

COOPER TIRE & RUBBER CO
Form 10-Q
February 28, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2013

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)

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DELAWARE
(State or other jurisdiction of
incorporation or organization)

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

701 Lima Avenue, Findlay, Ohio 45840

(Address of principal executive offices)

(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 January 31, 2014: 65,292,278

Part I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands except per-share amounts)

	December 31, 2012 (Note 1)	September 30, 2013 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 351,817	\$ 309,805
Notes receivable	47,646	68,996
Accounts receivable, less allowances of \$13,267 at 2012 and \$18,869 at 2013	415,460	440,997
Inventories at lower of cost or market:		
Finished goods	380,839	418,362
Work in process	40,953	37,031
Raw materials and supplies	140,076	131,997
	561,868	587,390
Other current assets	72,904	86,861
Total current assets	1,449,695	1,494,049
Property, plant and equipment:		
Land and land improvements	48,677	51,428
Buildings	315,307	324,473
Machinery and equipment	1,740,749	1,814,956
Molds, cores and rings	224,455	239,838
	2,329,188	2,430,695
Less accumulated depreciation and amortization	1,399,933	1,471,728
Net property, plant and equipment	929,255	958,967
Goodwill	18,851	18,851
Intangibles, net of accumulated amortization of \$48,340 at 2012 and \$60,339 at 2013	150,017	161,070
Restricted cash	7,741	2,653
Deferred income taxes	228,849	200,284
Other assets	16,752	17,094
Total assets	\$ 2,801,160	\$ 2,852,968
LIABILITIES AND EQUITY		
Current liabilities:		
Notes payable	\$ 32,836	\$ 26,526
Accounts payable	379,867	304,430
Accrued liabilities	221,822	273,209
Income taxes	18,297	13,488
Current portion of long-term debt	2,319	17,917
Total current liabilities	655,141	635,570

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Long-term debt	336,142	326,414
Postretirement benefits other than pensions	291,546	294,798
Pension benefits	432,922	401,351
Other long-term liabilities	168,967	159,886
Deferred income tax liabilities	8,026	7,477
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	87,850
Capital in excess of par value	919	4,129
Retained earnings	1,657,936	1,728,693
Cumulative other comprehensive loss	(551,526)	(519,293)
	1,195,179	1,301,379
Less: common shares in treasury at cost (24,691,431 at 2012 and 24,480,261 at 2013)	(437,555)	(433,327)
Total parent stockholders' equity	757,624	868,052
Noncontrolling shareholders' interests in consolidated subsidiaries	150,792	159,420
Total equity	908,416	1,027,472
Total liabilities and equity	\$ 2,801,160	\$ 2,852,968

See accompanying notes.

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2012 AND 2013

(UNAUDITED)

(Dollar amounts in thousands except per-share amounts)

	2012	2013
Net sales	\$ 1,095,626	\$ 832,419
Cost of products sold	897,468	735,015
Gross profit	198,158	97,404
Selling, general and administrative	68,555	69,496
Operating profit	129,603	27,908
Interest expense	(7,115)	(6,684)
Interest income	542	270
Other income (expense)	(315)	(348)
Income before income taxes	122,715	21,146
Income tax expense	40,004	17,845
Net income	82,711	3,301
Net income attributable to noncontrolling shareholders' interests	8,598	3,469
Net income (loss) attributable to Cooper Tire & Rubber Company	\$ 74,113	\$ (168)
Basic earnings (loss) per share:		
Net income (loss) attributable to Cooper Tire & Rubber Company common stockholders	\$ 1.18	\$ (0.00)
Diluted earnings (loss) per share:		
Net income (loss) attributable to Cooper Tire & Rubber Company common stockholders	\$ 1.17	\$ (0.00)
Dividends per share	\$ 0.105	\$ 0.105

See accompanying notes.

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

THREE MONTHS ENDED SEPTEMBER 30, 2012 AND 2013

(UNAUDITED)

(Dollar amounts in thousands)

	Three Months Ended September 30,	
	2012	2013
Net income	\$ 82,711	\$ 3,301
Other comprehensive income		
Cumulative currency translation adjustments		
Foreign currency translation adjustments	10,346	12,284
Financial instruments		
Change in the fair value of derivatives and marketable securities	(8,023)	(3,205)
Income tax benefit on derivative instruments	2,864	1,337
Financial instruments, net of tax	(5,159)	(1,868)
Postretirement benefit plans		
Amortization of actuarial loss	11,617	13,191
Amortization of prior service credit	(172)	(142)
Income tax expense on postretirement benefit plans	(4,160)	(4,744)
Foreign currency translation effect	(4,039)	(5,607)
Postretirement benefit plans, net of tax	3,246	2,698
Other comprehensive income	8,433	13,114
Comprehensive income	91,144	16,415
Less comprehensive income attributable to noncontrolling shareholders' interests	9,532	3,796
Comprehensive income attributable to Cooper Tire & Rubber Company	\$ 81,612	\$ 12,619

See accompanying notes.

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2013

(UNAUDITED)

(Dollar amounts in thousands except per-share amounts)

	2012	2013
Net sales	\$ 3,138,366	\$ 2,578,226
Cost of products sold	2,675,875	2,172,744
Gross profit	462,491	405,482
Selling, general and administrative	189,764	211,744
Operating profit	272,727	193,738
Interest expense	(23,973)	(21,016)
Interest income	1,914	707
Other income (expense)	333	(587)
Income before income taxes	251,001	172,842
Income tax expense	81,650	65,104
Net income	169,351	107,738
Net income attributable to noncontrolling shareholders' interests	21,924	16,340
Net income attributable to Cooper Tire & Rubber Company	\$ 147,427	\$ 91,398
Basic earnings per share:		
Net income attributable to Cooper Tire & Rubber Company common stockholders	\$ 2.36	\$ 1.44
Diluted earnings per share:		
Net income attributable to Cooper Tire & Rubber Company common stockholders	\$ 2.34	\$ 1.42
Dividends per share	\$ 0.315	\$ 0.315

See accompanying notes.

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2013

(UNAUDITED)

(Dollar amounts in thousands)

	Nine Months Ended September 30,	
	2012	2013
Net income	\$	169,351