

CAMBREX CORP
Form 10-Q
August 04, 2017
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, 2017

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 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, 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 (Do not check if a smaller reporting company)

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 July 31, 2017, there were 32,729,626 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 and incorporates by reference forward-looking statements including statements regarding expected performance, including, but not limited to, the Company's belief that cash flows from operations, along with funds available from the revolving line of credit, will be adequate to meet the operational and debt servicing needs of the Company, as well as other statements relating to expectations with respect to sales, the timing of orders, research and development expenditures, earnings per share, capital expenditures, the outcome of pending litigation (including environmental proceedings and remediation investigations) and related estimates of potential liability, acquisitions, divestitures, collaborations or other expansion opportunities. These statements may be identified by the fact that they use words such as "may," "will," "could," "should," "would," "expect," "anticipate," "intend," "estimate," "believe" or similar. 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 contained in the Company's Annual Report on Form 10-K for the period ended December 31, 2016, captioned "Risk Factors," or otherwise described in the Company's filings with the Securities and Exchange Commission, 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, pharmaceutical outsourcing trends, competitive pricing or product developments, government legislation and regulations (particularly environmental issues), tax rates, interest rates, technology, manufacturing and legal issues, including the outcome of outstanding litigation, changes in foreign exchange rates, uncollectible receivables, the timing of orders, loss on disposition of assets, cancellation or delays in renewal of contracts, lack of suitable raw materials or packaging materials, the Company's ability to receive regulatory approvals for its products and continued demand in the U.S. for late stage clinical products or the successful outcome of the Company's investment in new products.

The forward-looking statements are based on the beliefs and assumptions of Company management and the information available to Company management as of the date of this report. The Company cautions investors not to place significant reliance on expectations regarding future results, levels of activity, performance, achievements or other forward-looking statements. The information contained in this Quarterly Report on Form 10-Q is provided by the Company as of the date hereof, and, unless required by law, the Company does not undertake and specifically disclaims any obligation to update these forward-looking statements contained in this Quarterly Report on Form 10-Q as a result of new information, future events or otherwise.

Part I - FINANCIAL INFORMATION**Item 1. Financial Statements****CAMBREX CORPORATION AND SUBSIDIARIES****Consolidated Balance Sheets**

(in thousands, except share data)

	June 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 94,177	\$ 74,141
Trade receivables, net	99,064	110,622
Other receivables	9,001	6,748
Inventories, net	156,576	123,184
Prepaid expenses and other current assets	7,421	7,960
Total current assets	366,239	322,655
Property, plant and equipment, net	237,796	217,092
Goodwill	42,304	40,323
Intangible assets, net	14,590	14,800
Deferred income taxes	8,611	13,061
Other non-current assets	3,541	3,934
Total assets	\$ 673,081	\$ 611,865
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 39,129	\$ 42,873
Deferred revenue and advance payments	7,766	7,506
Taxes payable	4,206	9,469
Accrued expenses and other current liabilities	37,254	35,614
Total current liabilities	88,355	95,462
Advance payments	39,000	39,000
Deferred income taxes	7,443	6,921
Accrued pension benefits	43,934	43,109
Other non-current liabilities	23,787	21,946
Total liabilities	202,519	206,438

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Stockholders' equity:		
Common stock, \$.10 par value; authorized 100,000,000, issued 34,151,275 and 33,927,595 shares at respective dates	3,415	3,393
Additional paid-in capital	159,383	153,681
Retained earnings	372,271	327,376
Treasury stock, at cost, 1,433,649 and 1,583,909 shares at respective dates	(12,221)	(13,503)
Accumulated other comprehensive loss	(52,286)	(65,520)
 Total stockholders' equity	 470,562	 405,427
 Total liabilities and stockholders' equity	 \$ 673,081	 \$ 611,865

See accompanying notes to unaudited consolidated financial statements.

CAMBREX CORPORATION AND SUBSIDIARIES**Consolidated Income Statements**

(unaudited – in thousands, except per share data)

	Three months ended		Six months ended	
	June 30, 2017	2016	June 30, 2017	2016
Gross sales	\$ 134,487	\$ 119,054	\$ 238,198	\$ 212,989
Commissions, allowances and rebates	649	833	1,243	1,336
Net sales	133,838	118,221	236,955	211,653
Other revenues, net	716	417	2,605	1,726
Net revenue	134,554	118,638	239,560	213,379
Cost of goods sold	77,052	70,081	135,233	125,923
Gross profit	57,502	48,557	104,327	87,456
Operating expenses:				
Selling, general and administrative expenses	18,480	13,607	34,234	27,652
Research and development expenses	4,467	4,125	8,357	7,603
Total operating expenses	22,947	17,732	42,591	35,255
Operating profit	34,555	30,825	61,736	52,201
Other expenses/(income):				
Interest expense/(income), net	388	46	654	(9)
Other (income)/expenses, net	(131)	180	(143)	214
Income before income taxes	34,298	30,599	61,225	51,996
Provision for income taxes	9,174	9,789	14,986	16,341
Income from continuing operations	25,124	20,810	46,239	35,655
Loss from discontinued operations, net of tax	(94)	(316)	(1,344)	(579)
Net income	\$ 25,030	\$ 20,494	\$ 44,895	\$ 35,076

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Basic earnings/(loss) per share of common stock:

Income from continuing operations	\$0.77	\$0.65	\$1.42	\$1.12
Loss from discontinued operations, net of tax	\$(0.00)	\$(0.01)	\$(0.04)	\$(0.02)
Net income	\$0.77	\$0.64	\$1.38	\$1.10

Diluted earnings/(loss) per share of common stock:

Income from continuing operations	\$0.75	\$0.63	\$1.38	\$1.09
Loss from discontinued operations, net of tax	\$(0.00)	\$(0.01)	\$(0.04)	\$(0.02)
Net income	\$0.75	\$0.62	\$1.34	\$1.07

Weighted average shares outstanding:

Basic	32,629	32,063	32,542	31,975
Effect of dilutive stock based compensation	840	863	874	873
Diluted	33,469	32,926	33,416	32,848

See accompanying notes to unaudited consolidated financial statements.

CAMBREX CORPORATION AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income**

(unaudited – in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net income	\$25,030	\$20,494	\$44,895	\$35,076
Other comprehensive income/(loss):				
Foreign currency translation adjustments	10,279	(6,383)	12,747	712
Pension plan amortization of net actuarial loss and prior service cost, net of tax of \$117, \$100, \$232 and \$200 at respective dates	243	202	487	404
Comprehensive income	\$35,552	\$14,313	\$58,129	\$36,192

See accompanying notes to unaudited consolidated financial statements.

CAMBREX CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows**

(unaudited – in thousands)

	Six months ended	
	June 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$44,895	\$35,076
Adjustments to reconcile net income to cash flows:		
Depreciation and amortization	14,827	11,274
Non-cash deferred revenue	(4,115)	(2,616)
Increase in inventory reserve	2,318	5,089
Unrealized gain on foreign currency contracts	(1,069)	(148)
Stock based compensation	4,033	3,300
Deferred income tax provision	1,969	8,872
Other	(146)	454
Changes in assets and liabilities:		
Trade receivables	15,047	15,022
Inventories	(31,165)	(35,021)
Prepaid expenses and other current assets	(1,308)	(5,461)
Accounts payable and other current liabilities	(13,180)	(11,665)
Deferred revenue and advance payments	3,298	40,758
Other non-current assets and liabilities	563	652
Discontinued operations:		
Non-cash adjustments to net income	2,300	-
Net cash used in discontinued operations	(1,190)	(195)
Net cash provided by operating activities	37,077	65,391

Cash flows from investing activities: