

Koppers Holdings Inc.
Form 10-Q
August 06, 2009

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, 2009

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 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

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 July 31, 2009 amounted to 20,451,872 shares.

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

KOPPERS HOLDINGS INC.

CONSOLIDATED STATEMENT OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009 (Unaudited)	2008	2009 (Unaudited)	2008
<i>(Dollars in millions, except per share amounts)</i>				
Net sales	\$ 291.6	\$ 375.3	\$ 564.3	\$ 706.5
Cost of sales (excluding items below)	238.5	306.1	472.4	581.8
Depreciation and amortization	6.3	6.4	12.3	13.3
Selling, general and administrative expenses	13.5	16.7	27.9	33.5
Operating profit	33.3	46.1	51.7	77.9
Other loss	(0.2)	(0.3)	(0.2)	(0.3)
Interest expense	10.0	10.6	20.2	21.5
Income before income taxes	23.1	35.2	31.3	56.1
Income taxes	10.5	12.5	13.9	20.6
Income from continuing operations	12.6	22.7	17.4	35.5
Income from discontinued operations, net of tax benefit of \$, \$(0.9), \$ and \$(2.0)		2.0		3.0
Loss on sale of discontinued operations, net of tax benefit of \$, \$, \$0.2 and \$	(0.1)		(0.3)	
Net income	12.5	24.7	17.1	38.5
Net income attributable to noncontrolling interests	0.8	0.4	1.3	1.0
Net income attributable to Koppers	\$ 11.7	\$ 24.3	\$ 15.8	\$ 37.5
Earnings per common share attributable to Koppers common shareholders:				
Basic				
Continuing operations	\$ 0.57	\$ 1.06	\$ 0.78	\$ 1.65
Discontinued operations		0.10	(0.01)	0.15
Earnings per basic common share	\$ 0.57	\$ 1.16	\$ 0.77	\$ 1.80
Diluted				
Continuing operations	\$ 0.57	\$ 1.06	\$ 0.78	\$ 1.64
Discontinued operations		0.10	(0.01)	0.15
Earnings per diluted common share	\$ 0.57	\$ 1.16	\$ 0.77	\$ 1.79
Weighted average shares outstanding <i>(in thousands)</i> :				
Basic	20,445	20,844	20,437	20,836
Diluted	20,542	20,923	20,513	20,912
Dividends declared per common share	\$ 0.22	\$ 0.22	\$ 0.44	\$ 0.44

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

KOPPERS HOLDINGS INC.

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>June 30,</i>	<i>December 31,</i>
	<i>2009</i>	<i>2008</i>
	<i>(Unaudited)</i>	
<i>(Dollars in millions, except per share amounts)</i>		
Assets		
Cash and cash equivalents	\$ 110.0	\$ 63.1
Short-term investments	0.1	1.7
Restricted cash		4.2
Accounts receivable, net of allowance of \$0.5 and \$0.5	118.1	112.1
Inventories, net	144.9	171.8
Deferred tax assets	2.6	2.6
Other current assets	15.8	16.9
Total current assets	391.5	372.4
Equity in non-consolidated investments	5.7	6.0
Property, plant and equipment, net	144.1	144.8
Goodwill	60.9	58.4
Deferred tax assets	58.6	56.0
Other assets	21.6	23.5
Total assets	\$ 682.4	\$ 661.1
Liabilities		
Accounts payable	\$ 64.2	\$ 82.1
Accrued liabilities	63.8	61.8
Dividends payable	4.5	4.5
Short-term debt and current portion of long-term debt	0.2	0.2
Total current liabilities	132.7	148.6
Long-term debt	383.5	374.7
Accrued postretirement benefits	78.1	75.7
Other long-term liabilities	36.2	36.1
Total liabilities	630.5	635.1
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		
Common Stock, \$0.01 par value per share; 40,000,000 shares authorized; 21,121,212 and 21,097,443 shares issued	0.2	0.2
Additional paid-in capital	127.3	126.6
Retained deficit	(31.2)	(37.8)
Accumulated other comprehensive loss	(29.6)	(47.4)
Treasury stock, at cost, 669,340 and 668,716 shares	(23.6)	(23.6)
Total Koppers stockholders' equity	43.1	18.0
Noncontrolling interests	8.8	8.0
Total equity	51.9	26.0
Total liabilities and equity	\$ 682.4	\$ 661.1

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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>(Dollars in millions)</i>	<i>Six Months Ended June 30,</i>	
	<i>2009</i>	<i>2008</i>
	<i>(Unaudited)</i>	
Cash provided by (used in) operating activities		
Net income	\$ 17.1	\$ 38.5
Adjustments to reconcile net cash provided by operating activities:		
Depreciation and amortization	13.2	15.5
Loss on disposal of fixed assets	0.7	
Deferred income taxes	(3.0)	1.2
Equity income, net of dividends received	0.9	0.5
Change in other liabilities	6.7	(0.8)
Non-cash interest expense	9.2	8.4
Stock-based compensation	2.2	2.2
Other	0.2	2.0
(Increase) decrease in working capital:		
Accounts receivable	(1.5)	(49.6)
Inventories	34.6	(3.2)
Accounts payable	(19.3)	0.3
Accrued liabilities and other working capital	1.8	4.6
Net cash provided by operating activities	62.8	19.6
Cash provided by (used in) investing activities:		
Capital expenditures	(6.8)	(14.3)
Net cash proceeds (payments) from divestitures and asset sales	(1.1)	0.2
Net cash used in investing activities	(7.9)	(14.1)
Cash provided by (used in) financing activities:		
Borrowings of revolving credit		178.5
Repayments of revolving credit		(176.0)
Repayments of long-term debt	(0.1)	(6.0)
Repurchases of Common Stock		(0.9)
Dividends paid	(9.0)	(8.1)
Net cash used in financing activities	(9.1)	(12.5)
Effect of exchange rate changes on cash	1.1	0.1
Net increase (decrease) in cash and cash equivalents	46.9	(6.9)
Add: Cash of assets held for sale at beginning of year		0.6
Less: Cash of assets held for sale at end of period		(1.4)
Cash and cash equivalents at beginning of year	63.1	16.9
Cash and cash equivalents at end of period	\$ 110.0	\$ 9.2

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

KOPPERS HOLDINGS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Unaudited)*

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements and related disclosures have been prepared in accordance with accounting principles generally accepted in the United States applicable to interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation of Koppers Holdings Inc. and its subsidiaries (Koppers , Koppers Holdings or the Company) financial position and interim results as of and for the periods presented have been included. All such adjustments are of a normal recurring nature unless disclosed otherwise. The Company has evaluated all subsequent events through August 6, 2009, the date the financial statements were issued. Because the Company's business is seasonal, results for interim periods are not necessarily indicative of those that may be expected for a full year. The Condensed Consolidated Balance Sheet for December 31, 2008 has been summarized from the audited balance sheet contained in the Annual Report on Form 10-K for the year ended December 31, 2008. Certain amounts in the prior year's condensed consolidated financial statements have been reclassified to conform to the current year presentation.

The financial information included herein should be read in conjunction with the Company's audited consolidated financial statements and related notes included in its Annual Report on Form 10-K for the year ended December 31, 2008.

2. Accounting Changes

The Company adopted the Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standard No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (SFAS 160) effective January 1, 2009. SFAS 160 changes the classification of noncontrolling interests on the balance sheet and the accounting for and reporting of transactions between the reporting entity and holders of such noncontrolling interests. Under the new standard, noncontrolling interests are considered equity and are to be reported as an element of stockholders' equity rather than within the mezzanine or liability sections of the balance sheet. In addition, the reporting of net income related to noncontrolling interest has changed from past practice. Under the new standard, net income encompasses the total income before the deduction of net income attributable to noncontrolling interests. Increases and decreases in the noncontrolling ownership interest amount are accounted for as equity transactions.

The Company adopted SFAS No. 141(R), *Applying the Acquisition Method* effective January 1, 2009. SFAS No. 141(R) provides guidance for the recognition of the fair values of the assets acquired upon initially obtaining control, including the elimination of the step acquisition model. The standard does not have a significant impact on the Company's results of operations, financial condition or liquidity.

The Company adopted FSP SFAS No. 107-1 and Accounting Principles Board Opinion No. 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP SFAS 107-1 and APB Opinion 28-1) effective June 30, 2009. FSP SFAS No. 107-1 and APB Opinion 28-1 requires fair value disclosures for financial instruments that are not reflected in the Condensed Consolidated Balance Sheet at fair value. Prior to the issuance of FSP SFAS 107-1 and APB Opinion No. 28-1, the fair values of those assets and liabilities were disclosed only annually. With the issuance of FSP SFAS 107-1 and APB Opinion 28-1, the Company is now required to disclose this information on a quarterly basis, providing quantitative and qualitative information about fair value estimates for all financial instruments not measured in the Condensed Consolidated Balance Sheet at fair value. The adoption of the standard does not have a significant impact on the Company's results of operations, financial condition or liquidity.

The Company adopted SFAS No. 165, *Subsequent Events* (SFAS 165) effective June 30, 2009. SFAS 165 establishes the accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. The adoption of the standard does not have a significant impact on the Company's results of operations, financial condition or liquidity.

3. Fair Value Measurements

Carrying amounts and the related estimated fair values of the Company's financial instruments as of June 30, 2009 and December 31, 2008 are as follows:

	<i>June 30, 2009</i>	<i>December 31,</i> <i>2008</i>
	<i>Carrying</i>	
<i>Fair Value</i>	<i>Value</i>	<i>Fair Value</i>