

CAMBREX CORP
Form 10-Q
October 30, 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 September 30, 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 1-10638

CAMBREX CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE 22-2476135
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer 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, 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 (Do not check if a smaller reporting company)
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

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As of October 28, 2014, there were 30,995,575 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, 2013, 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.

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Item 1. Financial Statements

CAMBREX CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(in thousands, except share data)

	September 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 26,505	\$ 22,745
Trade receivables, net	45,642	71,276
Other receivables	11,873	12,943
Inventories, net	101,405	89,965
Prepaid expenses and other current assets	8,977	5,631
Total current assets	194,402	202,560
Property, plant and equipment, net	162,269	171,966
Goodwill	45,108	38,670
Intangible assets, net	8,908	4,011
Investments in and advances to partially-owned affiliates	788	13,364
Deferred income taxes	27,830	19,799
Other non-current assets	5,027	7,667
Total assets	\$ 444,332	\$ 458,037
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 34,004	\$ 29,052
Deferred revenue	11,787	20,121
Accrued expenses and other current liabilities	43,510	48,098
Total current liabilities	89,301	97,271
Long-term debt	60,000	79,250
Deferred income taxes	11,533	12,835
Accrued pension benefits	34,634	40,123
Other non-current liabilities	16,459	18,338
Total liabilities	211,927	247,817
Stockholders' equity:		
Common stock, \$.10 par value; authorized 100,000,000, issued 32,753,105 and 32,240,795 shares at respective dates	3,274	3,223
Additional paid-in capital	116,518	109,765
Retained earnings	160,596	131,178
Treasury stock, at cost, 1,757,530 and 1,757,530 shares at respective dates	(14,984)	(14,984)
Accumulated other comprehensive loss	(32,999)	(18,962)

Total stockholders' equity	232,405	210,220
Total liabilities and stockholders' equity	\$ 444,332	\$ 458,037

See accompanying notes to unaudited consolidated financial statements.

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CAMBREX CORPORATION AND SUBSIDIARIES

Consolidated Income Statements

(unaudited – in thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Gross sales	\$81,145	\$77,992	\$245,309	\$214,201
Commissions, allowances and rebates	504	547	1,678	775
Net sales	80,641	77,445	243,631	213,426
Other revenue	659	7	1,667	1,714
Net revenues	81,300	77,452	245,298	215,140
Cost of goods sold	52,894	52,486	166,899	146,174
Gross profit	28,406	24,966	78,399	68,966
Operating expenses:				
Selling, general and administrative expenses	12,541	11,128	38,734	32,854
Research and development expenses	3,839	2,588	9,945	7,547
Total operating expenses	16,380	13,716	48,679	40,401
Gain on sale of office building	-	-	-	4,680
Operating profit	12,026	11,250	29,720	33,245
Other expenses:				
Interest expense, net	570	664	1,635	1,647
Equity in losses of partially-owned affiliates	-	508	4,618	1,657
Other expenses, net	37	5	16	11
Income before income taxes	11,419	10,073	23,451	29,930
Provision/(benefit) for income taxes	2,537	3,799	(6,424)	9,095
Income from continuing operations	8,882	6,274	29,875	20,835
Loss from discontinued operations, net of tax	(113)	(2,700)	(457)	(3,819)
Net income	\$8,769	\$3,574	\$29,418	\$17,016
Basic earnings/(loss) per share of common stock:				
Income from continuing operations	\$0.29	\$0.21	\$0.97	\$0.69
Loss from discontinued operations, net of tax	\$(0.01)	\$(0.09)	\$(0.01)	\$(0.12)
Net income	\$0.28	\$0.12	\$0.96	\$0.57

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

Income from continuing operations	\$0.28	\$0.20	\$0.95	\$0.67
Loss from discontinued operations, net of tax	\$(0.00)	\$(0.08)	\$(0.02)	\$(0.12)
Net income	\$0.28	\$0.12	\$0.93	\$0.55

Weighted average shares outstanding:

Basic	30,801	30,184	30,665	30,081
Effect of dilutive stock based compensation	798	868	821	857
Diluted	31,599	31,052	31,486	30,938

See accompanying notes to unaudited consolidated financial statements.

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CAMBREX CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(unaudited – in thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Net income	\$8,769	\$3,574	\$29,418	\$17,016
Other comprehensive (loss)/income:				
Foreign currency translation adjustments	(15,172)	4,700	(14,610)	1,816
Interest rate swap agreement, net of tax of \$39, (\$17), \$74 and \$88 at respective dates	74	(32)	140	163
Pension plan amortization of net actuarial loss and prior service cost, net of tax of \$70, \$106, \$210 and \$337 at respective dates				