

CABOT CORP
Form 10-Q
August 06, 2015

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 1-5667

Cabot Corporation

(Exact name of registrant as specified in its charter)

Delaware 04-2271897
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

Two Seaport Lane

Boston, Massachusetts 02210-2019
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (617) 345-0100

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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 (§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 ☐

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. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if 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 Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer’s classes of Common Stock, as of the latest practicable date.

As of August 4, 2015 the Company had 62,914,994 shares of Common Stock, par value \$1.00 per share, outstanding.

CABOT CORPORATION

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Part I. Financial Information

Item 1. Financial Statements

CABOT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

UNAUDITED

	Three Months Ended June 30, 2015 2014		Nine Months Ended June 30, 2015 2014	
	(In millions, except share and per share amounts)			
Net sales and other operating revenues	\$ 694	\$ 940	\$ 2,200	\$ 2,736
Cost of sales	544	756	1,754	2,197
Gross profit	150	184	446	539
Selling and administrative expenses	67	76	216	245
Research and technical expenses	15	15	44	46
Income from operations	68	93	186	248
Interest and dividend income	1	1	3	3
Interest expense	(13)	(14)	(40)	(41)
Other (expense) income	(3)	—	(6)	27
Long-lived assets impairment charge (Note F)	(209)	—	(209)	—
Goodwill impairment charge (Note F)	(353)	—	(353)	—
(Loss) income from continuing operations	(509)	80	(419)	237
Benefit (provision) for income taxes	64	(20)	47	(51)
Equity in earnings (loss) of affiliated companies, net of tax	1	(2)	4	(2)
(Loss) income from continuing operations	(444)	58	(368)	184
Income (loss) from discontinued operations, net of tax	1	(1)	1	(2)
Net (loss) income	(443)	57	(367)	182
Net income attributable to noncontrolling interests,				
net of tax	2	5	7	14
Net (loss) income attributable to Cabot Corporation	\$ (445)	\$ 52	\$ (374)	\$ 168
Weighted-average common shares outstanding, in millions:				
Basic	63.3	64.5	63.7	64.3
Diluted	63.3	65.2	63.7	65.0
Income per common share:				
Basic:				
(Loss) income from continuing operations attributable to				
Cabot Corporation	\$ (7.05)	\$ 0.80	\$ (5.89)	\$ 2.61
Income (loss) from discontinued operations	0.01	(0.01)	0.01	(0.03)
Net (loss) income attributable to Cabot Corporation	\$ (7.04)	\$ 0.79	\$ (5.88)	\$ 2.58
Diluted:				
(Loss) income from continuing operations attributable to				
Cabot Corporation	\$ (7.05)	\$ 0.79	\$ (5.89)	\$ 2.58

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Cabot Corporation				
Income (loss) from discontinued operations	\$ 0.01	\$ (0.01)	\$ 0.01	(0.03)
Net (loss) income attributable to Cabot Corporation	\$ (7.04)	\$ 0.78	\$ (5.88)	\$2.55
Dividends per common share	\$ 0.22	\$ 0.22	\$ 0.66	\$0.62

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

CABOT CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

UNAUDITED

	Three Months Ended June 30, 2015 2014		Nine Months Ended June 30, 2015 2014	
	(In millions)			
Net (loss) income	\$(443)	\$57	\$(367)	\$182
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment (net of tax provision	18	11	(216)	(18)
of \$-, \$-, \$1 and \$1)				
Unrealized holding gains arising during the period	—	2	—	2
(net of tax provision of \$-, \$1, \$- and \$-)				
Pension and other postretirement benefit liability adjustments				
Pension and other postretirement benefit liability adjustments				
arising during the period (net of tax provision of \$-, \$-, \$6	—	—	21	—
and \$-)				
Amortization of net loss and prior service credit included in				
net periodic pension cost (net of tax benefit of less than \$1	—	—	1	1
million in all periods)				
Other comprehensive income (loss)	18	13	(194)	(15)
Comprehensive (loss) income	(425)	70	(561)	167
Net income attributable to noncontrolling interests	2	5	7	14
Noncontrolling interests foreign currency translation	—	—	(3)	(2)
adjustment, net of tax				
Comprehensive income attributable to noncontrolling interests,	2	5	4	12
net of tax				
Comprehensive (loss) income attributable to Cabot Corporation	\$(427)	\$65	\$(565)	\$155

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

CABOT CORPORATION

CONSOLIDATED BALANCE SHEETS

ASSETS

UNAUDITED

	June 30, 2015	September 30, 2014
	(In millions)	
Current assets:		
Cash and cash equivalents	\$84	\$ 67
Accounts and notes receivable, net of reserve for doubtful accounts of \$8 and \$7	563	688
Inventories:		
Raw materials	88	111
Work in process	4	2
Finished goods	298	341
Other	42	44
Total inventories	432	498
Prepaid expenses and other current assets	60	69
Deferred income taxes	39	42
Total current assets	1,178	1,364
Property, plant and equipment, net	1,427	1,581
Goodwill	157	536
Equity affiliates	61	68
Intangible assets, net	159	347
Assets held for rent	68	56
Deferred income taxes	137	80
Other assets	49	52
Total assets	\$3,236	\$ 4,084

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

CABOT CORPORATION

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

UNAUDITED

	June 30, 2015	September 30, 2014
(In millions, except share and per share amounts)		
Current liabilities:		
Notes payable	\$ 152	\$ 44
Accounts payable and accrued liabilities	387	512
Income taxes payable	27	49
Deferred income taxes	1	1
Current portion of long-term debt	1	24
Total current liabilities	568	630
Long-term debt	971	1,004
Deferred income taxes	52	68
Other liabilities	249	291
Redeemable preferred stock	28	27
Commitments and contingencies (Note J)		
Stockholders' equity:		
Preferred stock:		
Authorized: 2,000,000 shares of \$1 par value	—	—
Issued and Outstanding : None and none		
Common stock:		
Authorized: 200,000,000 shares of \$1 par value		
Issued: 63,162,812 and 64,634,731 shares		
Outstanding: 62,914,996 and 64,382,366 shares	63	64
Less cost of 247,816 and 252,365 shares of common treasury stock	(8)	(7)
Additional paid-in capital	—	49
Retained earnings	1,464	1,900
Accumulated other comprehensive loss	(255)	(64)
Total Cabot Corporation stockholders' equity	1,264	1,942
Noncontrolling interests	104	122
Total stockholders' equity	1,368	2,064
Total liabilities and stockholders' equity	\$ 3,236	\$ 4,084

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

CABOT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

UNAUDITED

	Nine months ended June 30	
	2015	2014
Cash Flows from Operating Activities:		
Net (loss) income	\$(367)	\$182
Adjustments to reconcile net income to cash provided (used in) by operating activities:		
Depreciation and amortization	140	150
Long-lived asset impairment charge	209	4
Goodwill impairment charge	353	—
Deferred tax (benefit) provision	(75)	(16)
Gain on step-acquisition	—	(29)
Employee benefit plan settlement	18	—
Equity in net (income) loss of affiliated companies	(4)	2
Non-cash compensation	9	11
Other non-cash (income) expense	(3)	1
Changes in assets and liabilities:		
Accounts and notes receivable	80	(62)
Inventories	33	(66)
Prepaid expenses and other current assets	4	(20)
Accounts payable and accrued liabilities	(84)	—
Income taxes payable	(22)	2
Other liabilities	(27)	4
Cash dividends received from equity affiliates	10	22
Other	4	—
Cash provided by operating activities	278	185
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(103)	(115)
Proceeds from notes receivable from sales of business	—	215
Change in assets held for rent	(8)	(5)
Cash paid for acquisition of business, net of cash acquired of \$7	—	(73)
Cash (used in) provided by investing activities	(111)	22
Cash Flows from Financing Activities:		