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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to Calgon Carbon Corporation's fourth-quarter 2015 earnings conference call. (Operator Instructions)

It is now my pleasure to turn the floor over to Dan Crookshank, Director of Investor Relations. Please go ahead, sir.

Dan Crookshank - *Calgon Carbon Corporation - Director of IR*

Thank you very much, Lori. Good morning, everyone. Thank you for joining us for today's conference call. Our main speakers today are Calgon Carbon's Chairman, President, and Chief Operating Officer, Randy Dearth; our Senior Vice President and Chief Financial Officer, Bob Fortwangler; Executive Vice President and leader of our core carbon and services business, Jim Coccagno; and Executive Vice President and leader of our advanced materials manufacturing and equipment business, Steve Schott.

Also with us today by telephone and available for questions later on is our Executive Vice President and Chief Operating Officer, Bob O'Brien, who, as previously announced, will be retiring on April 1.

Before we began, I would like remind you that today's presentation as well as additional comments the Calgon Carbon executives will make during the Q&A portion of this call may contain statements that are forward-looking. Forward-looking statements are subject to risks and uncertainties, and Calgon Carbon's actual results may differ materially from those expressed in such forward-looking statements.

A list of factors that could affect Calgon Carbon's actual results can be found in the news release that we issued earlier this morning and are discussed more fully in the reports we file with the Securities and Exchange Commission, particularly in our last annual report on Form 10-K. These filings as well as this morning's news release can also be found on the investor relations page of our website.

With that, I will now turn it over to Randy for his initial remarks.

Randy Dearth - *Calgon Carbon Corporation - Chairman, President, and CEO*

Thank you, Dan. And good morning, everyone. Thank you for joining us this morning. Given our internal reorganization that went into effect on January 1, let me briefly outline the flow for our remarks.

After I kick it off with a few comments on our results for the quarter and the full year, we will then proceed to Bob Fortwangler for the fourth-quarter financial review. Then we are going to move on to Jim and Steve to discuss developments in each of their respective businesses. We are then going to go back to Bob to provide our outlook for the first quarter, and I will wrap up with some thoughts on 2016 and our strategic priorities and objectives as we move forward.

So let's start with our fourth-quarter results. Given the economic conditions that continue to prevail, including continued slowing in industrial production and overall global economic growth, we reported revenues of $130.9 million and a pre-depreciation and amortization gross margin of 33.6%, both in line with the expectations we provided at the end of the last quarter.

In general, market conditions were soft and our powdered activated carbon revenues for mercury removal were seasonally lower. We did see, however, some pockets of strength in the fourth quarter that our team will touch on later.

If we look at the full year, we faced a combination of market, regulatory, and economic challenges that negatively impacted our ability to perform to our initial full-year expectations. Despite these challenges, 2015 was highlighted by a number of notable achievements that we believe combined position us to deliver on our long-term priorities to generate profitable sales growth and to fully participate in new and developing markets worldwide.

Let me start by briefly recapping several of the challenges. First: the stronger US dollar, which had the effect of reducing our non-US revenues when translated into US dollars by almost $23 million compared to last year. Second: the notable slowdown in the rate of industrial production growth.

Third: the negative change in carbon reactivation and exchange patterns of our North American municipal water customers, some driven by unusual weather patterns, as we have discussed before. And finally, we were impacted by ongoing delays in the implementation and enforcement of ballast water discharge regulations.

Moving to a few of our accomplishments in 2015, let me start with our performance in the mercury removal market, where we achieved full-year sales of $58.2 million, which was in line with our targeted range, and garnered well in excess of 30% of the market in 2015 based on value. In addition, we captured 19 new power plant facilities, presenting 32 new generating units during the year. In addition, we converted 22 North American municipal water customers to customer municipal reactivation.

We completed arrangements this past year with suppliers of various types of outsourced carbons that we believe will generate incremental sales in 2016 and into the future. We captured our first major customer contract in Brazil and have begun a process to make inroads into India.

Despite the decline in our revenues, we improved our pre-depreciation and amortization gross margins for a third consecutive year, to 35.8% as compared to 34.6% in 2014 and by 5.6 percentage points from 30.2% in 2012, both thanks in part to our $50 million cost improvement program as well as our focused investments on our virgin plants. And due to the confidence that we and our Board of Directors have in our ability to consistently deliver strong financial performance, in total, we returned $45.4 million of value to shareholders through our open market share repurchase program and quarterly shareholder dividends for the year.

From a structural and cultural perspective, we made several changes that I believe put the finishing touches on our transformation. We consolidated our three Pittsburgh corporate and R&D locations into one as we moved into our new headquarters and innovation center. This reduced our square footage footprint by approximately 21,000 square feet, it updates our image, and improves our ability to collaborate more efficiently across the majority of our functions.

We launched this past year our updated global SAP system in July, providing us with better and more reliable information that will allow us to spend less time processing data and therefore make faster and better decisions to effectively run our business. And as I discussed on last quarter's call, we announced and have now implemented a new internal organizational structure with two new EVPs focusing on our day-to-day operations. This focus will allow, in my opinion, for further margin improvement opportunities and implementation of our global expansion initiatives. I will come back to you at the end of the call with some thoughts about our objectives for the year ahead.

But now let me turn it over to Bob Fortwangler for the financial review. Bob?

Bob Fortwangler - *Calgon Carbon Corporation - CFO*

Thank you, Randy. Good morning, everyone. Total sales for the fourth quarter of 2015 were in line with our outlook at $130.9 million. This represents a decrease of $9.7 million from last year's fourth quarter. The strong US dollar negatively impacted our sales in the current quarter by $3.9 million. Excluding the impact of translation, sales declined $5.8 million or 4%.

Regarding our segments, sales in the activated carbon and service segment decreased $7.3 million to $118.9 million in the fourth quarter of 2015 compared to 2014's fourth quarter. Slightly more than half of the decline, or $3.7 million, related to currency translation.

Excluding this impact the segment sales decreased by $3.6 million or 3%. This decline was mainly due to a nonrepeating, large initial municipal water fill in Asia that occurred in last year's fourth quarter, as well as lower industrial process market sales, primarily in the Americas and Europe, and lower food market and respirator product sales in the Americas. Partially offsetting those declines were higher environmental water and environmental air market sales in the Americas.

In the equipment segment, sales decreased $2.9 million to $9.3 million in the fourth quarter of 2015 versus the comparable 2014 period, primarily due to lower ballast water treatment system sales and a $600,000 impact from a cancellation of a carbon equipment contract.

Sales in the consumer segment increased $400,000 to $2.7 million in the fourth quarter of 2015 as compared to last year's fourth quarter, primarily due to higher sales of carbon cloth for both medical and defense application.

Consolidated gross profit before depreciation and amortization as a percentage of net sales was in line with our outlook at 33.6% in the fourth quarter of 2015 as compared to 35.9% in the fourth quarter of 2014. The negative impact of the lower sales and a less favorable product mix were partially offset by the favorable impact of lower coal costs and the Company's focus on cost and operational efficiency improvements.

Depreciation and amortization expense was higher than anticipated at $9.7 million in the fourth quarter of 2015 compared to $8.3 million in last year's fourth quarter. Depreciation expense in the fourth quarter of 2015 includes an incremental depreciation expense resulting from new fixed assets placed in service as well as $1.1 million in accelerated depreciation related to assets no longer in service as of December 31, 2015.

Selling, administrative, research expense for the fourth quarter of 2015 was $23.6 million versus $23.3 million in last year's fourth quarter. Although flat with last year's fourth quarter, current-year fourth-quarter results were higher than anticipated due to project-related expenses and pension plan settlement costs. Income from operations for the fourth quarter of 2015 was $10.7 million compared to $18.8 million for the same period last year. The decline was due to the combination of the lower sales, the less favorable mix of sales, and the higher depreciation expense in the current-year fourth quarter.

Our income tax rate for the 2015 fourth quarter was lower than initially anticipated at 23.2% as compared to our income tax rate of 33.3% in last year's fourth quarter. The lower tax rate in the current year was principally due to a $1.1 million tax benefit related to the US federal research and development tax credit. This benefit was the result of an extensive multiyear study of our research activities, which we completed in the fourth quarter.

In summary, net income for the fourth quarter of 2015 decreased to $7.7 million compared to $12.1 million for the fourth quarter of 2014. On a fully diluted share basis, fourth-quarter 2015 earnings per common share were $0.15 compared to $0.23 for the fourth quarter of 2014.

Turning back to the Company's business segments, the activated carbon and surface segment recognized $20.9 million in operating income before depreciation and amortization in the fourth quarter of 2015 compared to $26.9 million in the fourth quarter of 2014. The decline was primarily a result of the lower sales and less favorable mix of sales in this year's fourth quarter.

The equipment segment recognized an approximate $1 million operating loss before depreciation and amortization in the fourth quarter of 2015 compared to a loss of $200,000 in the fourth quarter of 2014 due to the lower ballast water treatment sales as well as the impact of the canceled carbon equipment contract I mentioned earlier. We ended the year with a total equipment backlog of $18.5 million compared to $19.8 million at the end of 2014.

The consumer segment recognized approximately $500,000 in operating income before depreciation and amortization in the fourth quarter of 2015, about $100,000 higher than last year's fourth quarter due to the higher sales.

Turning to our balance sheet and cash flows, we ended 2015 with a cash balance of $53.6 million compared to $53.1 million at the end of 2014. Receivables were $96.7 million at the end of 2015, which was slightly higher than the $95.2 million in receivables at the end of 2014.

Inventories were $110.4 million at the end of 2015, an increase of approximately $12 million from the end of 2014. This increase was principally due to higher inventory quantity related to our initiative to sell more outsourced products into current and new market areas.

For the year ended December 31, 2015, cash flow provided by operations was $69.9 million, a decrease of $14.4 million compared to cash flow from operations of $84.3 million in 2014. The decrease was primarily due to the inventory increase I just mentioned.

Capital expenditures totaled $62.3 million in 2015, primarily for improvements to the Company's Catlettsburg, Kentucky, activated carbon manufacturing facility, upgrades to the Company's Tipton reactivation facility in the UK, as well as expenditures related to the Company's new headquarters and innovation center and the reimplementation of our SAP system that went live in July.

We expect capital spending for 2016 to be in the range of $50 million to $60 million, with the most significant item relating to our $35 million Neville Island reactivation expansion and enhancement project. We expect to spend approximately $20 million on the project in 2016.

During the fourth quarter, we continued returning value to shareholders. We paid our fourth quarterly $0.05 per-share dividend in December and through our open market share repurchase program, repurchased 739,000 shares for $12.1 million. For the full year, we returned a total value of $45.4 million of value to shareholders through the combination of our quarterly shareholder dividends that totaled $10.4 million and continuing to repurchase shares by repurchasing approximately 2 million shares or about 4% of our outstanding shares during the year for $35 million.

At December 31, 2015, the Company's remaining authorization to repurchase common stock was $72.3 million. We've continued to be active with our open market share repurchase program during the first quarter of 2016. And finally, based on the sources and uses of our funds during 2015 that I just discussed, our total debt outstanding increased by approximately $40 million to $111.4 million at December 31, 2015.

That completes the financial review.

Dan Crookshank - *Calgon Carbon Corporation - Director of IR*

Thank you, Bob. Now we will hear from Jim to discuss operational developments in the core carbon and services business.

Jim Coccagno - *Calgon Carbon Corporation - EVP, Core Carbon and Services Division*

Thanks, Dan. Let me start with our North American municipal water business. Here, we had sequentially stronger fourth quarter, as we expected, and finish the year with sales that were just slightly below last year. We had some challenges with our expected GAC reactivation and exchange volumes in the middle of 2015 relating to the implications of wet weather conditions in the eastern United States as well as the impact of water restrictions in the western United States.

Leading up to this, as you know, we have had great success over the last five years at converting more and more municipalities to the use of GAC for their water treatment needs, particularly as many municipalities choose GAC as their treatment method of choice for complying with disinfection byproduct Stage II regulations.

And just as you would expect, they are always looking for ways to maximize the life of carbon and reduce the total cost of treatment, as they would with any other resources they employ in their operations. Based on our ongoing interactions with our growing and more experienced customer base, we believe this behavior was also a factor in the lower-than-expected reactivation and exchange activity we experienced in 2015.

In addition to the multiple benefits that GAC provides as a water treatment and protection solution, our experience in 2015 provides us with valuable data points to use going forward to demonstrate that the total cost of a complete GAC solution, including custom reactivation, is even more economical than previously thought. We believe the use of this favorable information will enhance our ability to continue to convert more of the approximately 8,000 large-size municipal water systems in North America to adopt the use of GAC with custom reactivation services for their water treatment needs.

In 2015, we placed more than 5 million pounds of additional GAC online and converted 22 accounts to reactivation services, bringing our total accounts using CMR to 158. We expect continued growth in both of these areas going forward.

Turning now to our North American industrial, food, and environmental water markets and starting with the food market, 2015 was a challenging year in this market. However, in Q4, we believe this has stabilized. And in fact, we saw modest growth sequentially from the third quarter. We are encouraged by this stabilization in one of our key traditional markets.

In the North American industrial markets, our overall activity level continued to be negatively impacted by the slowing in growth rates of industrial production. However, we did see a pickup in maintenance projects in the fourth quarter, presumably related to year-end budget spending.

In the environmental water market, our fourth-quarter revenues were higher, as expected, primarily from the completion of a large environmentally water remediation project that had been deferred from the second quarter. We will continue to watch for changes in industrial production growth rates going forward, but we do not anticipate meaningful improvement for a few months.

Staying in North America, let me touch on US reactivation for a moment. As we've previously discussed, we continue to plan to move forward with our $35 million expansion and refurbishment project at our Neville Island reactivation side, which will add an additional 12 million pounds of reactivation capacity. Based on where we stand with permitting, we expect the major construction portion of the project to get underway in the second quarter of 2016 and be completed in late 2017.

Turning to Asia for a moment, compared to last year's fourth quarter, 2015 fourth-quarter sales in the region were lower. This was primarily due to a large initial municipal water GAC fill that spanned across 2014's fourth quarter and into the first quarter of 2015. As part of that project, we provided 2.9 million pounds of GAC in the 2014 fourth quarter followed by another 4.3 million pounds in the first quarter of 2015.

Look to 2016 and despite the large municipal water fill that occurred in the first quarter of 2015 that I just mentioned, we currently expect modest year-over-year growth in the region as a result of several new activated carbon pellet supply agreements that were awarded to us in the second half of 2015. In addition to the agreements we discussed on last quarter's call with Mitsui of Japan to supply a power-generating unit at Wisconsin Public Service in the United States, our Calgon Carbon Japan unit was awarded another contract during the fourth quarter for the supply of activated carbon pellets to a customer in Korea.

We also expect the conversion of our potable water and food-grade reactivation kiln in Suzhou, China, to industrial use to be a key to this positive swing. However, we still await governmental approval for this changeover.

And finally, our efforts continue in the developing markets of India and Brazil. We are making solid progress in India in both traditional and new applications and remain very optimistic about our potential there. Also, despite the economic challenges in Brazil, we expect to grow in Latin America in 2016 compared to 2015.

That concludes my comments.

Dan Crookshank - *Calgon Carbon Corporation - Director of IR*

Thank you, Jim. Now we will go to Steve for comments on developments in the advanced materials, manufacturing, and equipment businesses.

Steve Schott - *Calgon Carbon Corporation - EVP, Advanced Materials, Manufacturing, and Equipment Division*

Thanks, Dan. Let me start with developments surrounding our powdered activated and carbon products for the mercury removal market in North America. With the regulatory uncertainty regarding MATS now seemingly over, the affected electric utilities are focused on compliance with MATS. In spite of the uncertainty that persisted through much of 2015, we nevertheless doubled our full-year mercury removal product sales from $28.7 million in 2014 to $58.2 million in 2015.

Contributing to this growth was our ability to capture new business. We added 32 electric-generating units as new customers. And of our 60-plus units served, more than half of them are using our advanced generation products.

As for our current estimates of the overall market size, we believe that lower estimated usage rates by generating units as well as ongoing low natural gas costs will ultimately reduce the size of the addressable market to a range of 290 million to 400 million pounds of standard products annually. In value, this equates to $245 million to $270 million or an approximate 10% reduction from our prior estimates.

Now, looking forward to 2016, we have some challenges to overcome. We recently learned that one of our largest customers that had been using one of our standard products in 2015 under a dual sourcing arrangement will shift their sourcing of these standard pounds to a competitor. This significant legacy contract expiration loss will need to be filled with new business, and we are well on our way to doing so.

Of the volumes awarded thus far for those utilities looking to comply by the April 2016 compliance date, we estimate winning 40% of the award volumes thus far. Of the remaining estimated 80 million standard pounds that have to be awarded, many are represented by generating units likely to use chemicals to treat for other pollutants. Our advanced carbon's ability to treat for mercury is unsurpassed in these more difficult mercury removal environments, which provides us with some optimism as we await the awarding of these bids.

Other factors negatively impacting our first quarter include the unseasonably warm weather in the northeastern United States, which has led to reduced volume from our customers by virtue of their lower electric generation. And one of our customers has temporarily idled two significant generating units for repairs that are expected to be completed in the near future. Considering all these factors, we expect our first-quarter mercury product sales to be approximately equal to the level achieved in the fourth quarter of 2015.

There's plenty of business yet to be awarded. Our advanced products continue to outperform those of our competitors and we remain confident in our ability to ultimately secure at least 30% of the value of this market. While we are off to a slower start than expected, for the reasons that I mentioned, we believe we will end strong and will again achieve growth in our full-year revenues within this market.

Now turning to equipment. Our 2015 equipment revenues were lower compared to 2014 by $6 million due in part to lower sales of carbon equipment and lower ballast water treatment system sales. Looking specifically at our ballast water treatment equipment market, sales and orders were sluggish in 2015, driven by continued regulatory delays, a decline in oil prices that pinched demand from offshore surface vessels, and the strong dollar that impacted our competitiveness on newbuild vessel installations in Asia. We booked a total of 50 new orders, less than half as many as we saw in 2014.

On the positive side, we continue to be very successful in the market for vessel retrofits. More than half our orders in 2015 were for retrofits, and this represented a strong share of the available retrofit market.

There are two important regulatory developments in this market area during the fourth quarter. In November, the IMO saw three additional countries sign the Ballast Water Treatment Convention, which moved the total worldwide shipping tonnage represented by countries that have signed the convention to 34.35%. And this week, Belgium indicated their intent to sign in early March, which would bring the estimated tonnage to over 34.9%.

Many now believe that ratification will occur sooner rather than later. Once ratified, the convention will go into force 12 months later, and vessels that discharge ballast water at international ports must be equipped with an IMO-type approved ballast water treatment system.

As a reminder, we began to test our UV-based Hyde GUARDIAN ballast water treatment system in early 2015, not only to update our IMO type approval, but also to potentially allow us to apply for US Coast Guard type approval. We continue to make good progress on our testing. The more rigorous land-based portion of our testing is nearly complete. Shipboard testing is expected to start in the second quarter and be completed later this year.

However, in regards to the US Coast Guard, in mid-December, we and three other permanent manufacturers of UV-based ballast water treatment systems were notified by the US Coast Guard that it would not consider a type approval application that utilized the most probable number, or MPN, test method to determine the effectiveness of a UV-based ballast water treatment system.

We were both surprised and disappointed by this decision, which we appealed in January. We continue to emphatically believe that MPN is the most accurate and reliable test method for determining the effectiveness of a UV-based system to meet the requirements under the US Coast Guard regulations. The MPN test method is used to validate the efficacy of UV-based disinfection in many other applications, including drinking water, as well as by the International Maritime Organization for approving UV systems to meet the IMO convention requirements.

Furthermore, the US Coast Guard has yet to approve any systems to meet its regulation, which is in full effect for all vessels as of January 1, 2016. And as of mid-January has granted over 3,800 compliance extensions, up from approximately 300 a year ago.

In spite of these regulatory challenges, we continue to estimate this market to affect approximately 64,000 vessels. And dependent upon a number of factors, including the number of manufacturers able to effectively serve this market or achieve US Coast Guard type approval, this market represents the potential in total revenue in a range of $18 billion to $28 billion, the single-largest equipment opportunity in our history. However, considering the current US Coast Guard view of the MPN test method and the continued delay in the IMO convention ratification, we expect our 2016 ballast water treatment system revenues will approximate those we enjoyed in 2015.

Now turning to Europe. Our European operations continue to produce solid results when expressed in local currency, with 2015 sales and margins both showing improvement over 2014. Similar modest improvement is again expected in 2016.

At our Tipton plant near Birmingham, England, we completed the refurbishment and expansion of our potable water reactivation facility. This will allow us to more effectively and efficiently serve reactivation clients in England and on the European continent.

And finally on our manufacturing front, during the fourth quarter of 2015, our virgin carbon manufacturing plants ran extremely well, generating lower inventory costs that will contribute to sequential improvement in our gross margins beginning in the first quarter of 2016.

That concludes my comments.

Dan Crookshank - *Calgon Carbon Corporation - Director of IR*

Thank you, Steve. Now we will go to Bob Fortwangler for our 2016 first-quarter outlook.

Bob Fortwangler - *Calgon Carbon Corporation - CFO*

Let me start with revenue. We expect our first-quarter revenue to decline by 3% to 6% compared to our fourth-quarter results. The sequential decline is primarily due to the revenue from the significant environmental remediation project we completed in Q4, which will not repeat. This is about half of the decline.

We expect slowness to continue in our industrial end markets. We also expect our North American municipal water business sales to be lower, in line with the trend we typically see for this business as we move from the fourth quarter of one year to the first quarter of the next. And finally, based on the information shared by Steve, we expect our mercury removal sales to be relatively flat with the fourth quarter.

On a positive note, we do expect to see a pickup in Japan as we execute on the new carbon pellet contracts mentioned by Jim earlier. We expect currency translation will have a modest negative impact of $1 million or less, as we expect to continue to operate in a relatively stronger dollar environment.

We expect gross margin before depreciation and amortization to be approximately 35%. We expect depreciation and amortization expense to decline sequentially by $1 million, and for our selling, general, and research-related operating expense to decline sequentially by approximately $500,000. We expect our other income and expense and interest income and expense to be slightly higher sequentially. And finally, we expect our effective income tax rate to be in the range of 33% to 34%.

I will turn it back to Randy for some final thoughts.

Randy Dearth - *Calgon Carbon Corporation - Chairman, President, and CEO*

Thanks, Bob. So looking back, we have accomplished much over the past three years toward reducing our cost, increasing our profitability, and building a solid platform from which we believe we will be able to deliver sustained future growth. A key component of this success has been our ongoing $50 million cost improvement program. As of the end of 2015, we have captured $35 million of the savings, with the final $15 million expected to be captured approximately equally over 2016 and 2017.

In effecting some of these changes aimed at improving our profitability, we have built up working capital and allocated the use of operating cash flow and borrowing capacity to capital growth projects. In 2016, look for us to become more focused on cash flow generation through lowering the days sales outstanding of our receivables, reducing the aggregate level of our inventory, and spending less on growth capital, with the last major near-term project out there being the Neville Island project, as you heard before. As we noted, we expect capital spending to be between $50 million to $60 million in 2016.

In terms of what we are focusing on this year, we expect to further optimize our business processes and the use of our assets and particularly our new SAP system and our reactivation assets. We are going to continue to diversify and grow, both in terms of our product offerings as well as through continuing to increase our penetration into new and emerging and markets and geographies. In addition, we will work to maintain and build on our success in the mercury removal market and continue readying our ballast water equipment business for future growth by developing additional outsourced manufacturing arrangements.

In total, we expect the combination of these efforts to generate growth in earnings, enhance our return on invested capital, and create incremental value for you, our shareholders. As I mentioned several times over the past year, we will continue to look to acquisitions as a way to achieve these objectives. Look for us to intensify these efforts in 2016. Our balance sheet is strong, with ample room for additional leverage. It would provide sufficient resources to go in this direction if we identify strategic opportunities.

As you heard from Jim and Steve, some of the challenges we faced in 2015 will continue into early 2016. So with consideration of uncertain economic conditions, we enter the year cautiously optimistic, with the expectation that year over year, we will achieve a low-single-digit rate of growth in the full-year sales.

We expect this growth to be derived principally from our core local traditional municipal and industrial businesses as well as growth in Japan from our new activated carbon pellet agreements and growth in our full-year mercury removal revenues. We are confident that by controlling what we can and remaining focused on our objectives to drive future growth that we will be positioned as market and economic conditions improve.

Before opening it up for questions, there are two more items I would like to address. First, with respect to the Flint, Michigan, situation, as the situation in Flint, Michigan, has unfolded over the past few months, one thing is absolutely clear: our drinking water infrastructure in the United States is in dire need of improvements.

When added to the implications to drinking water supplies from the Elk River chemical spill of a few years ago and the algae blooms that have spawned in Lake Erie over the past few summers, it is absolutely evident that we need to do more to drive change. Solutions exist from companies like ours, and those solutions do work.

I spent several days last week in Washington, D.C., speaking with members of Congress as well as agency representatives. Regardless of the planned agenda for each meeting, the situation in Flint was top of mind and the level of concern was high.

Although removing lead from a water supply is not something that activated carbon is capable of, activated carbon and our UV technologies provide solutions to many of the issues faced by water municipalities around the globe. More can and will be done by our marketing teams to help keep the message flowing.

And finally, I'm going to turn it over to Bob O'Brien, if we still have Bob on the phone, our esteemed Executive Vice President and Chief Operating Officer -- at least for a month or so. This is Bob's last quarterly call, and it's a real bittersweet moment for all of us here today. Bob has been with Calgon Carbon for 42 years. He's had 16 different job titles and lived in three different cities. He is, without question, one of the true architects of Calgon Carbon's success.

So Bob, I want to formally thank you for your decades of distinguished service to this Company, its employees, and its shareholders. You will be missed and your legacy will live on.

So Bob, I'll turn it over to you.

Bob O'Brien - *Calgon Carbon Corporation - EVP and COO*

Well, thank you very much, Randy. I truly appreciate the kind words that you have just spoken. I am proud and thankful that I have been able to enjoy a long career at Calgon Carbon.

Over the years, I have had the opportunity to work with a very large number of fine, dedicated people and I have appreciated their friendship, help, and support. I also want to thank the shareholders, investors, and analysts. I've enjoyed working with you and for you.

I will miss it, but now is a good time for me to leave, as I am confident that our current management team and employees are well positioned to lead the Company to ever greater success. I look forward to transitioning from a participant on these quarterly calls to becoming an active listener. Thank you.

Randy Dearth - *Calgon Carbon Corporation - Chairman, President, and CEO*

Bob, let me say once again: congratulations on a fine career. We wish you well in your retirement.

So operator, we are now ready to open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ben Kallo, Baird.

Dave Delahunt - *Robert W. Baird & Company, Inc. - Analyst*

This is Dave Delahunt on for Ben. I was wondering if you could just add a little color about your current thoughts or any updates on what are you thinking about the impact of MATS regulation going forward.

Steve Schott - *Calgon Carbon Corporation - EVP, Advanced Materials, Manufacturing, and Equipment Division*

We think that the MATS regulation will remain in effect and that utilities, as we know, are all working to be ready for compliance come the April 16 compliant date. We remain ready to serve those utilities and are anxious to work through the completion of the outstanding bids that we think will occur in the next month to two months.

Dave Delahunt - *Robert W. Baird & Company, Inc. - Analyst*

Great, thank you. And also any updates on potential capacity expansions, and Pearl River specifically?

Randy Dearth - *Calgon Carbon Corporation - Chairman, President, and CEO*

We are cautiously going to be looking at our capacity around the globe and making adjustments as see fit, so more to come on that. But it's part of our overall returning value to shareholders; it's one aspect that we have of that, as we have said very clearly through our dividend program and our stock buyback. This past year, we've given back $45.4 million. Obviously, plants are part of that. And as I said in my comments, acquisitions are part of that as well. And we are evaluating all of those.

Dave Delahunt - *Robert W. Baird & Company, Inc. - Analyst*

Great, thank you.

Operator

Gerry Sweeney, ROTH Capital.

Gerry Sweeney - *ROTH Capital Partners - Analyst*

Thanks for taking my call. So you are looking at full-year 2016 low-single-digit growth. I was wondering if we could maybe go over a couple points to see how you get there. Starting with the municipal program, it sounds like there are some changes in the reactivation pattern going on. People are holding their fills longer because they are getting continued acceptable rates of cleaning out of them. How much has that changed over the last couple years, the refill patterns?

Randy Dearth - *Calgon Carbon Corporation - Chairman, President, and CEO*

Well, let me start with that. I'm going to turn it over to Jim. But the good news over the past few years, and you have heard us say repeatedly, we are getting more and more customers to convert to custom reactivation in the municipal space -- that's the good side.

I'm going to quote our esteemed colleague, Bob O'Brien, to tell us that every time somebody decides to go with reactivation, that very day, they are probably starting to think about how they can extend the life as much as they can to save money. And indeed, we are seeing some of that.

On the good side, the positive of this, is that where customers in the past have been reluctant because of costs to go with reactivation, we are now showing -- or will be able to show them that because of the shorter cycles that, indeed, their cost model could be a little bit less and perhaps could switch them to reactivation.

Gerry Sweeney - *ROTH Capital Partners - Analyst*

Before Jim jumps in, maybe we can also look at maybe each client as they come on board versus longer reactivation, how that changes your growth view of each client or how that fits into the equation. That's really -- the general question is how it all factors out at the end.

Randy Dearth - *Calgon Carbon Corporation - Chairman, President, and CEO*

In terms of revenue, let us say that on an annualized basis, we estimate about $5 million to $6 million of revenue we give up on the top line because, as you know, reactivation is sold to the customer at a discount. As we've said many times, bottom-line margin is fine. So there will be -- the more customers we convert to customer reactivation, and obviously that's our goal, we are going to see the top line be negatively affected.

However, our strategy is to utilize our virgin assets as much as we can and be able to use it for the food pack products and mercury and as well as demand comes up around the world in some of these other geographies. And the more customers we convert to customer reactivation, obviously that frees up that virgin capacity, which is so vital for us.

Jim Coccagno - *Calgon Carbon Corporation - EVP, Core Carbon and Services Division*

And that being said, our ability to convert more customers and put more GAC online in this market, we do expect incremental growth going into 2016, despite the change in reactivation patterns.

Gerry Sweeney - *ROTH Capital Partners - Analyst*

Okay. So overall, growth regardless of the reactivation patterns?

Jim Coccagno - *Calgon Carbon Corporation - EVP, Core Carbon and Services Division*

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Correct.

Randy Dearth - *Calgon Carbon Corporation - Chairman, President, and CEO*

Correct.

Gerry Sweeney - *ROTH Capital Partners - Analyst*

Then just on the industrial side, what is the magnitude of the slowdown on that front? And is there a base business that the industrial players who are going to be there have, and then there's the variable that will go around, that can shift around with more or less economic demand? I'm just curious as to how that's going to play out.

Jim Coccagno - *Calgon Carbon Corporation - EVP, Core Carbon and Services Division*

Yes, that's exactly correct. So there's a base business and then there's more project- and, say, economic-driven business. So we feel we are well positioned in both to continue with the base business and capitalize on the project business when it comes. We hope that 2015 was a low point and we are now moving forward in 2016. Like we said, we do expect modest growth in that area moving forward.

Randy Dearth - *Calgon Carbon Corporation - Chairman, President, and CEO*

And let me just add to that. When you look at our customer base -- and we don't split it out in terms of our industrial business, but it's pretty big for us -- we have chemical plants that are our customers, we have refineries that are our customers, a multitude of industrial folks.

So if their production is down, either they are not using as much carbon in their process or their wastewater streams aren't being utilized as much, and that affects the use of carbon. So we are at the mercy, really, of how much product is being produced by our customers.

Gerry Sweeney - *ROTH Capital Partners - Analyst*

Got it. And then finally, on the mercury, then I'll jump back in the queue. Steve, can you just -- what was the -- I missed it when you listed it off. The size of the market is down. It sounds like there's a larger switchover to natural gas. Can you go through those numbers again real quick?

Steve Schott - *Calgon Carbon Corporation - EVP, Advanced Materials, Manufacturing, and Equipment Division*

Yes, we said 290 million to 400 million standard pounds and a market size of 245 million to 270 million. So down about 10% from where we were for the reasons that I and you just mentioned.

Gerry Sweeney - *ROTH Capital Partners - Analyst*

Got it. And do you see that going down with natural gas staying down? It doesn't look like it's going to get any -- it's pretty cheap, it's warm weather, we have plenty of it. What's the thought process on a go-forward basis?

Steve Schott - *Calgon Carbon Corporation - EVP, Advanced Materials, Manufacturing, and Equipment Division*

Well, so as we look to 2016 and 2017, I think the numbers that I just presented are what we believe is reflective. And on a long-term basis, it will be the issues we just discussed on this call and potentially other issues that the utilities might face.

I think it's probably too early to predict on a long-term basis what will happen. But I wouldn't see the market growing much beyond what we will enjoy in 2017, that being the first full year of compliance by all the utilities.

Gerry Sweeney - *ROTH Capital Partners - Analyst*

Got it. Thanks. I'll jump back in queue. Appreciate it.

Operator

Dan Mannes, Avondale Partners.

Dan Mannes - *Avondale Partners - Analyst*

First of all, congrats to Bob. Sorry this will be your last call. We've certainly enjoyed working together.

Secondly, wanted to go on -- had a couple specific questions, one on mercury. Steve, in your comments on the first quarter, the tone was maybe a little more cautious than we anticipated. Given the amount of business still yet to win and the likelihood that if there are wins, you are probably going to see fills in the first quarter, are you leaving room, depending on your win rate as you work your way through, or are you already baking that in?

Steve Schott - *Calgon Carbon Corporation - EVP, Advanced Materials, Manufacturing, and Equipment Division*

Yes, we are baking that in. I think that perhaps we've been -- well, we've been conservative maybe just a little, Dan. I think we are going to be about the same. It's going to be $11 million to $12 million in revenue in the first quarter. And we have the loss of the customer pursuant to the contract expiration that I mentioned. We have a customer who is not insignificant with some outages at key plants that are affecting their take.

And the weather, I think as you know, has been unseasonably warm. And that affects the generation. So factoring in all of those things, we are pretty confident with where we see the first quarter going.

Dan Mannes - *Avondale Partners - Analyst*

And you are also lapping the fills from last year's first quarter as well?

Steve Schott - *Calgon Carbon Corporation - EVP, Advanced Materials, Manufacturing, and Equipment Division*

We are.

Dan Mannes - *Avondale Partners - Analyst*

Okay. I'm just saying, if compliance starts April 1, you would think that you would be -- anyway, but Q2 is a slow usage period, anyway.

Secondly, on UV, you mentioned the Coast Guard issue. I guess the question is given your understanding of the way the Coast Guard is treating UV, can UV meet their standard? Or does their standard need to change? I don't know if you can give us a little bit more color on that.

Steve Schott - *Calgon Carbon Corporation - EVP, Advanced Materials, Manufacturing, and Equipment Division*

I can. We certainly hope that their interpretation of their standards changes and that they accept the MPN method. It's proven, it's commonly used, it's accepted by the IMO. It's accepted for drinking water use. It's widely supported by our customers and the industry. And it's endorsed by global shipping organizations. So we are going to certainly strive for recognition of the MPN method as being completely appropriate.

That said, if we were relegated to needing to produce a different system that could comply with the test method the Coast Guard seems to think is better, although we believe it's not, we could do that. It would cost more, it would be bigger, it would be less efficient, and it's completely unnecessary. So --

Randy Dearth - *Calgon Carbon Corporation - Chairman, President, and CEO*

Yes. Again, to reiterate what Steve just said -- oh, sorry.

Dan Mannes - *Avondale Partners - Analyst*

No, no. You can -- I'd like to hear your commentary.

Randy Dearth - *Calgon Carbon Corporation - Chairman, President, and CEO*

No, I was going to say that given to what Steve just said, there isn't a system out there that's type approved for US Coast Guard. Let's keep that in mind. And the extensions are just astonishing, how large these extensions are they are giving.

As I mentioned in my remarks, I was in D.C. last week and talking to some Congressional folks and letting them know that there's 140 million gallons of ballast water being discharged in the US ports each and every day. And the Coast Guard is not moving ahead fast enough to get this problem solved. This is disturbing.

So I think we all agree that the story hasn't been completely written yet. There's still more that's going to have to be worked out. But there's a lot of bureaucracy that's unfortunately surfacing.

Dan Mannes - *Avondale Partners - Analyst*

And I know it's only been a couple months since Coast Guard made that decision. But has this impacted buying decisions? Are you seeing a shift away from UV systems even for carriers, just given that uncertainty? Or has that not changed the viewpoint from potential buyers?

Randy Dearth - *Calgon Carbon Corporation - Chairman, President, and CEO*

So on the good-news front, we are still selling to US customers who believe that the MPN method will be fixed and that right will prevail in this circumstance. Certainly we've seen some delays where we thought we would have orders, but they are waiting. With the Coast Guard deliberately granting extensions and the IMO not yet ratified, there's no reason for shipowners to have to make a decision.

So I think when we look at our full year and we suggest that it will be about the same, it really reflects now two years of a pause in the marketplace as these regulations become either ratified or sorted out.

Dan Mannes - *Avondale Partners - Analyst*

Got it. That's good color. Thanks, guys.

Operator

Steve Schwartz, First Analysis.

Steve Schwartz - *First Analysis Securities - Analyst*

Best wishes to you, Bob, in retirement. We're going to miss you.

I guess my first question comes down to your prepared remarks around MATS. You mentioned in the 2016 market that you thought you were capturing about 40% share of what has come through. But then you made a comment about customers using chemicals for treating other pollutants. And I got the impression you were suggesting that maybe there were some people walking away from carbon. Can you clarify or add color to that for me?

Steve Schott - *Calgon Carbon Corporation - EVP, Advanced Materials, Manufacturing, and Equipment Division*

Sure, Steve. That's not what I meant to imply at all. When they are treating for other acid gases and they are using sodium bicarbonate, trona, products of that nature, then the relative effectiveness of carbon in those environments is hindered and our advanced products work better. So certainly not walking away from carbon; hopefully just walking a lot closer to our carbon products and particularly our advanced ones.

Steve Schwartz - *First Analysis Securities - Analyst*

Okay. So in other words, you are seeing other regulatory requirements push people toward your advanced products?

Steve Schott - *Calgon Carbon Corporation - EVP, Advanced Materials, Manufacturing, and Equipment Division*

Well said, yes.

Steve Schwartz - *First Analysis Securities - Analyst*

Yes, okay. With respect to this first customer in Brazil, can you talk a little bit about what the application is there? I presume it's municipal. And can you talk about what got them -- what got you guys to close that sale? Was it the technology? Is there a financial benefit? How did you gain that competitive edge?

Randy Dearth - *Calgon Carbon Corporation - Chairman, President, and CEO*

Let me respond to that, Steve. Similar to our approach when we went into China, we have a lot of global international customers that are setting up shop in Brazil. So our first contract actually is on the industrial side, not the municipal side.

This is our entree. Our strategy is to get there through these global manufacturers who know us, they know reactivation, they know our quality. And then once we get a foothold then to go after the municipal market and some of the local sweetener markets and others.

To add to Brazil, I think we've said before on the call that there's about a 90 million pound market for carbon in Brazil; a lot of that's low quality. And we believe there's a demand for the higher quality, which we want to find that niche and carve out for ourselves.

In addition to that first contract, we also had 27 new first-time customers, which reinforces again the Calgon Carbon franchise, the brand. And we are very optimistic. Now, unfortunately, as you know, the economic situation in Brazil isn't rosy. But I've said before and I'll say it again: we are in this for the long haul. We've got a staff working, approaching these customers. And I'm optimistic in the next few years that we will see more and more of these contracts fall into place.

Steve Schwartz - *First Analysis Securities - Analyst*

Okay, that sounds good. As my last question, it's more of just nuts-and-bolts around the fourth quarter. It sounds to me like you had two special items, as we might consider them: the $1.1 million in additional depreciation and the $1.1 million tax benefit. Do I have that tally right?

Bob Fortwangler - *Calgon Carbon Corporation - CFO*

Yes, you do. That is correct.

Steve Schwartz - *First Analysis Securities - Analyst*

Okay, great. Thank you.

Operator

(Operator Instructions) Nick Prendergast, BB&T.

Nick Prendergast - *BB&T Capital Markets - Analyst*

Just don't want to beat a dead horse here, but I want to make sure I'm understanding the mercury commentary correctly. In the past, we looked at the mercury market potentially as a $300 million opportunity. And I believe you had spoken to somewhere around a 30% market share.

Now it looks like you are kind of cutting back on the total market size -- maybe call it, say, $260 million, somewhere at the midpoint there. But now it sounds like you are actually getting more than that 30% share at 40%. Is that correct, first of all?

Steve Schott - *Calgon Carbon Corporation - EVP, Advanced Materials, Manufacturing, and Equipment Division*

Well, that 40% was in reference strictly to the awards that we've been able to secure as it relates to the April 2016 compliant date. And to be fair, there's many awards still out there. So I was really only touting our success initially, to this point, in respect of the April 2016 award process.

Overall, we still expect to be at least 30% overall of the total market size, which, say in 2017, if we in fact achieve that target or do better, then we should be enjoying revenues that are in the neighborhood of $75 million to $80 million.

Nick Prendergast - *BB&T Capital Markets - Analyst*

$75 million to $80 million. And you are doing $58 million right now?

Steve Schott - *Calgon Carbon Corporation - EVP, Advanced Materials, Manufacturing, and Equipment Division*

That's correct. We did $58 million last year. And for the moment, that's where we see this year, at least $58 million. Correct.

Nick Prendergast - *BB&T Capital Markets - Analyst*

And so the delta would be the incremental in 2016 and 2017 or all in 2016?

Steve Schott - *Calgon Carbon Corporation - EVP, Advanced Materials, Manufacturing, and Equipment Division*

It would be the end state that we would have that we would enjoy for the full year 2017.

Nick Prendergast - *BB&T Capital Markets - Analyst*

Got it, got it. 2017. Okay. So this is going to be spread out over 2016 and 2017, then. Okay. All right, fair enough. Thank you very much.

Operator

I will now return the call to Dan Crookshank for any additional or closing remarks.

Dan Crookshank - *Calgon Carbon Corporation - Director of IR*

Thank you very much, Lori. I just wanted our audience to know that we will be available for follow-up calls as the day goes on. I'll turn it back to you, Lori, to end the call.

Operator

Thank you. That does conclude today's Calgon Carbon Corporation's fourth-quarter 2015 earnings conference call. You may now disconnect.
