

HARSCO CORP  
Form 10-Q  
August 02, 2018  
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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 June 30, 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 001-03970

HARSCO CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 23-1483991  
(State or other jurisdiction of incorporation or organization) (I.R.S. employer identification number)

350 Poplar Church Road, Camp Hill, Pennsylvania 17011  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code 717-763-7064

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, 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  (Do not check if a smaller reporting company) 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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class Outstanding at July 31, 2018  
Common stock, par value \$1.25 per share 80,846,067



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## PART I — FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## HARSCO CORPORATION

## CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(In thousands)	June 30 2018	December 31 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$64,422	\$62,098
Restricted cash	2,665	4,111
Trade accounts receivable, net	295,390	288,034
Other receivables	27,349	20,224
Inventories	130,871	178,293
Current portion of contract assets	18,798	—
Other current assets	44,562	39,332
Total current assets	584,057	592,092
Property, plant and equipment, net	461,906	479,747
Goodwill	413,837	401,758
Intangible assets, net	86,265	38,251
Contract assets	3,566	—
Deferred income tax assets	42,387	51,574
Other assets	19,394	15,263
Total assets	\$1,611,412	\$1,578,685
<b>LIABILITIES</b>		
Current liabilities:		
Short-term borrowings	\$5,349	\$8,621
Current maturities of long-term debt	8,218	11,208
Accounts payable	137,491	126,249
Accrued compensation	43,133	60,451
Income taxes payable	5,707	5,106
Insurance liabilities	11,272	11,167
Current portion of advances on contracts	39,559	117,958
Other current liabilities	130,577	133,368
Total current liabilities	381,306	474,128
Long-term debt	652,431	566,794
Insurance liabilities	21,145	22,385
Retirement plan liabilities	228,063	259,367
Advances on contracts	13,493	—
Other liabilities	48,821	40,846
Total liabilities	1,345,259	1,363,520
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>HARSCO CORPORATION STOCKHOLDERS' EQUITY</b>		
Preferred stock	—	—
Common stock	141,812	141,110
Additional paid-in capital	185,512	180,201
Accumulated other comprehensive loss	(557,889)	(546,582)
Retained earnings	1,219,992	1,157,801

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Treasury stock	(765,695	) (762,079	)
Total Harsco Corporation stockholders' equity	223,732	170,451	
Noncontrolling interests	42,421	44,714	
Total equity	266,153	215,165	
Total liabilities and equity	\$1,611,412	\$1,578,685	

See accompanying notes to unaudited condensed consolidated financial statements.

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HARSCO CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
(In thousands, except per share amounts)	2018	2017	2018	2017
Revenues from continuing operations:				
Service revenues	\$257,963	\$251,306	\$512,925	\$491,915
Product revenues	174,009	143,592	327,085	275,524
Total revenues	431,972	394,898	840,010	767,439
Costs and expenses from continuing operations:				
Cost of services sold	195,906	193,235	395,279	382,717
Cost of products sold	122,976	100,728	234,956	199,518
Selling, general and administrative expenses	58,927	54,385	116,010	108,322
Research and development expenses	1,418	1,329	2,657	2,160
Other (income) expenses, net	(880 )	2,072	942	2,966
Total costs and expenses	378,347	351,749	749,844	695,683
Operating income from continuing operations	53,625	43,149	90,166	71,756
Interest income	577	493	1,075	1,005
Interest expense	(9,993 )	(12,405 )	(19,576 )	(24,058 )
Defined benefit pension income (expense)	904	(675 )	1,743	(1,374 )
Loss on early extinguishment of debt	(1,034 )	—	(1,034 )	—
Income from continuing operations before income taxes	44,079	30,562	72,374	47,329
Income tax expense	(1,944 )	(11,234 )	(10,210 )	(17,487 )
Income from continuing operations	42,135	19,328	62,164	29,842
Discontinued operations:				
Income on disposal of discontinued business	739	628	159	40
Income tax expense related to discontinued business	(163 )	(225 )	(35 )	(14 )
Income from discontinued operations	576	403	124	26
Net income	42,711	19,731	62,288	29,868
Less: Net income attributable to noncontrolling interests	(2,222 )	(693 )	(3,991 )	(1,940 )
Net income attributable to Harsco Corporation	\$40,489	\$19,038	\$58,297	\$27,928
Amounts attributable to Harsco Corporation common stockholders:				
Income from continuing operations, net of tax	\$39,913	\$18,635	\$58,173	\$27,902
Income from discontinued operations, net of tax	576	403	124	26
Net income attributable to Harsco Corporation common stockholders	\$40,489	\$19,038	\$58,297	\$27,928
Weighted-average shares of common stock outstanding	80,861	80,535	80,756	80,460
Basic earnings per common share attributable to Harsco Corporation common stockholders:				
Continuing operations	\$0.49	\$0.23	\$0.72	\$0.35
Discontinued operations	0.01	0.01	—	—
Basic earnings per share attributable to Harsco Corporation common stockholders	\$0.50	\$0.24	\$0.72	\$0.35
Diluted weighted-average shares of common stock outstanding	83,643	82,850	83,594	82,558
Diluted earnings per common share attributable to Harsco Corporation common stockholders:				
Continuing operations	\$0.48	\$0.22	\$0.70	\$0.34
Discontinued operations	0.01	—	—	—
Diluted earnings per share attributable to Harsco Corporation common stockholders	\$0.48	(a)\$0.23	(a)\$0.70	\$0.34

(a) Does not total due to rounding

See accompanying notes to unaudited condensed consolidated financial statements.

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## HARSCO CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended June 30	
(In thousands)	2018	2017
Net income	\$42,711	\$19,731
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of deferred income taxes of \$(2,579) and \$1,458 in 2018 and 2017, respectively	(48,706 )	9,825
Net gain (loss) on cash flow hedging instruments, net of deferred income taxes of \$(1,046) and \$611 in 2018 and 2017, respectively	2,902	(341 )
Pension liability adjustments, net of deferred income taxes of \$(288) and \$(522) in 2018 and 2017, respectively	28,627	(10,348 )
Unrealized loss on marketable securities, net of deferred income taxes of \$4 and \$- in 2018 and 2017, respectively	(13 )	—
Total other comprehensive loss	(17,190)	