

HUDSON TECHNOLOGIES INC /NY
Form 10-Q
May 02, 2019

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 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 1-13412

Hudson Technologies, Inc.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

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

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common stock, \$0.01 par value	HDSN	NASDAQ Capital Market

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

<u>Common stock, \$0.01 par value</u>	<u>42,602,431 shares</u>
Class	Outstanding at April 30, 2019

Hudson Technologies, Inc.

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Part I – FINANCIAL INFORMATION**Item 1 - Financial Statements****Hudson Technologies, Inc. and Subsidiaries****Consolidated Balance Sheets**

(Amounts in thousands, except for share and par value amounts)

	March 31, 2019 (unaudited)	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,170	\$ 2,272
Trade accounts receivable – net	20,103	14,065
Inventories	99,772	101,962
Prepaid expenses and other current assets	5,124	5,287
Total current assets	126,169	123,586
Property, plant and equipment, less accumulated depreciation	26,502	27,395
Goodwill	47,803	47,803
Intangible assets, less accumulated amortization	28,730	29,451
Right of use asset	7,564	-
Other assets	91	106
Total Assets	\$ 236,859	\$ 228,341
Liabilities and Stockholders' Equity		
Current liabilities:		
Trade accounts payable	\$ 13,735	\$ 8,671
Accrued expenses and other current liabilities	19,917	19,023
Accrued payroll	500	1,046
Current maturities of long-term debt	2,127	2,672
Short-term debt	31,000	29,000
Total current liabilities	67,279	60,412
Deferred tax liability	515	443
Long-term lease liabilities	5,596	—
Long-term debt, less current maturities	97,918	98,273
Total Liabilities	171,308	159,128
Commitments and contingencies		

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Stockholders' equity:

Preferred stock, shares authorized 5,000,000: Series A Convertible preferred stock, \$0.01 par value (\$100 liquidation preference value); shares authorized 150,000; none issued or outstanding	—	—
Common stock, \$0.01 par value; shares authorized 100,000,000; issued and outstanding 42,602,431 at March 31, 2019 and December 31, 2018	426	426
Additional paid-in capital	116,096	115,719
Accumulated deficit	(50,971)	(46,932)
Total Stockholders' Equity	65,551	69,213
 Total Liabilities and Stockholders' Equity	 \$ 236,859	 \$ 228,341

See Accompanying Notes to the Consolidated Financial Statements.

Hudson Technologies, Inc. and Subsidiaries**Consolidated Statements of Operations****(unaudited)**

(Amounts in thousands, except for share and per share amounts)

	Three-month period ended March 31,	
	2019	2018
Revenues	\$34,664	\$42,428
Cost of sales	27,679	34,523
Gross profit	6,985	7,905
Operating expenses:		
Selling, general and administrative	6,024	8,077
Amortization	721	742
Total operating expenses	6,745	8,819
Operating income (loss)	240	(914)
Interest expense	(4,207)	(3,206)
Loss before income taxes	(3,967)	(4,120)
Income tax (benefit)	72	(1,064)
Net loss	\$(4,039)	\$(3,056)
Net loss per common share – Basic	\$(0.09)	\$(0.07)
Net loss income per common share – Diluted	\$(0.09)	\$(0.07)
Weighted average number of shares outstanding – Basic	42,602,431	42,403,029
Weighted average number of shares outstanding – Diluted	42,602,431	42,403,029

See Accompanying Notes to the Consolidated Financial Statements.

Hudson Technologies, Inc. and Subsidiaries**Consolidated Statements of Stockholders' Equity****(unaudited)**

(Amounts in thousands, except for share amounts)

	Common Stock		Additional	Retained	
	Shares	Amount	Paid-in	Earnings	Total
			Capital	(Accumulated	
				Deficit)	
Balance at January 1, 2018	42,398,140	\$ 424	\$ 114,302	\$ 8,727	\$ 123,453
Issuance of common stock upon exercise of stock options and warrants	5,000	-	17	-	17
Value of share-based arrangements	-	-	26	-	26
Net loss	-	-	-	(3,056)	(3,056)
Balance at March 31, 2018	42,403,140	\$ 424	\$ 114,345	\$ 5,671	\$ 120,440

Balance at January 1, 2019	42,602,431	\$ 426	\$ 115,719	\$(46,932)	\$ 69,213
Value of share-based arrangements	-	-	377	-	377
Net loss	-	-	-	(4,039)	(4,039)
Balance at March 31, 2019	42,602,431	\$ 426	\$ 116,096	\$(50,971)	\$ 65,551

See Accompanying Notes to the Consolidated Financial Statements.

Hudson Technologies, Inc. and Subsidiaries**Consolidated Statements of Cash Flows****Decrease in Cash and Cash Equivalents****(unaudited)**

(Amounts in thousands)

	Three-month period ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net loss	\$(4,039)	\$(3,056)
Adjustments to reconcile net loss to cash (used in) provided by operating activities:		
Depreciation	1,058	1,012
Amortization of intangible assets	721	742
Amortization of step-up of basis in inventories	-	1,080
Amortization of lease right of use asset, net	20	-
Lower of cost or net realizable value adjustment	(2,895)	-
Allowance for doubtful accounts	(243)	4
Value of share-based payment arrangements	377	27
Amortization of deferred finance costs	307	241
Deferred tax benefit	72	(1,064)
Changes in assets and liabilities:		
Trade accounts receivable	(5,795)	(12,026)
Inventories	5,085	472
Prepaid and other assets	43	2,911
Accounts payable and accrued expenses	3,425	19,160
Cash (used in) provided by operating activities	(1,864)	9,503
Cash flows from investing activities:		
Additions to property, plant, and equipment	(165)	(206)
Cash used in investing activities	(165)	(206)
Cash flows from financing activities:		
Proceeds from issuance of common stock	-	17
Proceeds (repayment) of short-term debt	2,000	(13,075)
Repayment of long-term debt	(1,073)	(263)
Cash provided by (used in) financing activities	927	(13,321)
Decrease in cash and cash equivalents	(1,102)	(4,024)

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Cash and cash equivalents at beginning of period	2,272	5,002
Cash and cash equivalents at end of period	\$1,170	\$978
Supplemental Disclosure of Cash Flow Information:		
Cash paid during period for interest	\$3,906	\$2,930
Cash paid during period for taxes	\$8	\$—

See Accompanying Notes to the Consolidated Financial Statements.

Hudson Technologies, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 1 - Summary of Significant Accounting Policies

Business

Hudson Technologies, Inc., incorporated under the laws of New York on January 11, 1991, is a refrigerant services company providing innovative solutions to recurring problems within the refrigeration industry. The Company's operations consist of one reportable segment. The Company's products and services are primarily used in commercial air conditioning, industrial processing and refrigeration systems, and include refrigerant and industrial gas sales, refrigerant management services consisting primarily of reclamation of refrigerants and RefrigerantSide® Services performed at a customer's site, consisting of system decontamination to remove moisture, oils and other contaminants. In addition, the Company's SmartEnergy OPS® service is a web-based real time continuous monitoring service applicable to a facility's refrigeration systems and other energy systems. The Company's Chiller Chemistry® and Chill Smart® services are also predictive and diagnostic service offerings. As a component of the Company's products and services, the Company also participates in the generation of carbon offset projects. The Company operates principally through its wholly-owned subsidiaries, Hudson Technologies Company and Aspen Refrigerants, Inc. Unless the context requires otherwise, references to the "Company", "Hudson", "we", "us", "our", or similar pronouns refer to Hudson Technologies, Inc. and its subsidiaries.

In preparing the accompanying consolidated financial statements, and in accordance with Accounting Standards Codification (ASC) 855-10 "Subsequent Events", the Company's management has evaluated subsequent events through the date that the financial statements were filed.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial statements and with the instructions of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. The financial information included in this quarterly report should be read in conjunction with the Company's audited financial statements and related notes thereto for the year ended December 31, 2018. Operating results for the three-month period ended March 31, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019.

In the opinion of management, all estimates and adjustments considered necessary for a fair presentation have been included and all such adjustments were normal and recurring.

Consolidation

The consolidated financial statements represent all companies of which Hudson directly or indirectly has majority ownership or otherwise controls. Significant intercompany accounts and transactions have been eliminated. The Company's consolidated financial statements include the accounts of wholly-owned subsidiaries Hudson Holdings, Inc., Hudson Technologies Company and Aspen Refrigerants, Inc. The Company does not present a statement of comprehensive income (loss) as its comprehensive income (loss) is the same as its net income (loss).

Fair Value of Financial Instruments

The carrying values of financial instruments including trade accounts receivable and accounts payable approximate fair value at March 31, 2019 and December 31, 2018, because of the relatively short maturity of these instruments. The carrying value of debt approximates fair value, due to the variable rate nature of the debt, as of March 31, 2019 and December 31, 2018.

Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of temporary cash investments and trade accounts receivable. The Company maintains its temporary cash investments in highly-rated financial institutions and, at times, the balances exceed FDIC insurance coverage. The Company's trade accounts receivables are primarily due from companies throughout the United States. The Company reviews each customer's credit history before extending credit.

The Company establishes an allowance for doubtful accounts based on factors associated with the credit risk of specific accounts, historical trends, and other information. The carrying value of the Company's accounts receivable is reduced by the established allowance for doubtful accounts. The allowance for doubtful accounts includes any accounts receivable balances that are determined to be uncollectible, along with a general reserve for the remaining accounts receivable balances. The Company adjusts its reserves based on factors that affect the collectability of the accounts receivable balances.