

STANDARD MOTOR PRODUCTS INC
Form 10-Q
May 05, 2016

UNITED STATES
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 March 31, 2016

or

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

Commission file number: 1-4743

Standard Motor Products, Inc.
(Exact name of registrant as specified in its charter)

New York 11-1362020
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No)

37-18 Northern Blvd., Long Island City, N.Y. 11101
(Address of principal executive offices) (Zip Code)

(718) 392-0200
(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 (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 (§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, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

As of the close of business on May 2, 2016, there were 22,696,385 outstanding shares of the registrant's Common Stock, par value \$2.00 per share.

STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share data)	Three Months Ended	
	March 31, <u>2016</u>	<u>2015</u>
	(Unaudited)	
Net sales	\$238,911	\$227,589
Cost of sales	165,915	163,700
Gross profit	72,996	63,889
Selling, general and administrative expenses	52,998	49,198
Restructuring and integration expenses	241	57
Other income, net	262	281
Operating income	20,019	14,915
Other non-operating income, net	333	151
Interest expense	311	426
Earnings from continuing operations before taxes	20,041	14,640
Provision for income taxes	7,385	5,301
Earnings from continuing operations	12,656	9,339
Loss from discontinued operations, net of income taxes	(452)	(391)
Net earnings	\$12,204	\$8,948
<u>Per Share Data</u>		
Net earnings per common share – Basic:		
Earnings from continuing operations	\$0.56	\$0.41
Discontinued operations	(0.02)	(0.02)
Net earnings per common share – Basic	\$0.54	\$0.39
Net earnings per common share – Diluted:		
Earnings from continuing operations	\$0.55	\$0.40
Discontinued operations	(0.02)	(0.01)
Net earnings per common share – Diluted	\$0.53	\$0.39
Dividend declared per share	\$0.17	\$0.15
Average number of common shares	22,642,312	22,910,889
Average number of common shares and dilutive common shares	22,944,947	23,238,050

See accompanying notes to consolidated financial statements (unaudited).

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	Three Months Ended	
	2016	2015
	March 31, (Unaudited)	
Net earnings	\$ 12,204	\$ 8,948
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	1,785	(3,074)
Pension and postretirement plans:		
Amortization of:		
Prior service benefit	(13)	(29)
Unrecognized loss	275	618
Foreign currency exchange rate changes	4	8
Income tax expense related to pension and postretirement plans	(108)	(241)
Pension and postretirement plans, net of tax	158	356
Total other comprehensive income (loss), net of tax	1,943	(2,718)
Comprehensive income	\$ 14,147	\$ 6,230

See accompanying notes to consolidated financial statements (unaudited).

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)	March 31, 2016 (Unaudited)	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 13,360	\$ 18,800
Accounts receivable, less allowances for discounts and doubtful accounts of \$4,670 and \$4,246 for 2016 and 2015, respectively	143,200	123,853
Inventories	300,291	285,793
Deferred income taxes	42,323	40,626
Prepaid expenses and other current assets	7,176	10,668
Total current assets	506,350	479,740
Property, plant and equipment, net of accumulated depreciation of \$197,483 and \$194,077 for 2016 and 2015, respectively	70,301	68,882
Goodwill	54,824	54,881
Other intangibles, net	27,964	29,386
Deferred income taxes	8,466	10,737
Other assets	37,433	37,438
Total assets	\$ 705,338	\$ 681,064
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	\$ 49,456	47,427
Current portion of long-term debt	42	16
Accounts payable	86,225	72,711
Sundry payables and accrued expenses	34,907	40,706
Accrued customer returns	41,974	38,812
Accrued rebates	26,891	27,196
Payroll and commissions	15,353	17,048
Total current liabilities	254,848	243,916
Long-term debt	158	62
Other accrued liabilities	13,330	12,922
Accrued asbestos liabilities	31,848	32,185
Total liabilities	300,184	289,085
Commitments and contingencies		
Stockholders' equity:		
Common stock – par value \$2.00 per share:		
Authorized – 30,000,000 shares; issued 23,936,036 shares	47,872	47,872
Capital in excess of par value	94,910	93,247
Retained earnings	299,836	291,481
Accumulated other comprehensive income	(4,531)	(6,474)
	(32,933)	(34,147)

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Treasury stock – at cost (1,245,276 shares and 1,295,316 shares in 2016 and 2015, respectively)

Total stockholders' equity	405,154	391,979
Total liabilities and stockholders' equity	\$ 705,338	\$ 681,064

See accompanying notes to consolidated financial statements (unaudited).

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Three Months Ended March 31,	
	<u>2016</u>	<u>2015</u>
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 12,204	\$ 8,948
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,373	4,288
Amortization of deferred financing cost	84	174
Increase to allowance for doubtful accounts	357	180
Increase to inventory reserves	1,194	238
Amortization of deferred gain on sale of building	(262)	(262)
Equity income from joint ventures	(530)	(390)
Employee stock ownership plan allocation	505	552
Stock-based compensation	1,109	1,319
Excess tax benefits related to exercise of employee stock grants	(124)	(38)
Decrease (increase) in deferred income taxes	538	(64)
Loss on discontinued operations, net of tax	452	391
Change in assets and liabilities:		
Increase in accounts receivable	(19,281)	(25,289)
Increase in inventories	(14,621)	(7,473)
Decrease in prepaid expenses and other current assets	5,064	3,620
Increase in accounts payable	11,431	5,255
Decrease in sundry payables and accrued expenses	(5,002)	(6,287)
Net changes in other assets and liabilities	1,174	675
Net cash used in operating activities	(1,335)	(14,163)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(4,099)	(4,009)
Other investing activities	2	26
Net cash used in investing activities	(4,097)	(3,983)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings under line-of-credit agreements	2,028	15,009
Net borrowings (payments) of long-term debt and capital lease obligations	120	(63)
Purchase of treasury stock	(377)	—
Increase in overdraft balances	1,715	1,536
Proceeds from exercise of employee stock options	—	35
Excess tax benefits related to the exercise of employee stock grants	124	38
Dividends paid	(3,849)	(3,434)
Net cash (used in) provided by financing activities	(239)	13,121
Effect of exchange rate changes on cash	231	(584)
Net decrease in cash and cash equivalents	(5,440)	(5,609)
CASH AND CASH EQUIVALENTS at beginning of period	18,800	13,728
CASH AND CASH EQUIVALENTS at end of period	\$ 13,360	\$ 8,119

Supplemental disclosure of cash flow information:

Cash paid during the period for:

Interest	\$ 225	\$ 245
Income taxes	\$ 1,578	\$ 1,892

See accompanying notes to consolidated financial statements (unaudited).

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
Three Months Ended March 31, 2016
(Unaudited)

	Common <u>Stock</u>	Capital in Excess of <u>Par Value</u>	Retained <u>Earnings</u>	Accumulated Other Comprehensive <u>Income</u> <u>(Loss)</u>	Treasury <u>Stock</u>	<u>Total</u>
(In thousands)						
Balance at December 31, 2015	\$ 47,872	\$ 93,247	\$ 291,481	\$ (6,474)	\$(34,147)	\$ 391,979
Net earnings	—	—	12,204	—	—	12,204
Other comprehensive income, net of tax	—	—	—	1,943	—	1,943
Cash dividends paid	—	—	(3,849)	—	—	(3,849)
Purchase of treasury stock	—	—	—	—	(377)	(377)
Stock-based compensation and related tax benefits	—	1,208	—	—	25	1,233
Employee Stock Ownership Plan	—	455	—	—	1,566	2,021
Balance at March 31, 2016	\$ 47,872					