

COOPER TIRE & RUBBER CO  
Form 10-Q  
May 02, 2012

**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, 2012

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

Commission File No. 1-4329

**COOPER TIRE & RUBBER COMPANY**

(Exact name of registrant as specified in its charter)

Edgar Filing: COOPER TIRE & RUBBER CO - Form 10-Q

**DELAWARE**  
(State or other jurisdiction of  
incorporation or organization)

**34-4297750**  
(I.R.S. employer  
identification no.)

**701 Lima Avenue,**  
**Findlay, Ohio**  
(Address of principal executive offices)

**45840**  
(Zip code)

**(419) 423-1321**  
(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, 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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares of common stock of registrant outstanding

at March 31, 2012: 62,314,272

## Part I. FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

## COOPER TIRE &amp; RUBBER COMPANY

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands except per-share amounts)

	December 31, 2011 (Note 1)	March 31, 2012 (Unaudited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 233,710	\$ 257,644
Notes receivable	71,661	77,583
Accounts receivable, less allowances of \$10,622 at 2011 and \$11,150 at 2012	427,782	480,035
Inventories at lower of cost or market:		
Finished goods	294,384	319,541
Work in process	40,899	47,703
Raw materials and supplies	130,110	124,063
	465,393	491,307
Other current assets	65,434	66,547
Total current assets	1,263,980	1,373,116
Property, plant and equipment:		
Land and land improvements	32,432	32,559
Buildings	305,581	306,035
Machinery and equipment	1,739,241	1,797,489
Molds, cores and rings	231,824	236,630
	2,309,078	2,372,713
Less accumulated depreciation and amortization	1,339,975	1,373,577
Net property, plant and equipment	969,103	999,136
Goodwill	18,851	18,851
Intangibles, net of accumulated amortization of \$25,759 at 2011 and \$26,131 at 2012	17,352	16,981
Restricted cash	2,475	10,199
Deferred income taxes	197,580	193,480
Other assets	31,664	29,091
Total assets	\$ 2,501,005	\$ 2,640,854
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Notes payable	\$ 131,651	\$ 140,816
Accounts payable	339,215	408,353
Accrued liabilities	152,306	186,020
Income taxes	6,646	8,534
Current portion of long-term debt	21,199	11,367
Total current liabilities	651,017	755,090
Long-term debt	329,496	334,810
Postretirement benefits other than pensions	293,267	294,942

Edgar Filing: COOPER TIRE & RUBBER CO - Form 10-Q

Pension benefits	360,632	<b>355,450</b>
Other long-term liabilities	168,703	<b>170,368</b>
Equity:		
Preferred stock, \$1 par value; 5,000,000 shares authorized; none issued Common stock, \$1 par value; 300,000,000 shares authorized; 87,850,292 shares issued	87,850	<b>87,850</b>
Capital in excess of par value	1,042	<b>2,290</b>
Retained earnings	1,464,392	<b>1,479,411</b>
Cumulative other comprehensive loss	(520,878)	<b>(510,443)</b>
	1,032,406	<b>1,059,108</b>
Less: common shares in treasury at cost (25,551,636 at 2011 and 25,536,020 at 2012)	(454,605)	<b>(454,295)</b>
Total parent stockholders' equity	577,801	<b>604,813</b>
Noncontrolling shareholders' interests in consolidated subsidiaries	120,089	<b>125,381</b>
Total equity	697,890	<b>730,194</b>
Total liabilities and equity	\$ 2,501,005	<b>\$ 2,640,854</b>

See accompanying notes.

## COOPER TIRE &amp; RUBBER COMPANY

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

(Dollar amounts in thousands except per-share amounts)

	Three months ended March 31,	
	2011	2012
Net sales	\$ 901,794	\$ <b>984,258</b>
Cost of products sold	820,834	<b>878,829</b>
Gross profit	80,960	<b>105,429</b>
Selling, general and administrative	48,777	<b>57,719</b>
Operating profit	32,183	<b>47,710</b>
Interest expense	9,421	<b>8,475</b>
Interest income	(669)	<b>(651)</b>
Other income	(5,505)	<b>(465)</b>
Income before income taxes	28,936	<b>40,351</b>
Income tax expense	10,459	<b>12,301</b>
Net income	18,477	<b>28,050</b>
Net income attributable to noncontrolling shareholders' interests	2,803	<b>6,482</b>
Net income attributable to Cooper Tire & Rubber Company	\$ 15,674	\$ <b>21,568</b>
Basic earnings per share:		
Net income attributable to Cooper Tire & Rubber Company common stockholders	\$ 0.25	\$ <b>0.35</b>
Diluted earnings per share:		
Net income attributable to Cooper Tire & Rubber Company common stockholders	\$ 0.25	\$ <b>0.34</b>
Dividends per share	\$ 0.105	\$ <b>0.105</b>

See accompanying notes.

## COOPER TIRE &amp; RUBBER COMPANY

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

(Dollar amounts in thousands)

	Three Months Ended March 31,	
	2011	2012
Net income	\$ 18,477	\$ 28,050
Other comprehensive income		
Cumulative currency translation adjustments		
Foreign currency translation adjustments	9,470	11,407
Currency loss recognized as part of acquisition of noncontrolling shareholder interest	4,893	
Cumulative currency translation adjustments	14,363	11,407
Financial instruments		
Change in the fair value of derivatives and marketable securities	(3,138)	(5,494)
Income tax benefit on derivative instruments	326	1,969
Financial instruments, net of tax	(2,812)	(3,525)
Postretirement benefit plans		
Amortization of actuarial loss	9,332	11,783
Amortization of prior service credit	(360)	(356)
Income tax provision on postretirement benefit plans	(475)	(4,155)
Foreign currency translation effect	(2,248)	(2,415)
Postretirement benefit plans, net of tax	6,249	4,857
Other comprehensive income	17,800	12,739
Comprehensive income	36,277	40,789
Less comprehensive income attributable to noncontrolling shareholders' interests	4,432	8,786
Comprehensive income attributable to Cooper Tire & Rubber Company	\$ 31,845	\$ 32,003

See accompanying notes.

## COOPER TIRE &amp; RUBBER COMPANY

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(Dollar amounts in thousands)

	Three Months ended March 31,	
	2011	2012
<b>Operating activities:</b>		
Net income	\$ 18,477	\$ 28,050
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	29,658	31,769
Amortization	337	335
Deferred income taxes	993	2,506
Stock based compensation	979	1,391
Change in LIFO inventory reserve	60,448	8,801
Amortization of unrecognized postretirement benefits	8,829	11,427
Loss on sale of assets	2,694	
Changes in operating assets and liabilities:		
Accounts and notes receivable	(43,827)	(56,638)
Inventories	(136,086)	(30,477)
Other current assets	4,914	(9,273)
Accounts payable	12,506	67,940
Accrued liabilities	29,485	28,769
Other items	(30,866)	(2,377)
Net cash provided by (used in) operating activities	(41,459)	82,223
<b>Investing activities:</b>		
Additions to property, plant and equipment	(35,903)	(37,062)
Acquisition of business, net of cash acquired	(17,380)	
Acquisition of assets in Serbia		(18,534)
Proceeds from the sale of assets	3,450	
Net cash used in investing activities	(49,833)	(55,596)
<b>Financing activities:</b>		
Net borrowings of (payments on) sh		