

CORE MOLDING TECHNOLOGIES INC

Form 10-Q

August 11, 2008

Table of Contents

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark One)

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

For the quarterly period ended **June 30, 2008**

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.

(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, P.O. Box 28183
Columbus, Ohio

43228-0183

(Address of principal executive office)

(Zip Code)

Registrant's telephone number, including area code (614) 870-5000

N/A

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, 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 Act.

Yes NO

As of August 8, 2008, the latest practicable date, 6,854,922 shares of the registrant's common shares were issued and outstanding.

Table of Contents

<u>Part I Financial Information</u>	
<u>Item 1. Financial Statements</u>	
<u>Consolidated Balance Sheets</u>	3
<u>Consolidated Statements of Income</u>	4
<u>Consolidated Statement of Stockholders' Equity</u>	5
<u>Consolidated Statements of Cash Flows</u>	6
<u>Notes to Consolidated Financial Statements</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	22
<u>Item 4T. Controls and Procedures</u>	23
<u>Part II Other Information</u>	24
<u>Item 1. Legal Proceedings</u>	24
<u>Item 1A. Risk Factors</u>	24
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	24
<u>Item 3. Defaults Upon Senior Securities</u>	24
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	24
<u>Item 5. Other Information</u>	24
<u>Item 6. Exhibits</u>	24
<u>Signatures</u>	25
<u>Index to Exhibits</u>	26
<u>EX-10(A)</u>	
<u>EX-31(A)</u>	
<u>EX-31(B)</u>	
<u>EX-32(A)</u>	
<u>EX-32(B)</u>	

Table of Contents

Part 1 Financial Information
Core Molding Technologies, Inc. and Subsidiaries
Consolidated Balance Sheets

	June 30, 2008 (Unaudited)	December 31, 2007
Assets		
Current Assets:		
Cash	\$	\$
Accounts receivable (less allowance for doubtful accounts: June 30, 2008 \$253,000; December 31, 2007 \$334,000)	17,169,564	12,469,502
Inventories:		
Finished and work in process goods	2,697,309	3,333,119
Stores	4,775,594	5,011,291
Total inventories	7,472,903	8,344,410
Deferred tax asset-current portion	1,625,781	1,625,781
Foreign sales tax receivable	871,525	959,767
Prepaid expenses and other current assets	897,374	632,329
Total current assets	28,037,147	24,031,789
Property, plant and equipment	60,649,834	59,906,910
Accumulated depreciation	(31,458,645)	(29,691,245)
Property, plant and equipment net	29,191,189	30,215,665
Deferred tax asset	6,176,360	6,173,514
Goodwill	1,097,433	1,097,433
Customer list / Non-compete	62,036	87,629
Other assets	77,385	89,168
Total	\$ 64,641,550	\$ 61,695,198
Liabilities and Stockholders Equity Liabilities:		
Current liabilities		
Current portion of long-term debt	\$ 1,885,716	\$ 1,865,716
Notes payable line of credit	2,162,499	2,251,863
Current portion of postretirement benefits liability	489,000	489,000
Accounts payable	7,483,534	8,537,895
Tooling in progress	240,644	102,419
Accrued liabilities:		
Compensation and related benefits	4,089,599	3,350,867
Interest payable	74,240	89,721
Taxes	818,190	23,221
Other	931,486	1,067,792

Total current liabilities	18,174,908	17,778,494
Long-term debt	4,965,705	5,913,563
Interest rate swap	243,313	223,566
Postretirement benefits liability	16,599,166	15,952,891
Commitments and Contingencies		
Stockholders Equity:		
Preferred stock \$0.01 par value, authorized shares 10,000,000; Outstanding shares: June 30, 2008 and December 31, 2007	0	0
Common stock \$0.01 par value, authorized shares 20,000,000; Outstanding shares: 6,748,790 at June 30, 2008 and 6,727,871 at December 31, 2007	67,488	67,279
Paid-in capital	22,829,410	22,614,127
Accumulated other comprehensive loss, net of income tax benefit	(2,173,672)	(2,209,540)
Treasury stock	(26,179,054)	(26,179,054)
Retained earnings	30,114,286	27,533,872
Total stockholders equity	24,658,458	21,826,684
Total	\$ 64,641,550	\$ 61,695,198

See notes to consolidated financial statements.

Table of Contents

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Net Sales:				
Products	\$ 29,395,247	\$ 24,685,106	\$ 55,378,459	\$ 55,336,042
Tooling	543,447	13,610,170	3,645,672	14,188,325
Total Sales	29,938,694	38,295,276	59,024,131	69,524,367
Cost of sales	23,732,021	33,105,221	47,930,859	58,891,969
Postretirement benefits expense	585,709	584,981	1,156,103	1,201,638
Total cost of sales	24,317,730	33,690,202	49,086,962	60,093,607
Gross Margin	5,620,964	4,605,074	9,937,169	9,430,760
Selling, general and administrative expense	2,873,854	2,649,944	5,545,590	5,606,163
Postretirement benefits expense	119,965	137,218	262,564	272,582
Total selling, general and administrative expense	2,993,819	2,787,162	5,808,154	5,878,745
Income before interest and taxes	2,627,145	1,817,912	4,129,015	3,552,015
Interest income		248,290		493,063
Interest expense	(132,445)	(126,024)	(361,471)	(262,713)
Income before income taxes	2,494,700	1,940,178	3,767,544	3,782,365
Income tax expense	778,439	674,045	1,187,130	1,303,462
Net Income	\$ 1,716,261	\$ 1,266,133	\$ 2,580,414	\$ 2,478,903
Net income per common share:				
Basic	\$ 0.25	\$ 0.12	\$ 0.38	\$ 0.24
Diluted	\$ 0.24	\$ 0.12	\$ 0.37	\$ 0.23

Weighted average shares outstanding:

Basic	6,740,818	10,313,249	6,736,043	10,288,840
Diluted	7,064,615	10,618,444	7,056,433	10,616,637

See notes to consolidated financial statements.

4

Table of Contents

Core Molding Technologies, Inc. and Subsidiaries
Consolidated Statement of Stockholders Equity
(Unaudited)

	Common Stock Outstanding		Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders Equity
	Shares	Amount					
Balance at January 1, 2008	6,727,871	\$ 67,279	\$ 22,614,127	\$ 27,533,872	\$ (2,209,540)	\$ (26,179,054)	\$ 21,826,684
Net Income				2,580,414			2,580,414
Hedge accounting effect of the interest rate swaps, net of deferred income tax benefit of \$2,787					(5,409)		(5,409)
Amortization of unrecognized net loss on post retirement benefit, net of tax expense of \$22,722					41,277		41,277
Comprehensive income							2,616,282
Common shares issued from exercise of stock options	15,000	150	47,080				47,230
Restricted Stock	5,919	59	41,292				41,351
Share-based compensation			126,911				126,911
Balance at June 30, 2008	6,748,790	\$ 67,488	\$ 22,829,410	\$ 30,114,286	\$ (2,173,672)	\$ (26,179,054)	\$ 24,658,458

See notes to consolidated financial statements.

Table of Contents

Core Molding Technologies, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended	
	June 30,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 2,580,414	\$ 2,478,903
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,804,777	1,762,480
Deferred income taxes	(22,778)	(8,760)
Ineffectiveness of swap	11,551	(4,345)
Share based compensation	168,262	145,285
Gain on disposal of assets		(1,039)
(Gain)/Loss on translation of foreign currency financial statements	(131,452)	30,933
Change in operating assets and liabilities:		
Accounts receivable	(4,700,062)	2,781,137
Inventories	871,507	32,202
Prepaid and other assets	(176,804)	(310,742)
Accounts payable	(1,092,811)	(766,229)
Accrued and other liabilities	1,520,140	(4,260,745)
Postretirement benefits liability	710,270	1,032,252
Net cash provided by operating activities	1,543,014	2,911,332
Cash flows from investing activities:		
Purchase of property, plant and equipment	(573,022)	(1,070,136)
Proceeds from sale of property and equipment		1,039
Net cash used in investing activities	(573,022)	(1,069,097)
Cash flows from financing activities:		
Proceeds from issuance of common stock	47,230	341,732
Tax effect from exercise of stock options		112,217
Gross repayments on line of credit	(20,586,168)	
Gross borrowings on line of credit	20,496,804	
Payments of principal on secured note payable	(642,858)	(642,858)
Payments in advance of treasury stock repurchase		(35,000)

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Payment of principal on industrial revenue bond	(285,000)	(260,000)
Net cash used in financing activities	(969,992)	(483,909)
Net increase in cash and cash equivalents		1,358,326
Cash and cash equivalents at beginning of period		16,096,223
Cash and cash equivalents at end of period	\$	\$ 17,454,549
Cash paid for:		
Interest	\$ 340,230	\$ 270,822
Income taxes (net of tax refunds)	\$ 342,622	\$ 686,227

See notes to consolidated financial statements.

Table of Contents

Core Molding Technologies, Inc. and Subsidiaries
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 June 30, 2008, the results of operations for the three and six months ended June 30, 2008, and the cash flows for the six months ended June 30, 2008. The Consolidated Notes to Financial Statements, which are contained in the 2007 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 operates four production facilities in Columbus, Ohio; Batavia, Ohio; Gaffney, South Carolina; and Matamoros, Mexico. The Columbus and Gaffney facilities produce reinforced plastics by compression molding sheet molding compound (SMC) in a closed mold process. The Batavia facility produces reinforced plastic products by a robotic spray-up open mold process and resin transfer molding (RTM) closed mold process utilizing multiple insert tooling (MIT). The Matamoros facility utilizes spray-up and hand lay-up open mold processes and RTM closed mold process to produce reinforced plastic products.

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 include 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		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Net income	\$ 1,716,261	\$ 1,266,133	\$ 2,580,414	\$ 2,478,903
Weighted average common shares outstanding	6,740,818	10,313,249	6,736,043	10,288,840
Plus: dilutive options assumed exercised	566,700	606,700	566,700	606,700
Less: shares assumed repurchased with proceeds from exercise	(287,011)	(325,699)	(288,024)	(302,985)
Plus: dilutive effect of nonvested restricted stock grants	44,108	24,194	41,714	24,082
Weighted average common and potentially issuable common shares outstanding	7,064,615	10,618,444	7,056,433	10,616,637
Basic net income per common share	\$ 0.25	\$ 0.12	\$ 0.38	\$ 0.24
Diluted net income per common share	\$ 0.24	\$ 0.12	\$ 0.37	\$ 0.23

For the six months ended June 30, 2008 and 2007 there were 28,200 and 33,000 antidilutive options, respectively.

Table of Contents**3. Sales**

Core Molding Technologies currently has two major customers, Navistar, Inc. (Navistar) formerly known as International Truck & Engine Corporation, and PACCAR, Inc. (PACCAR). Major customers are defined as customers whose sales individually consist of more than ten percent of total sales. The following table presents sales revenue for the above-mentioned customers for the six months ended June 30, 2008 and 2007:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Navistar product sales	\$ 16,624,481	\$ 11,289,338	\$ 30,099,452	\$ 23,719,615
Navistar tooling sales	36,522	7,869,493	2,793,471	8,143,381
Total Navistar sales	16,661,003	\$ 19,158,831	32,892,923	\$ 31,862,996
PACCAR product sales	7,668,656	6,364,693	15,074,287	14,210,671
PACCAR tooling sales	365,696	5,419,794	460,146	5,514,794
Total PACCAR sales	8,034,352	11,784,487	15,534,433	19,725,465
Other product sales	5,102,110	7,031,075	10,204,720	17,405,756
Other tooling sales	141,229	320,883	392,055	530,150
Total other sales	5,243,339	7,351,958	10,596,775	17,935,906
Total product sales	29,395,247	24,685,106	55,378,459	55,336,042
Total tooling sales	543,447	13,610,170	3,645,672	14,188,325
Total sales	\$ 29,938,694	\$ 38,295,276	\$ 59,024,131	\$ 69,524,367

4. Comprehensive Income

Comprehensive income represents net income plus the results of certain equity changes not reflected in the Consolidated Statements of Income. The components of comprehensive income, net of tax, are as follows:

	Three Months Ended June 30,	Six Months Ended
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