

HUDSON TECHNOLOGIES INC /NY
Form 10-Q
November 30, 2018

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 1-13412

Hudson Technologies, Inc.

(Exact name of registrant as specified in its charter)

New York **13-3641539**
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

1 Blue Hill Plaza
P.O. Box 1541 **10965**
Pearl River, New York (Zip Code)
(Address of principal executive offices)
Registrant's telephone number, including area code **(845) 735-6000**

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. x **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 (Section 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.) x **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 x
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** x **No**

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

Common stock, \$0.01 par value	42,599,431 shares
Class	Outstanding at November 16, 2018

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)

	June 30, 2018 (unaudited)	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,334	\$ 5,002
Trade accounts receivable – net	37,938	14,831
Inventories	116,448	172,485
Income tax receivable	3,838	9,664
Prepaid expenses and other current assets	3,119	6,934
Total current assets	163,677	208,916
Property, plant and equipment, less accumulated depreciation	29,163	30,461
Deferred tax asset	9,255	-
Goodwill	47,803	49,464
Intangible assets, less accumulated amortization	30,936	32,419
Other assets	176	184
Total Assets	\$ 281,010	\$ 321,444
Liabilities and Stockholders' Equity		
Current liabilities:		
Trade accounts payable	\$ 10,774	\$ 10,885
Accrued expenses and other current liabilities	19,378	15,221
Accrued payroll	3,874	3,052
Current maturities of long-term debt	1,050	1,050
Short-term debt	55,082	65,152
Total current liabilities	90,158	95,360
Deferred tax liability	-	1,473
Long-term debt, less current maturities	100,842	101,158
Total Liabilities	191,000	197,991

Commitments and contingencies

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 42,403,140 and 42,398,140	424	424
Additional paid-in capital	114,531	114,302
Retained earnings (accumulated deficit)	(24,945)	8,727
Total Stockholders' Equity	90,010	123,453
Total Liabilities and Stockholders' Equity	\$ 281,010	\$ 321,444

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 months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Revenues	\$57,831	\$52,231	\$100,259	\$91,061
Cost of sales	83,913	34,811	118,436	61,174
Gross profit	(26,082)	17,420	(18,177)	29,887
Operating expenses:				
Selling, general and administrative	10,605	3,399	18,682	6,351
Amortization	741	121	1,483	243
Total operating expenses	11,346	3,520	20,165	6,594
Operating (loss) income	(37,428)	13,900	(38,342)	23,293
Interest expense	3,346	61	6,552	146
(Loss) income before income taxes	(40,774)	13,839	(44,894)	23,147
Income tax (benefit) expense	(10,158)	5,314	(11,222)	8,888
Net (loss) income	\$(30,616)	\$8,525	\$(33,672)	\$14,259
Net (loss) income per common share – Basic	\$(0.72)	\$0.21	\$(0.79)	\$0.34
Net (loss) income per common share – Diluted	\$(0.72)	\$0.20	\$(0.79)	\$0.33
Weighted average number of shares outstanding – Basic	42,403,140	41,567,848	42,403,084	41,537,894
Weighted average number of shares outstanding – Diluted	42,403,140	43,550,226	42,403,084	43,490,914

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, 2017	41,465,820	\$ 415	\$ 114,032	\$ (2,430) \$112,017
Issuance of common stock upon exercise of stock options and warrants	1,207,729	12	795	-	807
Tax withholdings related to net share settlements of stock option awards	(281,645)	(3)	(2,023)	-	(2,026)
Issuance of common stock for services	6,236	-	47	-	47
Value of share-based arrangements	-	-	1,451	-	1,451
Net income	-	-	-	11,157	11,157
Balance at December 31, 2017	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	-	-	212	-	212
Net (loss)	-	-	-	(33,672)	(33,672)
Balance at June 30, 2018	42,403,140	\$ 424	\$ 114,531	\$ (24,945)	\$90,010

See Accompanying Notes to the Consolidated Financial Statements.

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

(Amounts in thousands)

	Six months ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net (loss) income	\$(33,672)	\$14,259
Adjustments to reconcile net (loss) income to cash provided by operating activities:		
Depreciation	2,080	966
Amortization of intangible assets	1,483	243
Amortization of step-up in inventory basis	2,520	-
Lower of cost or net realizable value reserve	30,906	-
Allowance for doubtful accounts	35	60
Value of share-based arrangements	214	-
Amortization of deferred finance costs	485	33
Deferred tax (benefit) expense	(10,729)	496
Changes in assets and liabilities:		
Trade accounts receivable	(23,142)	(19,785)
Inventories	24,272	3,988
Prepaid and other assets	3,583	(5,529)
Income taxes receivable	5,827	1,833
Accounts payable and accrued expenses	4,867	4,143
Cash provided by operating activities	8,729	707
Cash flows from investing activities:		
Additions to property, plant, and equipment	(782)	(637)
Cash used in investing activities	(782)	(637)
Cash flows from financing activities:		
Payment of deferred acquisition costs	-	(528)
Proceeds from issuance of common stock	17	355
Repayment of short-term debt – net	(10,070)	-
Repayment of long-term debt	(562)	(155)
Cash used in financing activities	(10,615)	(328)
(Decrease) in cash and cash equivalents	(2,668)	(258)

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Cash and cash equivalents at beginning of period	5,002	33,931
Cash and cash equivalents at end of period	\$2,334	\$33,673
Supplemental Disclosure of Cash Flow Information:		
Cash paid during period for interest	\$6,107	\$142
Cash (refund) paid for income taxes – net	\$(6,321)	\$6,559

See Accompanying Notes to the Consolidated Financial Statements.

Hudson Technologies, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

(unaudited)

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., which was formerly known as Airgas-Refrigerants, Inc. prior to the recent acquisition described below. Unless the context requires otherwise, references to the "Company", "Hudson", "we", "us", "our", or similar pronouns refer to Hudson Technologies, Inc. and its subsidiaries.

On October 10, 2017, the Company and its wholly-owned subsidiary, Hudson Holdings, Inc. ("Holdings") completed the acquisition (the "Acquisition") from Airgas, Inc. ("Airgas") of all of the outstanding stock of Airgas-Refrigerants, Inc., a Delaware corporation ("ARI"), and effective October 11, 2017, ARI's name was changed to Aspen Refrigerants, Inc. At closing, Holdings paid net cash consideration to Airgas of approximately \$209 million, which includes preliminary post-closing adjustments relating to: (i) changes in the net working capital of ARI as of the closing relative to a net working capital target, (ii) the actual amount of specified types of R-22 refrigerant inventory on hand at