

MOTORCAR PARTS AMERICA INC
Form 10-Q
August 09, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2018

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

FOR THE TRANSITION PERIOD FROM TO

Commission File No. 001-33861

MOTORCAR PARTS OF AMERICA, INC.
(Exact name of registrant as specified in its charter)

New York 11-2153962
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

2929 California Street, Torrance, California 90503
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (310) 212-7910

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," "emerging growth 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
	Emerging growth company

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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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

There were 18,916,108 shares of Common Stock outstanding at August 2, 2018.

MOTORCAR PARTS OF AMERICA, INC.

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MOTORCAR PARTS OF AMERICA, INC.

GLOSSARY

The following terms are frequently used in the text of this report and have the meanings indicated below.

“Used Core” — An automobile part which has been used in the operation of a vehicle. Generally, the Used Core is an original equipment (“OE”) automobile part installed by the vehicle manufacturer and subsequently removed for replacement. Used Cores contain salvageable parts which are an important raw material in the remanufacturing process. We obtain most Used Cores by providing credits to our customers for Used Cores returned to us under our core exchange program. Our customers receive these Used Cores from consumers who deliver a Used Core to obtain credit from our customers upon the purchase of a newly remanufactured automobile part. When sufficient Used Cores cannot be obtained from our customers, we will purchase Used Cores from core brokers, who are in the business of buying and selling Used Cores. The Used Cores purchased from core brokers or returned to us by our customers under the core exchange program, and which have been physically received by us, are part of our raw material and work-in-process inventory. Used Cores returned by consumers to our customers but not yet returned to us are classified as contract assets until we physically receive these Used Cores.

“Remanufactured Core” — The Used Core underlying an automobile part that has gone through the remanufacturing process and through that process has become part of a newly remanufactured automobile part. The remanufacturing process takes a Used Core, breaks it down into its component parts, replaces those components that cannot be reused and reassembles the salvageable components of the Used Core and additional new components into a remanufactured automobile part. Remanufactured Cores at our facilities are included in our on-hand finished goods inventory. Remanufactured Cores held for sale at our customer locations are included in long-term contract assets. The Remanufactured Core portion of stock adjustment returns are classified as contract assets until we physically receive them.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

MOTORCAR PARTS OF AMERICA, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	June 30, 2018 (Unaudited)	March 31, 2018 (Note 3)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,242,000	\$ 13,049,000
Short-term investments	3,053,000	2,828,000
Accounts receivable — net	40,510,000	63,174,000
Inventory— net	187,342,000	161,210,000
Inventory unreturned	8,315,000	7,508,000
Contract assets (see Note 7)	16,542,000	15,614,000
Income tax receivable	9,416,000	7,796,000
Prepaid expenses and other current assets	13,148,000	11,491,000
Total current assets	290,568,000	282,670,000
Plant and equipment — net	28,026,000	28,322,000
Long-term deferred income taxes	10,343,000	10,317,000
Long-term contract assets (see Note 7)	207,792,000	205,998,000
Goodwill	2,551,000	2,551,000
Intangible assets — net	3,567,000	3,766,000
Other assets	6,406,000	7,392,000
TOTAL ASSETS	\$ 549,253,000	\$ 541,016,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 86,633,000	\$ 73,273,000
Accrued liabilities	9,358,000	11,799,000
Customer finished goods returns accrual	16,438,000	17,805,000
Contract liabilities (see Note 10)	32,083,000	32,603,000
Revolving loan	45,406,000	54,000,000
Other current liabilities	6,159,000	4,471,000
Current portion of term loan	2,749,000	3,068,000
Total current liabilities	198,826,000	197,019,000
Term loan, less current portion	26,954,000	13,913,000
Long-term contract liabilities (see Note 10)	45,666,000	48,183,000
Long-term deferred income taxes	216,000	226,000
Other liabilities	6,853,000	5,957,000
Total liabilities	278,515,000	265,298,000
Commitments and contingencies		
Shareholders' equity:		
Preferred stock; par value \$.01 per share, 5,000,000 shares authorized; none issued	-	-
Series A junior participating preferred stock; par value \$.01 per share, 20,000 shares authorized; none issued	-	-
Common stock; par value \$.01 per share, 50,000,000 shares authorized; 18,916,108 and 18,893,102 shares issued and outstanding at June 30, 2018 and March 31, 2018, respectively	189,000	189,000
Additional paid-in capital	214,358,000	213,609,000

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Retained earnings	63,080,000	67,348,000
Accumulated other comprehensive loss	(6,889,000)	(5,428,000)
Total shareholders' equity	270,738,000	275,718,000
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$549,253,000	\$ 541,016,000

The accompanying condensed notes to consolidated financial statements are an integral part hereof.

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MOTORCAR PARTS OF AMERICA, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended	
	June 30,	
	2018	2017
Net sales	\$92,565,000	\$95,519,000
Cost of goods sold	75,314,000	68,843,000
Gross profit	17,251,000	26,676,000
Operating expenses:		
General and administrative	12,340,000	6,187,000
Sales and marketing	4,392,000	3,394,000
Research and development	1,736,000	1,002,000
Total operating expenses	18,468,000	10,583,000
Operating (loss) income	(1,217,000)	16,093,000
Interest expense, net	5,075,000	3,314,000
(Loss) income before income tax (benefit) expense	(6,292,000)	12,779,000
Income tax (benefit) expense	(1,278,000)	4,628,000
Net (loss) income	\$(5,014,000)	\$8,151,000
Basic net (loss) income per share	\$(0.27)	\$0.44
Diluted net (loss) income per share	\$(0.27)	\$0.42
Weighted average number of shares outstanding:		
Basic	18,895,847	18,655,304
Diluted	18,895,847	19,421,352

The accompanying condensed notes to consolidated financial statements are an integral part hereof.

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MOTORCAR PARTS OF AMERICA, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive (Loss) Income

(Unaudited)

	Three Months Ended	
	June 30,	
	2018	2017
Net (loss) income	\$(5,014,000)	\$8,151,000
Other comprehensive (loss) income, net of tax:		
Unrealized gain on short-term investments (net of tax of \$0 and \$38,000)	-	56,000