

CABOT CORP
Form 10-Q
February 08, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 December 31, 2018

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
(State or other jurisdiction of
incorporation or organization)

04-2271897
(I.R.S. Employer
Identification No.)

Two Seaport Lane

Boston, Massachusetts
(Address of principal executive offices)

02210-2019
(Zip Code)

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

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 every Interactive Data File required to be submitted 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 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

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

The Company had 59,520,108 shares of common stock, \$1.00 par value per share, outstanding as of February 5, 2019.

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CABOT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED

	Three Months Ended December 31	
	2018	2017
	(In millions, except per share amounts)	
Net sales and other operating revenues	\$ 821	\$ 720
Cost of sales	655	544
Gross profit	166	176
Selling and administrative expenses	73	70
Research and technical expenses	16	15
Income (loss) from operations	77	91
Interest and dividend income	2	3
Interest expense	(15)	(13)
Other income (expense)	6	11
Income (loss) from continuing operations before income taxes and equity in earnings of affiliated companies	70	92
(Provision) benefit for income taxes	7	(205)
Equity in earnings of affiliated companies, net of tax		1
Net income (loss)	77	(112)
Net income (loss) attributable to noncontrolling interests, net of tax	8	10
Net income (loss) attributable to Cabot Corporation	\$ 69	\$ (122)
Weighted-average common shares outstanding:		
Basic	59.9	61.9
Diluted	60.1	61.9
Earnings per common share:		
Basic	\$ 1.14	\$ (1.98)
Diluted	\$ 1.14	\$ (1.98)
Dividends per common share	\$ 0.33	\$ 0.315

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

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CABOT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
UNAUDITED

	Three Months Ended December 31	
	2018	2017
	(In millions)	
Net income (loss)	\$ 77	\$ (112)
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustment, net of tax provision (benefit) of \$2 and \$(2)	(24)	
Derivatives: net investment hedges		
(Gains) losses reclassified to interest expense, net of tax provision (benefit) of \$ and \$	(1)	(1)
Pension and other postretirement benefit liability adjustments		
Pension and other postretirement benefit liability adjustments arising during the period, net of tax	22	
Other comprehensive income (loss)	(3)	(1)
Comprehensive income (loss)	74	(113)
Net income (loss) attributable to noncontrolling interests, net of tax	8	10
Foreign currency translation adjustment attributable to noncontrolling interests, net of tax		3
Comprehensive income (loss) attributable to noncontrolling interests, net of tax	8	13
Comprehensive income (loss) attributable to Cabot Corporation	\$ 66	\$ (126)

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

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CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS

UNAUDITED

	December 31, 2018	September 30, 2018
	(In millions)	
Current assets:		
Cash and cash equivalents	\$ 142	\$ 175
Accounts and notes receivable, net of reserve for doubtful accounts of \$6 and \$7	588	637
Inventories:		
Raw materials	146	129
Work in process	3	3
Finished goods	390	329
Other	50	50
Total inventories	589	511
Prepaid expenses and other current assets	62	63
Total current assets	1,381	1,386
Property, plant and equipment, net	1,298	1,296
Goodwill	90	93
Equity affiliates	49	52
Intangible assets, net	94	98
Assets held for rent	125	118
Deferred income taxes	151	134
Other assets	67	67
Total assets	\$ 3,255	\$ 3,244

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

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CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND STOCKHOLDERS EQUITY
UNAUDITED

	December 31, 2018	September 30, 2018
	(In millions, except share and per share amounts)	
Current liabilities:		
Short-term borrowings	\$ 515	\$ 249
Accounts payable and accrued liabilities	521	613
Income taxes payable	14	29
Current portion of long-term debt	5	35
Redeemable preferred stock		26
Total current liabilities	1,055	952
Long-term debt	671	719
Deferred income taxes	42	42
Other liabilities	211	252
Commitments and contingencies (Note G)		
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: 59,709,462 and 60,566,375 shares		
Outstanding: 59,509,656 and 60,366,569 shares	60	61
Less cost of 199,806 and 199,806 shares of common treasury stock	(7)	(7)
Additional paid-in capital		
Retained earnings	1,410	1,417
Accumulated other comprehensive income (loss)	(320)	(317)
Total Cabot Corporation stockholders' equity	1,143	1,154
Noncontrolling interests	133	125
Total stockholders' equity	1,276	1,279
Total liabilities and stockholders' equity	\$ 3,255	\$ 3,244

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

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CABOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED

	Three Months Ended December 31	
	2018	2017
	(In millions)	
Cash Flows from Operating Activities:		
Net income (loss)	\$ 77	\$ (112)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	35	39
Deferred tax provision (benefit)	(23)	186
Gain on sale of investments		(10)
Employee benefit plan settlement	6	
Equity in net income of affiliated companies		(1)
Non-cash compensation	5	6
Changes in assets and liabilities:		
Accounts and notes receivable	47	(19)
Inventories	(83)	(41)
Prepaid expenses and other current assets	(2)	(4)
Accounts payable and accrued liabilities	(75)	10
Income taxes payable	(15)	(3)
Other liabilities	(12)	(10)
Cash dividends received from equity affiliates	1	4
Cash provided (used) by operating activities		