

NN INC  
Form 10-Q  
May 08, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended March 31, 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 0-23486

**NN, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**62-1096725**  
(I.R.S. Employer  
Identification Number)

**2000 Waters Edge Drive**

**Building C, Suite 12**

**Johnson City, Tennessee 37604**

(Address of principal executive offices, including zip code)

**(423) 743-9151**

(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 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  (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 May 4, 2012, there were 17,023,932 shares of the registrant's common stock, par value \$0.01 per share, outstanding.

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NN, Inc.

**Condensed Consolidated Statements of Comprehensive Income****(Unaudited)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2012</b>	<b>2011</b>
(In Thousands of Dollars, Except Per Share Data)		
Net sales	\$ 104,519	\$ 111,307
Cost of products sold (exclusive of depreciation and amortization shown separately below)	82,969	90,299
Selling, general and administrative	8,068	7,966
Depreciation and amortization	4,457	4,035
Gain on disposal of assets	(8)	(1)
Gain from deconsolidation of a bankrupt subsidiary		(209)
<b>Income from operations</b>	<b>9,033</b>	<b>9,217</b>
Interest expense	1,211	1,224
Other expense, net	438	1,036
<b>Income before provision for income taxes</b>	<b>7,384</b>	<b>6,957</b>
Provision for income taxes	1,475	1,450
<b>Net income</b>	<b>5,909</b>	<b>5,507</b>
<b>Other comprehensive income:</b>		
Foreign currency translation gain	3,394	6,530
<b>Comprehensive income</b>	<b>\$ 9,303</b>	<b>\$ 12,037</b>
<b>Basic income per common share:</b>	<b>\$ 0.35</b>	<b>\$ 0.33</b>
<b>Weighted average shares outstanding</b>	<b>16,961</b>	<b>16,664</b>
<b>Diluted income per common share:</b>	<b>\$ 0.35</b>	<b>\$ 0.33</b>
<b>Weighted average shares outstanding</b>	<b>17,075</b>	<b>16,910</b>

**The accompanying notes are an integral part of the condensed consolidated financial statements.**

**Table of Contents****NN, Inc.****Condensed Consolidated Balance Sheets****(Unaudited)**

(In Thousands of Dollars)	March 31, 2012	December 31, 2011
<b>Assets</b>		
Current assets:		
Cash	\$ 11,807	\$ 4,536
Accounts receivable, net of allowance for doubtful accounts of \$354 and \$438, respectively	76,379	66,707
Inventories, net	46,021	46,023
Other current assets	5,097	6,759
<b>Total current assets</b>	<b>139,304</b>	<b>124,025</b>
Property, plant and equipment, net	121,650	120,528
Goodwill, net	8,391	8,039
Intangible asset, net	900	900
Other non-current assets	3,969	5,969
<b>Total assets</b>	<b>\$ 274,214</b>	<b>\$ 259,461</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 43,370	\$ 48,217
Accrued salaries, wages and benefits	10,812	11,697
Current maturities of long-term debt	5,714	6,503
Income taxes payable	2,064	1,858
Other current liabilities	5,780	4,766
<b>Total current liabilities</b>	<b>67,740</b>	<b>73,041</b>
Non-current deferred tax liabilities	3,979	3,810
Long-term debt, net of current portion	81,629	71,629
Other non-current liabilities	11,529	11,305
<b>Total liabilities</b>	<b>164,877</b>	<b>159,785</b>
<b>Total stockholders' equity</b>	<b>109,337</b>	<b>99,676</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 274,214</b>	<b>\$ 259,461</b>

**The accompanying notes are an integral part of the condensed consolidated financial statements.**

**Table of Contents****NN, Inc.****Condensed Consolidated Statement of Changes in Stockholders' Equity****(Unaudited)****Common Stock**

(In Thousands of Dollars and Shares)	<b>Number Of Shares</b>	<b>Par Value</b>	<b>Additional Paid in Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Total</b>
Balance, January 1, 2012	16,949	\$ 169	\$ 55,071	\$ 27,612	\$ 16,824	\$ 99,676
Net income				5,909		5,909
Stock option expense			209			209
Restricted stock expense	75		149			149
Foreign currency translation gain					3,394	3,394
Balance, March 31, 2012	17,024	\$ 169	\$ 55,429	\$ 33,521	\$ 20,218	\$ 109,337

**The accompanying notes are an integral part of the condensed consolidated financial statements.**

**Table of Contents****NN, Inc.****Condensed Consolidated Statements of Cash Flows****(Unaudited)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
(In Thousands of Dollars)	<b>2012</b>	<b>2011</b>
<b>Operating Activities:</b>		
Net income	\$ 5,909	\$ 5,507
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	4,457	4,035
Amortization of debt issuance costs	191	199
Deferred income taxes	110	
Gain on disposal of assets	(8)	(1)
Non-cash gain from deconsolidation of bankrupt subsidiary		(209)
Share-based compensation expense	358	
Change in value of long-term note receivable	(173)	(86)
Changes in operating assets and liabilities:		
Accounts receivable	(8,726)	(22,071)
Inventories	604	(596)
Accounts payable	(5,621)	(1,356)
Other assets and liabilities	1,751	(3,136)
Net cash used by operating activities	(1,148)	(17,714)
<b>Investing Activities:</b>		
Acquisition of property, plant and equipment	(4,079)	(3,788)
Cash lost on deconsolidation of Eltmann subsidiary		(979)
Proceeds received from long-term note receivable	1,945	
Proceeds from disposals of property, plant and equipment	355	1
Net cash used by investing activities	(1,779)	(4,766)
<b>Financing Activities:</b>		
Proceeds (repayment) of short-term debt	(789)	1,693
Principal payment on capital lease	(25)	(16)
Proceeds from long term debt	10,000	17,200
Proceeds from issuance of stock		1,687
Debt issuance costs paid		(334)
Net cash provided by financing activities	9,186	20,230