equivalents | \$ 15.6 | \$ 21.8 |
| Accounts receivable, net of allowance of \$6.9 and \$6.5 | 168.6 | 155.0 |
| Income tax receivable | 7.9 | 4.6 |
| Inventories, net | 236.1 | 226.4 |
| Loan to related party | 9.5 | 9.5 |
| Other current assets | 27.0 | 27.0 |
| Total current assets | 464.7 | 444.3 |
| Property, plant and equipment, net | 278.8 | 277.8 |
| Goodwill | 187.6 | 186.6 |
| Intangible assets, net | 153.5 | 156.1 |
| Deferred tax assets | 35.0 | 36.6 |
| Other assets | 10.1 | 11.5 |
| Total assets | \$ 1,129.7 | \$ 1,112.9 |
| Liabilities | | |
| Accounts payable | \$ 149.2 | \$ 140.8 |
| Accrued liabilities | 99.6 | 99.8 |
| Current maturities of long-term debt | 42.4 | 39.9 |
| Total current liabilities | 291.2 | 280.5 |
| Long-term debt | 683.7 | 682.4 |
| Accrued postretirement benefits | 53.0 | 53.6 |
| Deferred tax liabilities | 6.0 | 5.7 |
| Other long-term liabilities | 100.1 | 103.1 |
| Total liabilities | 1,134.0 | 1,125.3 |
| Commitments and contingent liabilities (Note 18) | | |
| Equity | | |
| Senior Convertible Preferred Stock, \$0.01 par value per share; 10,000,000 | | |
| shares authorized; no shares issued | 0.0 | 0.0 |
| Common Stock, \$0.01 par value per share; 80,000,000 shares authorized; | | |
| 22,097,448 and 22,015,994 shares issued | 0.2 | 0.2 |
| Additional paid-in capital | 169.0 | 167.8 |
| Accumulated deficit | (55.3) | (54.0) |
| Accumulated other comprehensive loss | (70.8) | (79.8) |
| Treasury stock, at cost, 1,475,176 and 1,459,164 shares | (53.0) | (52.7) |
| Total Koppers shareholders' deficit | (9.9) | (18.5) |
| Noncontrolling interests | 5.6 | 6.1 |
| Total deficit | (4.3) | (12.4) |

| | | |
|-------------------------------|------------|------------|
| Total liabilities and deficit | \$ 1,129.7 | \$ 1,112.9 |
|-------------------------------|------------|------------|

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

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KOPPERS HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| (Dollars in millions) | Three Months Ended | |
|---|--------------------|-------------|
| | 2016 | 2015 |
| | (Unaudited) | (Unaudited) |
| Cash provided by (used in) operating activities: | | |
| Net loss | \$(1.8) | \$ (4.2) |
| Adjustments to reconcile net cash provided by operating activities: | | |
| Depreciation and amortization | 15.1 | 14.4 |
| Impairment charges | 0.0 | 3.3 |
| Gain on sale of business | 0.0 | (3.2) |
| Deferred income taxes | 0.1 | (1.6) |
| Equity loss, net of dividends received | 0.5 | 0.5 |
| Change in other liabilities | (2.7) | 0.7 |
| Non-cash interest expense | 0.9 | 0.9 |
| Stock-based compensation | 1.1 | 0.7 |
| Deferred revenue | (0.1) | 0.0 |
| Other | 2.1 | 1.8 |
| Changes in working capital: | | |
| Accounts receivable | (10.3) | 3.1 |
| Inventories | (5.2) | 4.8 |
| Accounts payable | 7.0 | 24.2 |
| Accrued liabilities | (5.6) | (21.7) |
| Other working capital | 1.4 | (4.0) |
| Net cash provided by operating activities | 2.5 | 19.7 |
| Cash (used in) provided by investing activities: | | |
| Capital expenditures | (8.6) | (7.0) |
| Acquisitions, net of cash acquired | 0.0 | (15.3) |
| Net cash proceeds from divestitures and asset sales | 0.3 | 12.3 |
| Net cash used in investing activities | (8.3) | (10.0) |
| Cash provided by (used in) financing activities: | | |
| Borrowings of revolving credit | 113.2 | 148.1 |
| Repayments of revolving credit | (103.1) | (176.5) |
| Repayments of long-term debt | (7.5) | (6.6) |
| Repurchases of Common Stock | (0.3) | (0.3) |
| Payment of deferred financing costs | 0.0 | (0.1) |
| Dividends paid | 0.0 | (6.8) |
| Net cash provided by (used in) financing activities | 2.3 | (42.2) |
| Effect of exchange rate changes on cash | (2.7) | |