

CORE MOLDING TECHNOLOGIES INC

Form 10-Q

November 09, 2007

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**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 September 30, 2007

**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, 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, or a non-accelerated. 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

As of November 9, 2007 the latest practicable date, 6,727,871 shares of the registrant's common shares were issued and outstanding.

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

	<b>September 30, 2007 (Unaudited)</b>	<b>December 31, 2006</b>
<b>Assets</b>		
Current Assets:		
Cash	\$	\$ 16,096,223
Accounts receivable (less allowance for doubtful accounts: September 30, 2007 \$276,000; December 31, 2006 \$262,000)	19,905,696	22,456,177
Inventories:		
Finished and work in process goods	2,951,800	2,793,993
Stores	5,154,665	4,598,983
Total inventories	8,106,465	7,392,976
Deferred tax asset	1,469,756	1,529,592
Foreign sales tax receivable	1,029,531	1,032,058
Income tax receivable		1,432,324
Tooling in progress	544,489	
Prepaid expenses and other current assets	802,642	730,109
Total current assets	31,858,579	50,669,459
Property, plant and equipment	59,504,089	56,927,053
Accumulated depreciation	(28,922,660)	(26,389,062)
Property, plant and equipment net	30,581,429	30,537,991
Deferred tax asset	6,887,064	6,916,348
Goodwill	1,097,433	1,097,433
Customer list / non-compete, net	100,425	138,814
Other assets	95,061	145,668
<b>Total</b>	<b>\$ 70,619,991</b>	<b>\$ 89,505,713</b>
<b>Liabilities and Stockholders Equity</b>		
<b>Liabilities:</b>		
Current liabilities		
Current portion of long-term debt	\$ 1,850,716	\$ 1,815,716
Notes payable line of credit	5,757,035	
Current portion of postretirement benefits liability	247,000	247,000
Accounts payable	12,562,426	10,735,295
Tooling in progress		1,179,684
Accrued liabilities:		

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Compensation and related benefits	4,193,381	7,111,475
Accrued taxes	664,337	
Other	1,150,232	2,005,408
<b>Total current liabilities</b>	<b>26,425,127</b>	<b>23,094,578</b>
Long-term debt	6,384,992	7,779,279
Interest rate swap	111,857	35,848
Graduated lease payments		41,050
Postretirement benefits liability	17,205,578	15,860,558
<b>Commitments and Contingencies</b>		
<b>Stockholders Equity:</b>		
Preferred stock \$0.01 par value, authorized shares 10,000,000; Outstanding shares September 30, 2007 and December 31, 2006-0		
Common stock \$0.01 par value, authorized shares 20,000,000; Outstanding shares: 6,721,871 at September 30, 2007 and 10,204,607 at December 31, 2006	67,218	102,046
Paid-in capital	22,531,765	21,872,723
Retained earnings	27,003,484	23,738,946
Accumulated other comprehensive loss, net of income tax	(2,930,976)	(3,019,315)
Treasury stock	(26,179,054)	
<b>Total stockholders equity</b>	<b>20,492,437</b>	<b>42,694,400</b>
<b>Total</b>	<b>\$ 70,619,991</b>	<b>\$ 89,505,713</b>

See notes to condensed consolidated financial statements.

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Net Sales:</b>				
Products	\$ 23,744,611	\$ 38,854,393	\$ 79,080,653	\$ 112,635,012
Tooling	6,175,333	9,223,766	20,363,658	11,456,118
<b>Total Sales</b>	<b>29,919,944</b>	<b>48,078,159</b>	<b>99,444,311</b>	<b>124,091,130</b>
Cost of sales	25,214,124	39,335,068	84,106,093	99,360,624
Postretirement benefits expense	626,753	450,417	1,828,391	1,762,362
<b>Total cost of sales</b>	<b>25,840,877</b>	<b>39,785,485</b>	<b>85,934,484</b>	<b>101,122,986</b>
<b>Gross Margin</b>	<b>4,079,067</b>	<b>8,292,674</b>	<b>13,509,827</b>	<b>22,968,144</b>
Selling, general and administrative expense	2,667,215	3,659,729	8,273,378	10,458,861
Postretirement benefits expense	119,381	85,794	391,963	364,002
<b>Total selling, general and administrative expense</b>	<b>2,786,596</b>	<b>3,745,523</b>	<b>8,665,341</b>	<b>10,822,863</b>
<b>Income before interest and taxes</b>	<b>1,292,471</b>	<b>4,547,151</b>	<b>4,844,486</b>	<b>12,145,281</b>
Interest income	49,103	211,707	542,166	465,885
Interest expense	(228,696)	(176,293)	(491,409)	(496,390)
<b>Income before income taxes</b>	<b>1,112,878</b>	<b>4,582,565</b>	<b>4,895,243</b>	<b>12,114,776</b>
<b>Income tax expense</b>	<b>395,696</b>	<b>1,644,790</b>	<b>1,699,158</b>	<b>4,392,067</b>
<b>Net Income</b>	<b>717,182</b>	<b>\$ 2,937,775</b>	<b>3,196,085</b>	<b>\$ 7,722,709</b>
<b>Net income per common share:</b>				
Basic	\$ 0.10	\$ 0.29	\$ 0.34	\$ 0.77
Diluted	\$ 0.09	\$ 0.28	\$ 0.33	\$ 0.74

**Weighted average shares outstanding:**

Basic	7,441,871	10,083,320	9,339,984	10,067,409
Diluted	7,727,088	10,428,583	9,658,583	10,422,526

See notes to condensed consolidated financial statements.

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**Core Molding Technologies, Inc. and Subsidiaries**  
**Condensed 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					
<b>Balance at January 1, 2007</b>	10,204,607	\$ 102,046	\$ 21,872,723	\$ 23,738,946	\$ (3,019,315)	\$	\$ 42,694,400
Cumulative impact of change in accounting for uncertainties in income taxes (FIN 48 see Note 7)				68,453			68,453
Net income				3,196,085			3,196,085
Common shares issued from exercise of stock options	109,256	1,092	340,640				341,732
Tax benefit from exercise of options			112,217				112,217
Restricted stock issued	8,008	80	56,697				56,777
Share based compensation			149,488				149,488
Amortization of previously unrecognized postretirement plan loss, net of deferred income tax expense of \$74,630					128,725		128,725

Hedge accounting effect of the interest rate swaps at September 30, 2007 net of deferred income tax benefit of \$25,843						(40,386)		(40,386)
Purchase of treasury stock	(3,600,000)	(36,000)					(26,179,054)	(26,215,054)
<b>Balance at September 30, 2007</b>	6,721,871	\$ 67,218	\$22,531,765	\$27,003,484	(\$2,930,976)		(\$26,179,054)	\$ 20,492,437

See notes to condensed consolidated financial statements.

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

	<b>Nine Months Ended September 30,</b>	
	<b>2007</b>	<b>2006</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 3,196,085	\$ 7,722,709
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,622,594	2,020,871
Deferred income taxes	(19,504)	(5,985)
Share based compensation	206,265	284,263
Interest income related to ineffectiveness of swap	9,780	640
(Gain) loss on disposal of assets	(1,039)	10,363
Amortization of gain on sale/leaseback transactions		(425,536)
Loss on translation of foreign currency financial statements	7,826	56,156
Change in assets and liabilities:		
Accounts receivable	2,550,481	(8,401,342)
Inventories	(713,489)	(478,874)
Prepaid and other assets	(70,005)	35,960
Accounts payable	1,749,603	2,682,513
Accrued and other liabilities	(3,313,544)	3,455,675
Postretirement benefits liability	1,548,375	1,437,750
<b>Net cash provided by operating activities</b>	<b>7,773,428</b>	<b>8,395,163</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(2,507,335)	(4,909,705)
Proceeds from sale of property and equipment	1,039	5,200
<b>Net cash used in investing activities</b>	<b>(2,506,296)</b>	<b>(4,904,505)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock	341,732	101,447
Tax effect from exercise of stock options	112,217	
Purchase of treasury stock	(26,215,054)	
Net borrowing on revolving line of credit	5,757,035	
Payments of principal on secured note payable	(964,285)	(964,287)
Payment of principal on industrial revenue bond	(395,000)	(365,000)

<b>Net cash used in financing activities</b>	(21,363,355)	(1,227,840)
<b>Net (decrease) increase in cash and cash equivalents</b>	(16,096,223)	2,262,818
<b>Cash and cash equivalents at beginning of period</b>	16,096,223	9,413,994
<b>Cash and cash equivalents at end of period</b>	\$	\$ 11,676,812
Cash paid for:		
Interest (net of income and capitalized interest)	\$ (128,812)	\$ 4,975
Income taxes (net of refunds)	\$ (412,264)	\$ 3,224,133

See notes to condensed consolidated financial statements.

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**Core Molding Technologies, Inc. and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**

**1. Basis of Presentation**

The accompanying unaudited condensed 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 condensed 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, 2007, and the results of their operations and cash flows for the three and nine months ended September 30, 2007. The Consolidated Notes to Financial Statements, which are contained in the 2006 Annual Report to Shareholders, should be read in conjunction with these condensed 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 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. Earnings Per Common Share**

Basic earnings per common share is computed based on the weighted average number of common shares outstanding during the period. Diluted earnings per common share are 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 earnings per common share is as follows:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Net income	\$ 717,182	\$ 2,937,775	\$ 3,196,085	\$ 7,722,709
Weighted average common shares outstanding	7,441,871	10,083,320	9,339,984	10,067,409
Plus: dilutive options assumed exercised	593,700	925,450	593,700	925,450
Less: shares assumed repurchased with proceeds from exercise	(324,299)	(581,281)	(304,545)	(571,395)
Plus: dilutive effect of nonvested restricted stock grants	15,816	1,094	29,444	1,062
Weighted average common and potentially issuable common shares outstanding	7,727,088	10,428,583	9,658,583	10,422,526
Basic earnings per common share	\$ 0.10	\$ 0.29	\$ 0.34	\$ 0.77
Diluted earnings per common share	\$ 0.09	\$ 0.28	\$ 0.33	\$ 0.74

At September 30, 2007 and 2006 there were 33,000 and 55,500 antidilutive options, respectively.



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**3. Sales Revenue**

Core Molding Technologies currently has two major customers, International Truck & Engine Corporation ( International ) and PACCAR, Inc. ( PACCAR ). Major customers are defined as customers whose current year sales individually consist of more than ten percent of total sales. The following table presents sales revenue for the above-mentioned customers for the three and nine months ended September 30, 2007 and 2006:

<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>

&nbsp;