

STANDARD MOTOR PRODUCTS INC
Form 10-Q
November 04, 2013

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 September 30, 2013

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

(State or other jurisdiction of incorporation or organization)

11-1362020

(I.R.S. Employer Identification No.)

37-18 Northern Blvd., Long Island City, N.Y.

(Address of principal executive offices)

11101

(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

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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 October 31, 2013, there were 23,106,351 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 STATEMENTSSTANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013 (Unaudited)	2012	2013 (Unaudited)	2012
Net sales	\$264,162	\$275,975	\$764,996	\$756,561
Cost of sales	184,081	198,167	541,291	554,859
Gross profit	80,081	77,808	223,705	201,702
Selling, general and administrative expenses	50,615	50,937	150,813	142,322
Restructuring and integration expenses	1,913	642	2,531	779
Other income, net	324	433	766	454
Operating income	27,877	26,662	71,127	59,055
Other non-operating income (expense), net	233	—	(27)	(66)
Interest expense	403	702	1,621	2,257
Earnings from continuing operations before taxes	27,707	25,960	69,479	56,732
Provision for income taxes	10,021	8,516	25,827	20,073
Earnings from continuing operations	17,686	17,444	43,652	36,659
Loss from discontinued operations, net of income taxes	(389)	(604)	(1,138)	(1,221)
Net earnings	\$17,297	\$16,840	\$42,514	\$35,438
Per Share Data:				
Net earnings per common share – Basic:				
Earnings from continuing operations	\$0.77	\$0.77	\$1.90	\$1.61
Discontinued operations	(0.02)	(0.03)	(0.05)	(0.06)
Net earnings per common share – Basic	\$0.75	\$0.74	\$1.85	\$1.55
Net earnings per common share – Diluted:				
Earnings from continuing operations	\$0.76	\$0.76	\$1.88	\$1.59
Discontinued operations	(0.02)	(0.02)	(0.05)	(0.05)
Net earnings per common share – Diluted	\$0.74	\$0.74	\$1.83	\$1.54
Dividend declared per share	\$0.11	\$0.09	\$0.33	\$0.27
Average number of common shares	22,999,832	22,691,878	22,945,424	22,810,238
Average number of common shares and dilutive common shares	23,239,009	22,877,635	23,179,187	22,999,244

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
	2012 (Unaudited)	2012 (Unaudited)	2012 (Unaudited)	2012 (Unaudited)
Net earnings	\$17,297	\$16,840	\$42,514	\$35,438
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	1,033	1,449	(719)	1,615
Pension and postretirement plans:				
Amortization of:				
Prior service benefit	(1,078)	(1,197)	(3,238)	(3,589)
Unrecognized loss	781	773	2,342	2,321
Unrecognized amounts	—	—	154	437
Foreign currency exchange rate changes	8	26	(19)	24
Income tax benefit (expense) related to pension and postretirement plans	110	161	269	310
Pension and postretirement plans, net of tax	(179)	(237)	(492)	(497)
Total other comprehensive income (loss), net of tax	854	1,212	(1,211)	1,118
Comprehensive income	\$18,151	\$18,052	\$41,303	\$36,556

See accompanying notes to consolidated financial statements.

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CONSOLIDATED BALANCE SHEETS

	September 30, 2013 (Unaudited)	December 31, 2012
(In thousands, except share and per share data)		
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 10,097	\$ 13,074
Accounts receivable, less allowances for discounts and doubtful accounts of \$7,021 and \$6,124 for 2013 and 2012, respectively	141,979	98,565
Inventories, net	269,205	267,468
Deferred income taxes	34,842	33,258
Prepaid expenses and other current assets	11,639	6,188
Total current assets	467,762	418,553
Property, plant and equipment, net	63,883	64,422
Goodwill	37,959	35,827
Other intangibles, net	36,262	36,546
Deferred income taxes	9,906	11,085
Other assets	20,119	10,161
Total assets	\$ 635,891	\$ 576,594
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	\$ 32,187	\$ 40,453
Current portion of long-term debt	82	120
Accounts payable	65,165	62,283
Sundry payables and accrued expenses	42,196	41,723
Accrued customer returns	46,721	29,033
Accrued rebates	32,579	27,349
Payroll and commissions	23,698	21,211
Total current liabilities	242,628	222,172
Long-term debt	23	75
Other accrued liabilities	21,728	21,650
Accrued asbestos liabilities	24,223	25,110
Total liabilities	288,602	269,007
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	85,830	82,348
Retained earnings	221,641	186,693
Accumulated other comprehensive income	2,668	3,879
Treasury stock – at cost (836,685 shares and 1,117,104 shares in 2013 and 2012, respectively)	(10,722)	(13,205)
Total stockholders' equity	347,289	307,587
Total liabilities and stockholders' equity	\$ 635,891	\$ 576,594

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Nine Months Ended September 30, 2013 2012 (Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$42,514	\$35,438
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	13,203	12,093
Amortization of deferred financing cost	718	870
Increase (decrease) to allowance for doubtful accounts	576	(111)
Increase to inventory reserves	4,128	3,460
Amortization of deferred gain on sale of building	(786)	(786)
Equity loss from joint ventures	80	—
Employee Stock Ownership Plan allocation	3,282	2,899
Stock-based compensation	1,981	1,586
Excess tax benefits related to the exercise of employee stock grants	(1,138)	(236)
Decrease in deferred income taxes	247	4,979
Decrease in tax valuation allowance	(383)	(363)
Loss on discontinued operations, net of tax	1,138	1,221
Change in assets and liabilities:		
Increase in accounts receivable	(43,990)	(48,008)
(Increase) decrease in inventories	(5,345)	21,082
Increase in prepaid expenses and other current assets	(4,356)	(822)
Increase (decrease) in accounts payable	(450)	4,957
Increase in sundry payables and accrued expenses	26,486	26,884
Net change in other assets and liabilities	(4,254)	(2,293)
Net cash provided by operating activities	33,651	62,850
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of and investments in businesses	(12,760)	(38,594)
Capital expenditures	(8,467)	(8,003)
Other investing activities	(596)	9
Net cash used in investing activities	(21,823)	(46,588)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net repayments of line-of-credit agreements	(8,266)	(12,740)
Principal payments of long-term debt and cap		