

Cooper-Standard Holdings Inc.
Form 10-Q
August 04, 2017

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 June 30, 2017

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: 001-36127

COOPER-STANDARD HOLDINGS INC.
(Exact name of registrant as specified in its charter)

Delaware 20-1945088
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
39550 Orchard Hill Place Drive
Novi, Michigan 48375
(Address of principal executive offices)
(Zip Code)
(248) 596-5900
(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, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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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 July 28, 2017 there were 17,734,153 shares of the registrant's common stock, \$0.001 par value, outstanding.

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Form 10-Q
For the period ended June 30, 2017

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

COOPER-STANDARD HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME

(Unaudited)

(Dollar amounts in thousands except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Sales	\$909,145	\$879,304	\$1,811,196	\$1,741,801
Cost of products sold	736,905	707,343	1,468,871	1,410,016
Gross profit	172,240	171,961	342,325	331,785
Selling, administration & engineering expenses	86,104	92,672	173,738	176,130
Amortization of intangibles	3,536	3,239	7,131	6,517
Impairment charges	—	—	4,270	—
Restructuring charges	8,323	12,206	18,311	23,038
Other operating loss	—	—	—	155
Operating profit	74,277	63,844	138,875	125,945
Interest expense, net of interest income	(10,293)	(9,995)	(21,532)	(19,747)
Equity in earnings of affiliates	1,400	2,667	3,075	4,437
Loss on refinancing and extinguishment of debt	(1,020)	—	(1,020)	—
Other expense, net	(2,184)	(255)	(2,824)	(8,071)
Income before income taxes	62,180	56,261	116,574	102,564
Income tax expense	20,530	16,021	32,420	30,787
Net income	41,650	40,240	84,154	71,777
Net income attributable to noncontrolling interests	(1,194)	(51)	(1,992)	(265)
Net income attributable to Cooper-Standard Holdings Inc.	\$40,456	\$40,189	\$82,162	\$71,512
Earnings per share:				
Basic	\$2.26	\$2.33	\$4.61	\$4.12
Diluted	\$2.14	\$2.16	\$4.34	\$3.83

The accompanying notes are an integral part of these financial statements.

COOPER-STANDARD HOLDINGS INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(Dollar amounts in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	\$41,650	\$40,240	\$84,154	\$71,777
Other comprehensive income (loss):				
Currency translation adjustment	14,378	(8,661)	24,669	9,666
Benefit plan liabilities adjustment, net of tax	(2,535)	1,253	(2,728)	(471)
Fair value change of derivatives, net of tax	490	(410)	1,583	(2,485)
Other comprehensive income (loss), net of tax	12,333	(7,818)	23,524	6,710
Comprehensive income	53,983	32,422	107,678	78,487
Comprehensive (income) loss attributable to noncontrolling interests	(1,604)	224	(2,585)	(51)
Comprehensive income attributable to Cooper-Standard Holdings Inc.	\$52,379	\$32,646	\$105,093	\$78,436

The accompanying notes are an integral part of these financial statements.

COOPER-STANDARD HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollar amounts in thousands except share amounts)

	June 30, 2017 (unaudited)	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$400,186	\$480,092
Accounts receivable, net	546,522	460,503
Tooling receivable	108,155	90,974
Inventories	168,397	146,449
Prepaid expenses	39,392	37,142
Other current assets	89,895	81,021
Total current assets	1,352,547	1,296,181
Property, plant and equipment, net	886,975	832,269
Goodwill	169,304	167,441
Intangible assets, net	75,132	81,363
Other assets	103,579	114,448
Total assets	\$2,587,537	\$2,491,702
Liabilities and Equity		
Current liabilities:		
Debt payable within one year	\$29,817	\$33,439
Accounts payable	496,162	475,426
Payroll liabilities	130,501	144,812
Accrued liabilities	108,927	105,665
Total current liabilities	765,407	759,342
Long-term debt	722,988	729,480
Pension benefits	179,922	172,950
Postretirement benefits other than pensions	55,300	54,225
Other liabilities	46,174	53,914
Total liabilities	1,769,791	1,769,911
7% Cumulative participating convertible preferred stock, \$0.001 par value, 10,000,000 shares authorized; no shares issued and outstanding	—	—
Equity:		
Common stock, \$0.001 par value, 190,000,000 shares authorized; 19,870,559 shares issued and 17,781,844 shares outstanding as of June 30, 2017, and 19,686,917 shares issued and 17,690,611 outstanding as of December 31, 2016	18	17
Additional paid-in capital	515,154	513,934
Retained earnings	495,190	425,972
Accumulated other comprehensive loss	(219,632)	(242,563)
Total Cooper-Standard Holdings Inc. equity	790,730	697,360
Noncontrolling interests	27,016	24,431
Total equity	817,746	721,791
Total liabilities and equity	\$2,587,537	\$2,491,702

The accompanying notes are an integral part of these financial statements.

COOPER-STANDARD HOLDINGS INC.
 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 (Unaudited)

(Dollar amounts in thousands except share amounts)

	Total Equity							
	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Cooper-Standard Holdings Inc. Equity	Noncontrolling Interests	Total Equity
Balance as of December 31, 2016	17,690,611	\$ 17	\$ 513,934	\$ 425,972	\$ (242,563)	\$ 697,360	\$ 24,431	\$ 721,791
Repurchase of common stock	(92,409)	—	(2,236)	(7,083)	—	(9,319)	—	(9,319)
Warrant exercises	25,949	—	707	—	—	707	—	707
Share-based compensation, net	157,693	1	2,749	(5,861)	—	(3,111)	—	(3,111)
Net income	—	—	—	82,162	—	82,162	1,992	84,154
Other comprehensive income	—	—	—	—	22,931	22,931	593	23,524
Balance as of June 30, 2017	17,781,844	\$ 18	\$ 515,154	\$ 495,190	\$ (219,632)	\$ 790,730	\$ 27,016	\$ 817,746

The accompanying notes are an integral part of these financial statements.

COOPER-STANDARD HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollar amounts in thousands)

	Six Months Ended June 30, 2017		2016
Operating Activities:			
Net income	\$ 84,154		\$ 71,777
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	57,914		53,856
Amortization of intangibles	7,131		6,517
Impairment charges	4,270		—
Share-based compensation expense	11,694		10,909
Equity in earnings of affiliates, net of dividends related to earnings	2,307		(1,415)
Loss on refinancing and extinguishment of debt	1,020		—
Other	9,829		947
Changes in operating assets and liabilities	(114,141)		(27,350)
Net cash provided by operating activities	64,178		115,241
Investing activities:			
Capital expenditures	(98,149)		(81,429)
Loan to affiliate	—		(4,906)
Acquisition of businesses, net of cash acquired	—		(3,020)
Proceeds from sale of fixed assets and other	348		73