

OM GROUP INC
Form 10-Q
August 01, 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 June 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 001-12515

OM GROUP, INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization) 52-1736882
(I.R.S. Employer Identification No.)

950 Main Avenue,
Suite 1300, 44113-7210
Cleveland, Ohio (Zip Code)

(Address of principal executive offices)
216-781-0083
Registrant's telephone number, including area code

(Former name, former address and former fiscal year, if changed since last report)

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.:

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 Exchange Act). Yes No

As of July 31, 2014 the registrant had 31,780,433 shares of Common Stock, par value \$.01 per share, outstanding.

OM Group, Inc.

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PART I - FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

OM Group, Inc. and Subsidiaries

Unaudited Condensed Consolidated Balance Sheets

	June 30, 2014	December 31, 2013
(In millions, except share and per share data)		
ASSETS		
Current assets		
Cash and cash equivalents	\$ 114.3	\$ 118.4
Accounts receivable, less allowance of \$2.4 in 2014 and \$3.9 in 2013	170.5	150.7
Inventories	243.8	240.9
Other current assets	19.4	32.3
Total current assets	548.0	542.3
Property, plant and equipment, net	328.6	345.6
Goodwill	431.6	432.7
Intangible assets, net	388.6	403.0
Other non-current assets	58.5	59.5
Total assets	\$ 1,755.3	\$ 1,783.1
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	87.3	93.6
Accrued employee costs	35.4	36.2
Purchase price of VAC payable to seller	52.6	52.5
Other current liabilities	54.3	63.4
Total current liabilities	229.6	245.7
Deferred income taxes	101.3	102.5
Pension liabilities	218.4	220.5
Purchase price of VAC payable to seller	11.3	11.3
Other non-current liabilities	38.7	43.3
Stockholders' equity:		
Preferred stock, \$.01 par value:		
Authorized 2,000,000 shares, no shares issued or outstanding	—	—
Common stock, \$.01 par value:	0.3	0.3

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Authorized 90,000,000 shares; 32,960,027 shares issued in 2014 and
32,304,490 shares issued in 2013

Capital in excess of par value	644.2	639.8	
Retained earnings	592.5	587.2	
Treasury stock (1,175,984 shares in 2014 and 825,956 shares in 2013, at cost)	(33.0)) (22.3)
Accumulated other comprehensive loss	(48.0)) (45.2)
Total equity	1,156.0	1,159.8	
Total liabilities and equity	\$1,755.3	\$1,783.1	

See accompanying notes to unaudited condensed consolidated financial statements.

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OM Group, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Operations

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
(In millions, except per share data)				
Net sales	\$297.5	\$279.4	\$559.2	\$621.1
Cost of goods sold	234.4	215.6	434.2	483.1
Gross profit	63.1	63.8	125.0	138.0
Selling, general and administrative expenses	53.2	54.6	106.6	114.7
Operating profit	9.9	9.2	18.4	23.3
Other expense:				
Interest expense	(0.6)	(1.8)	(1.3)	(9.5)
Foreign exchange (loss) gain	(0.9)	2.8)	(1.2)	0.2)
Loss on divestiture of Advanced Materials business	(0.8)	(0.5)	(1.0)	(112.1)
Other, net	(0.7)	0.3)	(1.4)	(0.3)
Income (loss) from continuing operations before income tax expense	6.9	10.0	13.5	(98.4)
Income tax expense	1.8	1.9	3.1	4.5
Income (loss) from continuing operations, net of tax	5.1	8.1	10.4	(102.9)
Loss from discontinued operations, net of tax	(0.3)	(11.4)	(0.3)	(11.9)
Consolidated net income (loss)	4.8	(3.3)	10.1	(114.8)
Net loss attributable to noncontrolling interests	—	—	—	1.7
Net income (loss) attributable to OM Group, Inc. common stockholders	\$4.8	\$(3.3)	\$10.1	\$(113.1)
Earnings (loss) per common share — basic:				
Income (loss) from continuing operations attributable to OM Group, Inc. common stockholders	\$0.16	\$0.26	\$0.33	\$(3.19)
Loss from discontinued operations attributable to OM Group, Inc. common stockholders	(0.01)	(0.37)	(0.01)	(0.38)
Net income (loss) attributable to OM Group, Inc. common stockholders	\$0.15	\$(0.11)	\$0.32	\$(3.57)
Earnings (loss) per common share — assuming dilution:				
Income (loss) from continuing operations attributable to OM Group, Inc. common stockholders	\$0.16	\$0.26	\$0.33	\$(3.19)
Loss from discontinued operations attributable to OM Group, Inc. common stockholders	(0.01)	(0.37)	(0.02)	(0.38)
Net income (loss) attributable to OM Group, Inc. common stockholders	\$0.15	\$(0.11)	\$0.31	\$(3.57)
Weighted average shares outstanding				
Basic	31.5	31.5	31.5	31.7
Assuming dilution	31.8	31.6	31.9	31.7
Dividends declared per common share	\$0.075	\$—	\$0.15	\$—
Amounts attributable to OM Group, Inc. common stockholders:				
Income (loss) from continuing operations, net of tax	\$5.1	\$8.1	\$10.4	\$(101.2)

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Loss from discontinued operations, net of tax	(0.3)	(11.4)	(0.3)	(11.9)
Net income (loss)	\$4.8	\$(3.3)	\$10.1	\$(113.1)

See accompanying notes to unaudited condensed consolidated financial statements.

OM Group, Inc. and Subsidiaries

Unaudited Statements of Consolidated Comprehensive Income (Loss)

	Three Months Ended		Six Months Ended June	
	June 30		30	
	2014	2013	2014	2013
(In millions)				
Consolidated net income (loss)	\$4.8	\$(3.3)	\$10.1	\$(114.8)
Foreign currency translation adjustments	(1.3)	9.1	(3.2)	(16.3)
Reclassification of foreign currency translation adjustment related to the discontinued operations into earnings	—	8.8	—	8.8
Reclassification of hedging activities into earnings, net of tax	0.1	—	0.2	—
Unrealized loss on cash flow hedges, net of tax	—	(0.1)	—	(0.1)
Pension adjustment	0.1	0.5	0.2	0.6
Net change in accumulated other comprehensive income	(1.1)	18.3	(2.8)	(7.0)
Comprehensive income (loss)	3.7	15.0	7.3	(121.8)
Comprehensive loss attributable to noncontrolling interests	—	—	—	1.7
Comprehensive income (loss) attributable to OM Group, Inc.	\$3.7	\$15.0	\$7.3	\$(120.1)

See accompanying notes to unaudited condensed consolidated financial statements.

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OM Group, Inc. and Subsidiaries

Unaudited Condensed Consolidated Statements of Cash Flows

	Six Months Ended June 30,	
	2014	2013
(In millions)		
Operating activities		
Consolidated net income (loss)	\$10.1	\$(114.8)
Adjustments to reconcile consolidated net income (loss) to net cash used for operating activities:		
Loss from discontinued operations	0.3	11.9
Depreciation and amortization	36.4	38.1
Amortization of deferred financing fees	0.5	2.0
Share-based compensation expense	4.4	3.2
Foreign exchange loss (gain)	1.2	(0.2)
Loss on divestiture of Advanced Materials business	1.0	112.1
Other non-cash items	1.2	5.8
Changes in operating assets and liabilities, excluding the effect of divestitures:		