

CABOT CORP
Form 10-Q
August 04, 2016

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, 2016

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

Edgar Filing: CABOT CORP - Form 10-Q

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 1, 2016 the Company had 62,377,934 shares of Common Stock, par value \$1.00 per share, outstanding.

CABOT CORPORATION

INDEX

Part I. Financial Information

Item 1. Financial Statements (unaudited)

Consolidated Statements of Operations for the Three and Nine Months Ended June 30, 2016 and 2015 3

Consolidated Statements of Comprehensive Income (Loss) for the Three and Nine Months Ended June 30, 2016 and 2015 4

Consolidated Balance Sheets as of June 30, 2016 and September 30, 2015 5

Consolidated Statements of Cash Flows for the Nine Months Ended June 30, 2016 and 2015 7

Notes to Consolidated Financial Statements 8

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 28

Item 3. Quantitative and Qualitative Disclosures About Market Risk 42

Item 4. Controls and Procedures 43

Part II. Other Information

Item 1. Legal Proceedings 44

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 44

Item 6. Exhibits 45

Part I. Financial Information

Item 1. Financial Statements
CABOT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

UNAUDITED

	Three Months		Nine Months	
	Ended June		Ended June 30,	
	30,	2015	2016	2015
	2016			
	(In millions, except per share amounts)			
Net sales and other operating revenues	\$621	\$694	\$1,792	\$2,200
Cost of sales	461	544	1,383	1,754
Gross profit	160	150	409	446
Selling and administrative expenses	64	67	197	216
Research and technical expenses	13	15	40	44
Purification Solutions long-lived assets impairment charge				
(Note B)	—	209	—	209
Purification Solutions goodwill impairment charge (Note B)	—	353	—	353
Income (loss) from operations	83	(494)	172	(376)
Interest and dividend income	1	1	4	3
Interest expense	(13)	(13)	(40)	(40)
Other income (expense)	3	(3)	(8)	(6)
Income (loss) from continuing operations before income taxes				
and equity in earnings of affiliated companies	74	(509)	128	(419)
(Provision) benefit for income taxes	(15)	64	(21)	47
Equity in earnings of affiliated companies, net of tax	1	1	2	4
Income (loss) from continuing operations	60	(444)	109	(368)
Income from discontinued operations, net of tax	—	1	—	1
Net income (loss)	60	(443)	109	(367)
Net income attributable to noncontrolling interests,				
net of tax	4	2	12	7
Net income (loss) attributable to Cabot Corporation	56	(445)	97	(374)
Weighted-average common shares outstanding:				
Basic	62.4	63.3	62.4	63.7
Diluted	62.9	63.3	62.9	63.7
Income (loss) per common share:				
Basic:				
Income (loss) from continuing operations attributable to	\$0.90	\$(7.05)	\$1.55	\$(5.89)

Edgar Filing: CABOT CORP - Form 10-Q

Cabot Corporation				
Income from discontinued operations	—	0.01	—	0.01
Net income (loss) attributable to Cabot Corporation	\$0.90	\$(7.04)	\$1.55	\$(5.88)
Diluted:				
Income (loss) from continuing operations attributable to				
Cabot Corporation				
Income from discontinued operations	\$0.88	\$(7.05)	\$1.53	\$(5.89)
Net income (loss) attributable to Cabot Corporation	\$0.88	\$(7.04)	\$1.53	\$(5.88)
Dividends per common share	\$0.30	\$0.22	\$0.74	\$0.66

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

CABOT CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

UNAUDITED

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
	(In millions)			
Net income (loss)	\$60	\$(443)	\$109	\$(367)
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment (net of tax benefit of \$-, \$-, \$- and \$1)	(13)	18	5	(216)
Pension and other postretirement benefit liability adjustments				
Pension and other postretirement benefit liability adjustments arising during the period, net of tax	—	—	(1)	21
Amortization of net loss and prior service credit included in net periodic pension cost, net of tax	(1)	—	—	1
Other comprehensive (loss) income	(14)	18	4	(194)
Comprehensive income (loss)	46	(425)	113	(561)
Net income attributable to noncontrolling interests	4	2	12	7
Noncontrolling interests foreign currency translation adjustment, net of tax	(3)	—	(5)	(3)
Comprehensive income attributable to noncontrolling interests, net of tax	1	2	7	4
Comprehensive income (loss) attributable to Cabot Corporation	\$45	\$(427)	\$106	\$(565)

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

CABOT CORPORATION

CONSOLIDATED BALANCE SHEETS

ASSETS

UNAUDITED

	June 30, 2016	September 30, 2015
	(In millions)	
Current assets:		
Cash and cash equivalents	\$222	\$ 77
Accounts and notes receivable, net of reserve for doubtful accounts of \$8 and \$7	434	477
Inventories:		
Raw materials	67	69
Work in process	3	1
Finished goods	223	