

Koppers Holdings Inc.
Form 10-Q
August 07, 2014

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, 2014

Commission file number 1-32737

KOPPERS HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State of incorporation)

20-1878963
(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 x 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 x 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 x Accelerated filer " Non-accelerated filer " 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 " No x

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Common Stock, par value \$0.01 per share, outstanding at July 31, 2014 amounted to 20,495,011 shares.

PART I FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

KOPPERS HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014 (Unaudited)	2013	2014 (Unaudited)	2013
<i>(Dollars in millions, except per share amounts)</i>				
Net sales	\$ 356.8	\$ 370.9	\$ 688.2	\$ 741.3
Cost of sales (excluding items below)	311.9	318.9	597.0	639.4
Depreciation and amortization	9.7	7.3	18.6	14.6
Impairment and restructuring charges	0.0	0.0	15.5	0.0
Selling, general and administrative expenses	21.9	16.2	43.3	33.9
Operating profit	13.3	28.5	13.8	53.4
Other (loss) income	(0.3)	1.0	(0.1)	1.5
Interest expense	6.6	6.6	13.4	13.5
Income before income taxes	6.4	22.9	0.3	41.4
Income taxes	5.6	8.1	(0.4)	15.2
Income from continuing operations	0.8	14.8	0.7	26.2
Loss from discontinued operations, net of tax benefit of \$0.1, \$0.2, \$0.1 and \$0.1	(0.1)	(0.1)	(0.1)	0.0
Net income	0.7	14.7	0.6	26.2
Net (loss) income attributable to noncontrolling interests	(0.9)	0.3	(3.2)	0.8
Net income attributable to Koppers	\$ 1.6	\$ 14.4	\$ 3.8	\$ 25.4
Earnings (loss) per common share attributable to Koppers common shareholders:				
Basic				
Continuing operations	\$ 0.08	\$ 0.70	\$ 0.19	\$ 1.23
Discontinued operations	0.00	(0.01)	0.00	0.00
Earnings per basic common share	\$ 0.08	\$ 0.69	\$ 0.19	\$ 1.23
Diluted				
Continuing operations	\$ 0.08	\$ 0.70	\$ 0.19	\$ 1.21
Discontinued operations	0.00	(0.01)	0.00	0.00
Earnings per diluted common share	\$ 0.08	\$ 0.69	\$ 0.19	\$ 1.21
Comprehensive income	\$ 3.2	\$ 5.9	\$ 5.8	\$ 15.7
Comprehensive (loss) income attributable to noncontrolling interests	(0.9)	0.2	(3.6)	0.7
Comprehensive income attributable to Koppers	\$ 4.1	\$ 5.7	\$ 9.4	\$ 15.0
Weighted average shares outstanding <i>(in thousands)</i> :				
Basic	20,475	20,727	20,430	20,697

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Diluted	20,582	20,945	20,584	20,935
Dividends declared per common share	\$ 0.25	\$ 0.25	\$ 0.50	\$ 0.50

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

KOPPERS HOLDINGS INC.

CONDENSED CONSOLIDATED BALANCE SHEET

	June 30,	December 31,
	2014	2013
	(Unaudited)	
<i>(Dollars in millions, except per share amounts)</i>		
Assets		
Cash and cash equivalents	\$ 54.4	\$ 82.2
Accounts receivable, net of allowance of \$3.7 and \$3.6	159.9	157.9
Income tax receivable	8.9	9.0
Inventories, net	189.2	168.8
Deferred tax assets	12.4	10.0
Loan to related party	9.5	9.5
Other current assets	28.6	35.7
Total current assets	462.9	473.1
Equity in non-consolidated investments	6.2	6.6
Property, plant and equipment, net	215.3	197.0
Goodwill	75.4	72.7
Deferred tax assets	14.7	9.3
Other assets	31.5	26.2
Total assets	\$ 806.0	\$ 784.9
Liabilities		
Accounts payable	\$ 93.1	\$ 107.6
Accrued liabilities	73.2	82.4
Dividends payable	5.1	5.1
Total current liabilities	171.4	195.1
Long-term debt	358.4	303.1
Accrued postretirement benefits	31.0	41.6
Deferred tax liabilities	15.9	14.7
Other long-term liabilities	40.7	40.6
Total liabilities	617.4	595.1
Commitments and contingent liabilities (Note 17)		
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; 40,000,000 shares authorized; 21,938,260 and 21,722,492 shares issued	0.2	0.2
Additional paid-in capital	163.0	158.9
Retained earnings	64.7	71.3
Accumulated other comprehensive loss	(4.6)	(10.2)
Treasury stock, at cost, 1,443,248 and 1,390,494 shares	(52.4)	(50.4)
Total Koppers shareholders' equity	170.9	169.8
Noncontrolling interests	17.7	20.0
Total equity	188.6	189.8
Total liabilities and equity	\$ 806.0	\$ 784.9

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

KOPPERS HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Six Months Ended June 30,</i>	
	<i>2014</i>	<i>2013</i>
	<i>(Unaudited)</i>	
<i>(Dollars in millions)</i>		
Cash provided by (used in) operating activities:		
Net income	\$ 0.6	\$ 26.2
Adjustments to reconcile net cash provided by operating activities:		
Depreciation and amortization	18.6	14.6
Impairment charges	4.7	0.0
Deferred income taxes	(6.6)	1.8
Equity income (loss), net of dividends received	0.4	(0.4)
Change in other liabilities	(8.2)	(8.6)
Non-cash interest expense	0.8	0.8
Stock-based compensation	3.2	2.8
Other	0.6	(0.4)
(Increase) decrease in working capital:		
Accounts receivable	(0.3)	(6.1)
Inventories	(1.8)	5.7
Accounts payable	(15.8)	(0.2)
Accrued liabilities and other working capital	(4.9)	(16.2)
Net cash provided by (used in) operating activities	(8.7)	20.0
Cash provided by (used in) investing activities:		
Capital expenditures	(35.6)	(15.7)
Acquisitions	(29.6)	0.0
Net cash proceeds from divestitures and asset sales	0.0	0.9
Net cash provided by (used in) investing activities	(65.2)	(14.8)
Cash provided by (used in) financing activities:		
Borrowings of revolving credit	138.0	86.3
Repayments of revolving credit	(113.7)	(81.2)
Borrowings of long-term debt	31.2	0.0
Issuances of Common Stock	0.7	