

CORE MOLDING TECHNOLOGIES INC  
Form 10-Q  
November 09, 2012  
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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 September 30, 2012

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 001-12505

CORE MOLDING TECHNOLOGIES, INC.

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(Exact name of registrant as specified in its charter)

Delaware	31-1481870
(State or other jurisdiction incorporation or organization)	(I.R.S. Employer Identification No.)
800 Manor Park Drive, Columbus, Ohio	43228-0183
(Address of principal executive office)	(Zip Code)
Registrant's telephone number, including area code (614) 870-5000	
N/A	

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Former name, former address and former fiscal year, if changed since last report.

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. 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 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, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer," and "smaller reporting company," in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a 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

As of November 8, 2012, the latest practicable date, 7,275,016 shares of the registrant's common stock were issued and outstanding.

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## Part I — Financial Information

## Core Molding Technologies, Inc. and Subsidiaries

## Consolidated Balance Sheets

	September 30, 2012 (Unaudited)	December 31, 2011
Assets:		
Current assets:		
Cash and cash equivalents	\$—	\$4,634,000
Accounts receivable (less allowance for doubtful accounts: September 30, 2012 - \$316,000; December 31, 2011 - \$236,000)	20,842,000	22,048,000
Inventories:		
Finished goods	1,989,000	1,872,000
Work in process	1,698,000	1,547,000
Stores	8,346,000	7,989,000
Total inventories, net	12,033,000	11,408,000
Deferred tax asset-current portion	1,843,000	1,843,000
Foreign sales tax receivable	1,203,000	910,000
Prepaid expenses and other current assets	1,210,000	954,000
Tooling in progress	331,000	—
Total current assets	37,462,000	41,797,000
Property, plant and equipment — net	52,338,000	49,344,000
Deferred tax asset	1,120,000	1,045,000
Goodwill	1,097,000	1,097,000
Other assets	7,000	15,000
Total Assets	\$92,024,000	\$93,298,000
Liabilities and Stockholders' Equity:		
Current liabilities:		
Current portion of long-term debt	\$3,939,000	\$4,104,000
Revolving line of credit	752,000	—
Current portion of interest rate swaps	130,000	173,000
Accounts payable	9,160,000	9,813,000
Tooling in progress	—	1,520,000
Current portion of post retirement benefits liability	1,002,000	1,002,000
Accrued liabilities:		
Compensation and related benefits	5,444,000	7,147,000
Taxes	—	225,000
Other	833,000	1,003,000
Total current liabilities	21,260,000	24,987,000
Long-term debt	6,171,000	9,477,000
Interest rate swaps	122,000	158,000
Post retirement benefits liability	8,221,000	8,580,000
Total Liabilities	35,774,000	43,202,000
Commitments and Contingencies	—	—

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Stockholders' Equity:

Preferred stock — \$0.01 par value, authorized shares — 10,000,000; outstanding shares: 0 at September 30, 2012 and December 31, 2011	—	—
Common stock — \$0.01 par value, authorized shares – 20,000,000; outstanding shares: 7,130,804 at September 30, 2012 and 7,048,069 at December 31, 2011	71,000	70,000
Paid-in capital	25,267,000	24,872,000
Accumulated other comprehensive income, net of income taxes	3,761,000	3,877,000
Treasury stock	(26,748,000)	(26,495,000)
Retained earnings	53,899,000	47,772,000
Total Stockholders' Equity	56,250,000	50,096,000
Total Liabilities and Stockholders' Equity	\$92,024,000	\$93,298,000

See notes to unaudited consolidated financial statements.

Table of ContentsCore Molding Technologies, Inc. and Subsidiaries  
Consolidated Statements of Income  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net sales:				
Products	\$32,149,000	\$37,173,000	\$117,689,000	\$99,694,000
Tooling	5,532,000	663,000	9,065,000	2,425,000
Total net sales	37,681,000	37,836,000	126,754,000	102,119,000
Total cost of sales	32,692,000	29,665,000	107,108,000	79,626,000
Gross margin	4,989,000	8,171,000	19,646,000	22,493,000
Total selling, general and administrative expense	3,032,000	3,417,000	10,232,000	9,517,000
Income before interest and taxes	1,957,000	4,754,000	9,414,000	12,976,000
Interest expense	96,000	171,000	221,000	620,000
Income before income taxes	1,861,000	4,583,000	9,193,000	12,356,000
Income tax expense	710,000	1,727,000	3,066,000	4,389,000
Net income	\$1,151,000	\$2,856,000	\$6,127,000	\$7,967,000
Net income per common share:				
Basic	\$0.16	\$0.41	\$0.86	\$1.15
Diluted	\$0.16	\$0.39	\$0.83	\$1.09
Weighted average shares outstanding:				
Basic	7,127,000	6,976,000	7,094,000	6,926,000
Diluted	7,383,000	7,278,000	7,381,000	7,284,000
See notes to unaudited consolidated financial statements.				

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Consolidated Statements of Comprehensive Income  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	\$1,151,000	\$2,856,000	\$6,127,000	\$7,967,000
Other comprehensive income:				
Interest rate swaps:				
Adjustment for amortization of losses included in net income	21,000	21,000	62,000	62,000
Income tax expense	(7,000	) (7,000	) (21,000	) (21,000
Post retirement benefit plan adjustments:				
Net actuarial loss	40,000	54,000	119,000	164,000
Prior service costs	(124,000	) (124,000	) (372,000	) (372,000
Income tax benefit	32,000	21,000	96,000	62,000
Comprehensive income	\$1,113,000	\$2,821,000	\$6,011,000	\$7,862,000
See notes to unaudited consolidated financial statements.				

Table of ContentsCore Molding Technologies, Inc. and Subsidiaries  
Consolidated Statement of Stockholders' Equity  
(Unaudited)

	Common Stock		Paid-In Capital	Accumulated Other Comprehensive Income	Treasury Stock	Retained Earnings	Total Stockholders' Equity
	Shares	Amount					
Balance at December 31, 2011	7,048,069	\$70,000	\$24,872,000	\$3,877,000	\$(26,495,000)	\$47,772,000	\$50,096,000
Net income						6,127,000	6,127,000
Change in post retirement benefits, net of tax of \$96,000				(157,000 )			(157,000 )
Change in interest rate swaps, net of tax of \$21,000				41,000			41,000
Common stock issued	25,775		81,000				81,000
Purchase of treasury stock	(31,455 )				(253,000 )		(253,000 )
Restricted stock issued	88,415	1,000					1,000
Share-based compensation			314,000				314,000
Balance at September 30, 2012	7,130,804	\$71,000	\$25,267,000	\$3,761,000	\$(26,748,000)	\$53,899,000	\$56,250,000

See notes to unaudited consolidated financial statements.

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Consolidated Statements of Cash Flows  
(Unaudited)

	Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities:		
Net income	\$6,127,000	\$7,967,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,492,000	2,940,000
Deferred income taxes	(75,000)	(41,000)
Interest rate swaps — mark-to-market and amortization of losses	(38,000)	68,000
Share-based compensation	314,000	284,000
Loss on disposal of assets	1,000	—
(Gain) loss on foreign currency translation and transaction	(14,000)	70,000
Change in operating assets and liabilities:		
Accounts receivable	1,206,000	(9,663,000)
Inventories	(625,000)	(2,096,000)
Prepaid and other assets	(585,000)	(121,000)
Accounts payable	16,000	1,870,000
Accrued and other liabilities	(3,980,000)	3,573,000
Post retirement benefits liability	(516,000)	(139,000)
Net cash provided by operating activities	5,323,000	4,712,000
Cash flows from investing activities:		
Purchase of property, plant and equipment	(7,103,000)	(4,940,000)
Proceeds from sale of property, plant and equipment	37,000	—
Net cash used in investing activities	(7,066,000)	(4,940,000)
Cash flows from financing activities:		
Gross repayments on revolving line of credit	(41,390,000)	—
Gross borrowings on revolving line of credit	42,142,000	—
Payment of principal on Mexican loan	(1,600,000)	(1,600,000)
Payment of principal on capex loan	(1,286,000)	(1,286,000)
Payment of principal on term loan	—	(107,000)
Payment of principal on industrial development revenue bond	(585,000)	(540,000)
Payments related to the purchase of treasury stock	(253,000)	(236,000)
Proceeds from issuance of common stock	81,000	354,000
Net cash used in financing activities	(2,891,000)	(3,415,000)
Net change in cash and cash equivalents	(4,634,000)	(3,643,000)
Cash and cash equivalents at beginning of period	4,634,000	5,657,000
Cash and cash equivalents at end of period	\$—	\$2,014,000
Cash paid for:		
Interest (net of amounts capitalized)	\$173,000	\$497,000



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Income taxes	\$3,234,000	\$3,481,000
Non Cash:		
Fixed asset purchases in accounts payable	\$431,000	\$409,000

See notes to unaudited consolidated financial statements.

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Notes to Consolidated Financial Statements  
(Unaudited)

## 1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and include all of the information and disclosures required by accounting principles generally accepted in the United States of America for interim reporting, which are less than those required for annual reporting. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (all of which are normal and recurring in nature) necessary to present fairly the financial position of Core Molding Technologies, Inc. and its subsidiaries ("Core Molding Technologies" or the "Company") at September 30, 2012, and the results of operations and cash flows for the three and nine months ended September 30, 2012. The "Notes to Consolidated Financial Statements," which are contained in the Company's 2011 Annual Report to Shareholders, should be read in conjunction with these consolidated financial statements.

Core Molding Technologies and its subsidiaries operate in the plastics market in a family of products known as "reinforced plastics." Reinforced plastics are combinations of resins and reinforcing fibers (typically glass or carbon) that are molded to shape. Core Molding Technologies is a manufacturer of sheet molding compound ("SMC") and molder of fiberglass reinforced plastics. The Company specializes in large-format moldings and offers a wide range of fiberglass processes, including compression molding of SMC, glass mat thermoplastics ("GMT") and bulk molding compounds ("BMC"), as well as spray-up, hand-lay-up, and resin transfer molding ("RTM"). Additionally, the Company offers reaction injection molding ("RIM"), utilizing dicyclopentadiene technology. Core Molding Technologies maintains four production facilities in Columbus, Ohio; Batavia, Ohio; Gaffney, South Carolina; and Matamoros, Mexico.

The Company operates in one business segment as a manufacturer of SMC and molder of fiberglass reinforced plastics. The Company produces and sells SMC and molded products for varied markets, including light, medium, and heavy-duty trucks, automobiles and automotive aftermarket, marine, and other commercial products.

Certain items previously reported have been reclassified to conform to the current year's reporting format. These reclassifications had no effect on net income or shareholders' equity as previously reported.

## 2. Net Income per Common Share

Net income per common share is computed based on the weighted average number of common shares outstanding during the period. Diluted net income per common share is computed similarly but includes the effect of the assumed exercise of dilutive stock options and restricted stock under the treasury stock method.

The computation of basic and diluted net income per common share is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	\$1,151,000	\$2,856,000	\$6,127,000	\$7,967,000
Weighted average common shares outstanding — basic	7,127,000	6,976,000	7,094,000	6,926,000
Effect of dilutive securities	256,000	302,000	287,000	358,000
Weighted average common and potentially issuable common shares outstanding — diluted	7,383,000	7,278,000	7,381,000	7,284,000

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Basic net income per common share	\$0.16	\$0.41	\$0.86	\$1.15
Diluted net income per common share	\$0.16	\$0.39	\$0.83	\$1.09

At September 30, 2012 and 2011 there were 5,000 unexercised stock options that were not included in diluted earnings per share, as they were anti-dilutive.

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## 3. Major Customers

Core Molding Technologies currently has two major customers, Navistar, Inc. (“Navistar”) and PACCAR, Inc. (“PACCAR”). Major customers are defined as customers whose sales individually consist of more than ten percent of total sales during any reporting period. The following table presents sales revenue for the above-mentioned customers for the three and nine months ended September 30, 2012 and 2011:

	Three Months Ended		Nine Months Ended	
	September 30, 2012	2011	September 30, 2012	2011
Navistar product sales	\$11,902,000	\$17,643,000	\$43,756,000	\$46,155,000
Navistar tooling sales	5,456,000	325,000	6,494,000	1,152,000
Total Navistar sales	17,358,000	17,968,000	50,250,000	