

CORE MOLDING TECHNOLOGIES INC

Form 10-Q

November 15, 2010

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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, 2010
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
(State or other jurisdiction
incorporation or organization)

31-1481870
(I.R.S. Employer Identification No.)

800 Manor Park Drive, Columbus, Ohio
(Address of principal executive office)

43228-0183
(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 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 12, 2010, the latest practicable date, 7,083,176 shares of the registrant's common stock were issued and outstanding.

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

	September 30, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,478,316	\$ 4,141,838
Accounts receivable (less allowance for doubtful accounts: September 30, 2010 - \$91,000; December 31, 2009 - \$113,000)	14,288,685	11,936,335
Inventories:		
Finished goods	1,599,877	863,166
Work in process	1,240,997	1,253,975
Stores	5,411,597	4,896,221
Total inventories	8,252,471	7,013,362
Deferred tax asset-current portion	1,195,831	1,195,831
Foreign sales tax receivable	849,374	652,155
Prepaid expenses and other current assets	1,162,445	1,021,093
Tooling in progress	453,649	
Income tax receivable	335,147	562,176
Total current assets	29,015,918	26,522,790
Property, plant and equipment	83,305,014	81,670,080
Accumulated depreciation	(39,402,698)	(36,726,836)
Property, plant and equipment net	43,902,316	44,943,244
Deferred tax asset	2,095,651	6,570,802
Goodwill	1,097,433	1,097,433
Other assets	27,450	42,029
Total Assets	\$ 76,138,768	\$ 79,176,298
Liabilities and Stockholders Equity		
Liabilities:		
Current liabilities		
Current portion of long-term debt	\$ 4,457,849	\$ 3,675,005
Current portion of postretirement benefits liability	673,000	667,000
Accounts payable	6,945,222	4,805,468
Tooling in progress		484,786
Compensation and related benefits	2,148,836	2,400,587
Interest payable	71,221	102,069
Other	1,041,660	800,912

Total current liabilities	15,337,788	12,935,827
Long-term debt	14,199,997	17,732,842
Interest rate swaps	514,442	198,809
Postretirement benefits liability	9,199,598	18,076,696

Commitments and Contingencies

Stockholders Equity:

Preferred stock \$0.01 par value, authorized shares 10,000,000; Outstanding shares: 0 at September 30, 2010 and December 31, 2009		
Common stock \$0.01 par value, authorized shares 20,000,000; Outstanding shares: 6,861,383 at September 30, 2010 and 6,799,641 at December 31, 2009	68,614	67,996
Paid-in capital	23,692,877	23,336,197
Accumulated other comprehensive income (loss), net of income taxes	3,927,231	(1,805,897)
Treasury stock	(26,226,440)	(26,179,054)
Retained earnings	35,424,661	34,812,882
Total stockholders equity	36,886,943	30,232,124
Total Liabilities and Stockholders Equity	\$ 76,138,768	\$ 79,176,298

See notes to unaudited consolidated financial statements.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Net sales:				
Products	\$ 23,041,088	\$ 19,801,193	\$ 64,210,313	\$ 54,275,278
Tooling	2,253,508	4,624,339	5,002,115	5,834,479
Total sales	25,294,596	24,425,532	69,212,428	60,109,757
Total cost of sales	22,160,682	20,441,551	58,575,785	53,568,170
Gross margin	3,133,914	3,983,981	10,636,643	6,541,587
Total selling, general and administrative expense	2,289,262	2,131,030	6,908,532	6,886,771
Income (loss) before interest and taxes	844,652	1,852,951	3,728,111	(345,184)
Interest expense	362,614	516,904	1,240,087	657,298
Income (loss) before income taxes	482,038	1,336,047	2,488,024	(1,002,482)
Income tax expense (benefit)	174,620	486,685	1,876,245	(369,540)
Net income (loss)	\$ 307,418	\$ 849,362	\$ 611,779	\$ (632,942)
Net income (loss) per common share:				
Basic	\$ 0.04	\$ 0.13	\$ 0.09	\$ (0.09)
Diluted	\$ 0.04	\$ 0.12	\$ 0.09	\$ (0.09)
Weighted average shares outstanding:				
Basic	6,850,424	6,794,005	6,822,685	6,768,467
Diluted	7,108,977	6,838,815	7,070,887	6,811,515

See notes to unaudited consolidated financial statements.

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

	Common Stock Outstanding		Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Stockholders Equity
	Shares	Amount			(Loss)		
Balance at January 1, 2010	6,799,641	\$ 67,996	\$ 23,336,197	\$ 34,812,882	\$ (1,805,897)	\$ (26,179,054)	\$ 30,232,124
Net income				611,779			611,779
Change in postretirement benefits, net of tax of \$3,177,701					5,676,298		5,676,298
Change in interest rate swaps, net of tax of \$29,275					56,830		56,830
Comprehensive income							6,344,907
Common stock issued	28,300	283	83,201				83,484
Purchase of treasury stock	(9,250)	(92)				(47,386)	(47,478)
Restricted stock issued	42,692	427					427
Share-based compensation			273,479				273,479
Balance at September 30, 2010	6,861,383	\$ 68,614	\$ 23,692,877	\$ 35,424,661	\$ 3,927,231	\$ (26,226,440)	\$ 36,886,943

See notes to unaudited consolidated financial statements.

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

	Nine Months Ended September 30,	
	2010	2009
Cash flows from operating activities:		
Net income (loss)	\$ 611,779	\$ (632,942)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,994,043	2,858,169
Deferred income taxes	1,474,142	(64,667)
Mark-to-market of interest rate swaps	380,739	(134,365)
Net postretirement benefits settlement loss	374,402	
Share-based compensation	273,906	266,797
Loss on disposal of assets	14,277	31,405
Gain on translation of foreign currency financial statements	(82,974)	(70,908)
Change in operating assets and liabilities:		
Accounts receivable	(2,352,349)	1,043,611
Inventories	(1,239,109)	2,962,286
Prepaid and other assets	(860,513)	(335,728)
Accounts payable	2,157,693	(2,295,039)
Accrued and other liabilities	(299,701)	(637,250)
Partial settlement of postretirement benefits liability	(1,256,650)	
Postretirement benefits liability	680,182	743,967
Net cash provided by operating activities	2,869,867	3,735,336
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,866,872)	(9,776,993)
Proceeds from sale of property, plant and equipment		18,000
Net cash used in investing activities	(1,866,872)	(9,758,993)
Cash flows from financing activities:		
Financing costs for new credit agreement		(224,321)
Gross repayments on line of credit		(34,389,061)
Gross borrowings on line of credit		33,195,096
Payments of principal on capex loan	(1,285,714)	(571,429)
Payments of principal on term loan	(964,287)	(964,287)
Payment of principal on industrial revenue bond	(500,000)	(460,000)

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Borrowings on construction loans		10,278,663
Proceeds from issuance of common stock	83,484	
Net cash (used in) provided by financing activities	(2,666,517)	6,864,661
Net change in cash and cash equivalents	(1,663,522)	841,004
Cash and cash equivalents at beginning of period	4,141,838	
Cash and cash equivalents at end of period	\$ 2,478,316	\$ 841,004
Cash paid for:		
Interest	\$ 760,460	\$ 738,121
Income taxes (net of tax refunds)	\$ 360,624	\$ 275,884
Non Cash:		
Fixed asset purchases in accounts payable	\$ 41,595	\$ 58,218

See notes to unaudited consolidated financial statements.

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**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 September 30, 2010, the results of operations for the three and nine months ended September 30, 2010 and cash flows for the nine months ended September 30, 2010. The Notes to Consolidated Financial Statements, which are contained in the 2009 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, RTM and SMC closed mold process to produce reinforced plastic products.

As disclosed in the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2010, the Company determined that certain of its previously filed financial statements contained an error related to the understatement of a deferred tax asset for certain retiree drug subsidies (RDS) available to sponsors of retiree health benefit plans that provide a benefit that is at least actuarially equivalent to the benefits under Medicare Part D. In order to assess materiality with respect to these errors, the Company considered Staff Accounting Bulletin (SAB) 99, Materiality and SAB 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements, and determined that the impact of these errors on prior period consolidated financial statements was immaterial. Accordingly, the Company's consolidated balance sheet as of December 31, 2009 and the related consolidated statements of operations and cash flows for the three and nine months ended September 30, 2009 were revised and reflect the correction of this immaterial error. Correction of this error in the Company's consolidated balance sheet as of December 31, 2009 resulted in an increase in deferred tax assets of approximately \$1,035,000, an increase to retained earnings of approximately \$618,000 and an increase to accumulated other comprehensive income of approximately \$417,000. The consolidated results of operations and other comprehensive loss for the three and nine months ended September 30, 2009 reflect an increase in income tax benefit of approximately \$22,000 and \$67,000, respectively.

2. Net Income (Loss) per Common Share

Net income (loss) 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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net income (loss)	\$ 307,418	\$ 849,362	\$ 611,779	\$ (632,942)
Weighted average common shares outstanding	6,850,424	6,794,005	6,822,685	6,768,467
Plus: dilutive options assumed exercised	503,525	85,600	503,525	
Less: shares assumed repurchased with proceeds from exercise	336,490	82,114	366,622	
Plus: dilutive effect of nonvested restricted stock grants	91,518	41,324	111,299	43,048
Weighted average common and potentially issuable common shares outstanding	7,108,977	6,838,815	7,070,887	6,811,515
Basic net income (loss) per common share	\$ 0.04	\$ 0.13	\$ 0.09	\$ (0.09)
Diluted net income (loss) per common share	\$ 0.04	\$ 0.12	\$ 0.09	\$ (0.09)

23,000 unexercised stock options at September 30, 2010 and 558,825 unexercised stock options at September 30, 2009 were not included in diluted earnings per share, as they were anti-dilutive.

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Core Molding Technologies currently has three major customers, Navistar, Inc. (Navistar), PACCAR, Inc. (PACCAR) and Daimler Trucks North America LLC (Daimler). 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, 2010 and 2009:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Navistar product sales	\$ 11,759,537	\$ 10,435,844	\$ 35,544,577	\$ 29,472,716
Navi				