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CAMBREX CORP

Form 10-Q

May 02, 2019

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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 March 31, 2019

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 1-10638

CAMBREX CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE 22-2476135
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

ONE MEADOWLANDS PLAZA, EAST RUTHERFORD, NEW JERSEY 07073

(Address of principal executive offices)

(201) 804-3000

(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 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, a 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

As of April 29, 2019, the registrant had 33,656,015 shares of common stock, \$.10 par value per share, outstanding.

Securities registered pursuant to Section 12(b) of the Act:

Trading

Title of each class	Symbol(s)	Name of each exchange on which registered
Common Stock, \$.10 par value	CBM	New York Stock Exchange

CAMBREX CORPORATION AND SUBSIDIARIES

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Forward-Looking Statements

This document contains “forward-looking statements,” including statements or tables regarding expected performance. These and other forward-looking statements may be identified by the fact that they use words such as “guidance,” “expects,” “anticipates,” “intends,” “estimates,” “believes” or similar expressions. Any forward-looking statements contained herein are based on current plans and expectations and involve risks and uncertainties that could cause actual outcomes and results to differ materially from current expectations. The factors described in Item 1A of Part I of the Company’s Annual Report on Form 10-K for the period ended December 31, 2018 captioned “Risk Factors,” or otherwise described in the Company’s filings with the Securities and Exchange Commission, provide examples of such risks and uncertainties that may cause the Company’s actual results to differ materially from the expectations the Company describes in its forward-looking statements, including, but not limited to, the possibility that the benefits from acquisitions (including Halo Pharma and Avista Pharma Solutions) may not be as anticipated, customer and product concentration, the Company’s ability to secure new customer contracts and renew existing contracts on favorable terms, significant declines in sales of products to the Company’s customers, pharmaceutical outsourcing trends, competitive pricing, product developments, market acceptance and adoption rate of customers’ products, government legislation and regulations (particularly environmental issues), tax rates, interest rates, technology, manufacturing and legal issues, including the outcome of outstanding litigation, environmental matters, changes in foreign exchange rates, uncollectible receivables, the timing and/or volume of orders or shipments and the Company’s ability to meet its production plan and customer delivery schedules, expected timing of completion of capacity expansions, our ability to successfully integrate acquired businesses, cancellations or delays in renewal of contracts, lack of suitable raw materials, the Company’s ability to receive regulatory approvals for its products, continued demand in the U.S. for late stage clinical products and the successful outcome of the Company’s investment in new products.

For further details and a discussion of these and other risks and uncertainties, investors are encouraged to review the Cambrex Annual Report on Form 10-K for the fiscal year ended December 31, 2018, including the Forward-Looking Statement sections therein, and other filings with the SEC. The Company cautions investors and potential investors not to place undue reliance on the forward-looking statements contained in this Quarterly Report on Form 10-Q and to give careful consideration to the risks and uncertainties listed above and contained in the Company’s SEC filings. The forward-looking statements in this Quarterly Report on Form 10-Q speak only as of the date of this document, and the Company undertakes no obligation to update or revise any of these statements.

Part I - FINANCIAL INFORMATION**Item 1. Financial Statements****CAMBREX CORPORATION AND SUBSIDIARIES**

Consolidated Balance Sheets

(in thousands, except share data)

	March 31, 2019 (unaudited)	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$67,539	\$ 95,852
Trade receivables, net	79,098	146,330
Contract assets	76,069	33,490
Other receivables	10,957	5,198
Inventories, net	119,530	111,062
Prepaid expenses and other current assets	19,832	18,160
Total current assets	373,025	410,092
Property, plant and equipment, net	398,774	360,528
Right of use assets	37,260	-
Goodwill	407,512	261,095
Intangible assets, net	256,504	187,205
Other non-current assets	5,736	3,099
Deferred income taxes	9,979	1,409
Total assets	\$1,488,790	\$ 1,223,428
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$50,717	\$ 47,012
Contract liabilities, current	15,227	11,713
Taxes payable	4,450	1,651
Operating lease liabilities, current	2,709	-
Current portion of long-term debt	10,000	-
Accrued expenses and other current liabilities	42,750	44,036
Total current liabilities	125,853	104,412
Contract liabilities, non-current	43,052	42,701
Long-term debt	487,500	300,000
Deferred income taxes	72,971	57,276
Operating lease liabilities, non-current	34,658	-
Accrued pension benefits	41,373	42,218
Other non-current liabilities	24,056	23,094
Total liabilities	829,463	569,701
Stockholders' equity:		
Common stock, \$.10 par value; authorized 100,000,000, issued		
34,920,124 and 34,870,124 shares at respective dates	3,492	3,487

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Additional paid-in capital	184,410	182,691
Retained earnings	548,872	538,463
Treasury stock, at cost, 1,264,109 and 1,264,109 shares at		
respective dates	(10,777)	(10,777)
Accumulated other comprehensive loss	(66,670)	(60,137)
Total stockholders' equity	659,327	653,727
Total liabilities and stockholders' equity	\$1,488,790	\$ 1,223,428

See accompanying notes to unaudited consolidated financial statements.

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CAMBREX CORPORATION AND SUBSIDIARIES

Consolidated Income Statements

(unaudited – in thousands, except per share data)

	Three Months Ended	
	March 31,	
	2019	2018
Product sales	\$ 124,245	\$ 135,459
Service revenue	33,975	3,671
Gross sales	158,220	139,130
Commissions, allowances and rebates	287	209
Net sales	157,933	138,921
Other revenues, net	1,523	2,176
Net revenue	159,456	141,097
Cost of goods sold - product sales	78,805	86,583
Cost of goods sold - service revenue	25,768	3,659
Total cost of goods sold	104,573	90,242
Gross profit	54,883	50,855
Operating expenses:		