

COOPER TIRE & RUBBER CO
Form 10-Q
August 09, 2012

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 June 30, 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)

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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
(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 July 31, 2012: 62,365,582

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, 2011 (Note 1)	June 30, 2012 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 233,710	\$ 240,501
Notes receivable	71,661	65,863
Accounts receivable, less allowances of \$10,622 at 2011 and \$12,618 at 2012	427,782	499,086
Inventories at lower of cost or market:		
Finished goods	294,384	382,786
Work in process	40,899	46,830
Raw materials and supplies	130,110	138,863
	465,393	568,479
Other current assets	65,434	67,520
Total current assets	1,263,980	1,441,449
Property, plant and equipment:		
Land and land improvements	32,432	32,503
Buildings	305,581	306,118
Machinery and equipment	1,739,241	1,814,556
Molds, cores and rings	231,824	236,131
	2,309,078	2,389,308
Less accumulated depreciation and amortization	1,339,975	1,388,365
Net property, plant and equipment	969,103	1,000,943
Goodwill	18,851	18,851
Intangibles, net of accumulated amortization of \$25,759 at 2011 and \$26,502 at 2012	17,352	16,609
Restricted cash	2,475	9,861
Deferred income tax assets	197,580	188,776
Other assets	31,664	29,842
Total assets	\$ 2,501,005	\$ 2,706,331
LIABILITIES AND EQUITY		
Current liabilities:		
Notes payable	\$ 131,651	\$ 118,940
Accounts payable	339,215	427,219
Accrued liabilities	152,306	190,631
Income taxes payable	6,646	27,555
Current portion of long-term debt	21,199	6,608
Total current liabilities	651,017	770,953
Long-term debt	329,496	337,081
Postretirement benefits other than pensions	293,267	297,121

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Pension benefits	360,632	339,450
Other long-term liabilities	168,703	175,712
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 at 2011 and at 2012	87,850	87,850
Capital in excess of par value	1,042	3,568
Retained earnings	1,464,392	1,524,595
Cumulative other comprehensive loss	(520,878)	(507,171)
	1,032,406	1,108,842
Less: common shares in treasury at cost (25,551,636 at 2011 and 25,489,592 at 2012)	(454,605)	(453,375)
Total parent stockholders' equity	577,801	655,467
Noncontrolling shareholders' interests in consolidated subsidiaries	120,089	130,547
Total equity	697,890	786,014
Total liabilities and equity	\$ 2,501,005	\$ 2,706,331

See accompanying notes.

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

THREE MONTHS ENDED JUNE 30, 2011 AND 2012

(UNAUDITED)

(Dollar amounts in thousands except per-share amounts)

	2011	2012
Net sales	\$ 918,739	\$ 1,058,482
Cost of products sold	849,464	899,578
Gross profit	69,275	158,904
Selling, general and administrative	45,022	63,490
Operating profit	24,253	95,414
Interest expense	9,229	8,383
Interest income	901	721
Other income	143	183
Income before income taxes	16,068	87,935
Income tax expense	1,621	29,345
Net income	14,447	58,590
Net income attributable to noncontrolling shareholders' interests	2,924	6,844
Net income attributable to Cooper Tire & Rubber Company	\$ 11,523	\$ 51,746
Basic earnings per share:		
Net income attributable to Cooper Tire & Rubber Company common stockholders	\$ 0.19	\$ 0.83
Diluted earnings per share:		
Net income attributable to Cooper Tire & Rubber Company common stockholders	\$ 0.18	\$ 0.82
Dividends per share	\$ 0.105	\$ 0.105

See accompanying notes.

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

THREE MONTHS ENDED JUNE 30, 2011 AND 2012

(UNAUDITED)

(Dollar amounts in thousands)

	Three Months Ended June 30,	
	2011	2012
Net income	\$ 14,447	\$ 58,590
Other comprehensive income		
Cumulative currency translation adjustments		
Foreign currency translation adjustments	6,366	(12,060)
Financial instruments		
Change in the fair value of derivatives and marketable securities	37	5,389
Income tax benefit/(expense) on derivative instruments	296	(1,875)
Financial instruments, net of tax	333	3,514
Postretirement benefit plans		
Amortization of actuarial loss	9,358	11,620
Amortization of prior service credit	(361)	(172)
Actuarial gain from plan amendment		7,707
Pension curtailment gain		(7,460)
Income tax expense on postretirement benefit plans	(483)	(4,223)
Foreign currency translation effect	84	2,669
Postretirement benefit plans, net of tax	8,598	10,141
Other comprehensive income	15,297	1,595
Comprehensive income	29,744	60,185
Less comprehensive income attributable to noncontrolling shareholders' interests	4,137	5,167
Comprehensive income attributable to Cooper Tire & Rubber Company	\$ 25,607	\$ 55,018

See accompanying notes.

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2011 AND 2012

(UNAUDITED)

(Dollar amounts in thousands except per-share amounts)

	2011	2012
Net sales	\$ 1,820,532	\$ 2,042,740
Cost of products sold	1,670,298	1,778,407
Gross profit	150,234	264,333
Selling, general and administrative	93,798	121,209
Operating profit	56,436	143,124
Interest expense	18,650	16,858
Interest income	1,570	1,372
Other income	5,648	648
Income before income taxes	45,004	128,286
Income tax expense	12,080	41,646
Net income	32,924	86,640
Net income attributable to noncontrolling shareholders' interests	5,727	13,326
Net income attributable to Cooper Tire & Rubber Company	\$ 27,197	\$ 73,314
Basic earnings per share:		
Net income attributable to Cooper Tire & Rubber Company common stockholders	\$ 0.44	\$ 1.18
Diluted earnings per share:		
Net income attributable to Cooper Tire & Rubber Company common stockholders	\$ 0.43	\$ 1.17
Dividends per share	\$ 0.210	\$ 0.210

See accompanying notes.

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SIX MONTHS ENDED JUNE 30, 2011 AND 2012

(UNAUDITED)