

Core-Mark Holding Company, Inc.  
Form 10-Q  
August 07, 2008  
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**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, 2008

**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: 000-51515

**CORE-MARK HOLDING COMPANY, INC.**

(Exact name of registrant as specified in its charter)

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

**20-1489747**  
(IRS Employer  
Identification No.)

**395 Oyster Point Boulevard, Suite 415**

**South San Francisco, CA**  
(Address of principal executive offices)

**94080**  
(Zip Code)

**(650) 589-9445**  
(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 requirement for the past 90 days. 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 "accelerated filer," "large 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 Act).

Yes  No

Indicate by check mark whether the registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by the court. Yes  No

As of June 30, 2008, 10,602,055 shares of the registrant's common stock, \$0.01 par value per share, were outstanding.

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**FOR THE QUARTER ENDED JUNE 30, 2008**

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**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(In millions, except share data)

(Unaudited)

	June 30, 2008	December 31, 2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 21.9	\$ 21.3
Restricted cash	12.9	11.5
Accounts receivable, net of allowance for doubtful accounts of \$8.7 and \$9.3, respectively	164.5	135.7
Other receivables, net	35.5	32.1
Inventories, net (Note 2)	219.4	216.4
Deposits and prepayments	47.2	36.9
Deferred income taxes	8.4	8.4
Total current assets	509.8	462.3
Property and equipment, net	74.8	69.3
Deferred income taxes	7.4	7.2
Goodwill	3.4	2.8
Other non-current assets, net	38.3	35.5
Total assets	\$ 633.7	\$ 577.1
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 76.3	\$ 54.3
Book overdrafts	18.3	21.1
Cigarette and tobacco taxes payable	96.7	94.2
Accrued liabilities	56.5	56.7
Total current liabilities	247.8	226.3
Long-term debt, net (Note 4)	64.2	29.7
Other long-term liabilities	13.4	13.7
Claims liabilities, net of current portion	31.7	31.2
Pension liabilities	9.7	9.7
Total liabilities	366.8	310.6
Stockholders equity:	0.1	0.1

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Common stock; \$0.01 par value (50,000,000 shares authorized; 10,602,055 and 10,445,886 shares issued and outstanding at June 30, 2008 and December 31, 2007, respectively)		
Additional paid-in capital	205.5	202.6
Treasury stock at cost, 268,085 shares of common stock (Note 10)	(7.5)	
Retained earnings	69.6	64.4
Accumulated other comprehensive loss	(0.8)	(0.6)
Total stockholders' equity	266.9	266.5
Total liabilities and stockholders' equity	\$ 633.7	\$ 577.1

See accompanying notes to condensed consolidated financial statements.

**Table of Contents****CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In millions, except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net sales	\$ 1,534.6	\$ 1,434.0	\$ 2,880.0	\$ 2,710.1
Cost of goods sold	1,443.5	1,337.4	2,707.7	2,538.0
Gross profit	91.1	96.6	172.3	172.1
Warehousing and distribution expenses	51.0	42.9	96.9	83.0
Selling, general and administrative expenses	30.9	29.5	65.0	60.7
Amortization of intangible assets	0.5	0.5	1.0	0.9
Total operating expenses	82.4	72.9	162.9	144.6
Income from operations	8.7	23.7	9.4	27.5
Interest expense	0.4	0.6	0.9	1.5
Interest income	(0.4)	(0.3)	(0.7)	(0.5)
Foreign currency transaction losses (gains), net	0.1	(0.7)	1.1	(0.6)
Income before income taxes	8.6	24.1	8.1	27.1
Provision for income taxes (Note 5)	2.9	10.5	2.9	11.4
Net income	\$ 5.7	\$ 13.6	\$ 5.2	\$ 15.7
Basic income per common share (Note 6)	\$ 0.54	\$ 1.31	\$ 0.49	\$ 1.52
Diluted income per common share (Note 6)	\$ 0.51	\$ 1.20	\$ 0.47	\$ 1.40
Basic weighted average shares (Note 6)	10.5	10.4	10.6	10.3
Diluted weighted average shares (Note 6)	11.0	11.3	11.1	11.2

See accompanying notes to condensed consolidated financial statements.

**Table of Contents****CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions)

(Unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 5.2	\$ 15.7
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
LIFO and inventory provisions	6.2	5.2
Amortization of debt issuance costs	0.2	0.2
Amortization of stock-based compensation expense	1.9	2.4
Bad debt expense, net	0.4	(0.1)
Depreciation and amortization	8.4	7.4
Foreign currency transaction losses (gains), net	1.1	(0.6)
Deferred income taxes	(0.1)	
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(17.5)	(12.9)
Other receivables	(3.8)	(8.8)
Inventories	(0.9)	3.8
Deposits, prepayments and other non-current assets	(13.8)	(12.9)
Accounts payable	22.3	28.3
Cigarette and tobacco taxes payable	3.7	23.1
Pension, claims and other accrued liabilities	(1.5)	(4.3)
Income taxes payable		(2.1)
<b>Net cash provided by operating activities</b>	<b>11.8</b>	<b>44.4</b>
<b>Cash flows from investing activities:</b>		
Restricted cash	(1.8)	(2.1)
Acquisition of business, net of cash acquired	(26.4)	
Additions to property and equipment, net	(8.0)	(7.2)
Proceeds from sale of fixed assets	0.1	0.1
Capitalization of internally developed software	(0.4)	
<b>Net cash used in investing activities</b>	<b>(36.5)</b>	<b>(9.2)</b>
<b>Cash flows from financing activities:</b>		
Borrowings (Repayments) under revolving credit facility, net	34.2	(45.2)
Repurchases of common stock shares (treasury stock)	(6.9)	
Proceeds from exercise of common stock options	0.9	1.8
Excess tax deductions associated with stock-based compensation	0.2	0.9
(Decrease) Increase in bank overdrafts	(2.8)	2.8
<b>Net cash provided from (used in) financing activities</b>	<b>25.6</b>	<b>(39.7)</b>
<b>Effects of changes in foreign exchange rates</b>	<b>(0.3)</b>	<b>(1.5)</b>

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Increase (Decrease) in cash and cash equivalents	0.6	(6.0)
Cash and cash equivalents, beginning of period	21.3	19.9
Cash and cash equivalents, end of period	\$ 21.9	\$ 13.9
Supplemental disclosures:		
Cash paid during the period for:		
Income taxes, includes interest paid, net of refunds	\$ 5.8	\$ 13.8
Interest	\$ 0.7	\$ 1.9
	See accompanying notes to condensed consolidated financial statements.	



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**CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

**1. Summary of Company Information**

**Business**

Core-Mark Holding Company, Inc. and subsidiaries (referred herein as we, us, our, or Core-Mark ) is one of the leading wholesale distributors in the convenience store industry in North America, providing sales and marketing, distribution and logistics services to customer locations across the United States and Canada. We operate a network of 26 distribution centers in the United States and Canada, distributing a diverse line of national and private label convenience store products to approximately 24,000 customer locations. The products we distribute include cigarettes, tobacco, candy, snacks, fast food, groceries, fresh products, dairy, non-alcoholic beverages, general merchandise, and health and beauty care products. We service a variety of stores, including traditional convenience stores, grocery stores, drug stores, liquor stores and other stores that carry convenience products.

**Basis of Presentation and Principles of Consolidation**

The accompanying unaudited condensed consolidated financial statements of Core-Mark for the three and six months ended June 30, 2008 and 2007 have been prepared on the same basis as our audited consolidated financial statements and include all adjustments necessary for the fair presentation of our consolidated results of operations, financial position and cash flows. Results for the interim periods are not necessarily indicative of results to be expected for the full year or any other future period.

The significant accounting policies and certain financial information that are normally included in financial statements prepared in accordance with accounting principles generally accepted in the