

MOTORCAR PARTS AMERICA INC
Form 10-Q
November 12, 2013

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 SEPTEMBER 30, 2013

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, or a smaller reporting company. See the 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 Smaller reporting company
(Do not check if a 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

There were 14,517,979 shares of Common Stock outstanding at November 5, 2013.

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 or work in process inventory included in long-term core inventory.

“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 are included in our on-hand finished goods inventory and in the remanufactured finished good product held for sale at customer locations. Used Cores returned by consumers to our customers but not yet returned to us continue to be classified as Remanufactured Cores until we physically receive these Used Cores. All Remanufactured Cores are included in our long-term core inventory or in our long-term core inventory deposit.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

MOTORCAR PARTS OF AMERICA, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

	September 30, 2013 (Unaudited)	March 31, 2013
ASSETS		
Current assets:		
Cash	\$23,549,000	\$19,346,000
Short-term investments	452,000	411,000
Accounts receivable — net	1,279,000	3,689,000
Inventory— net	34,222,000	31,838,000
Inventory unreturned	7,962,000	6,981,000
Deferred income taxes	30,111,000	30,075,000
Prepaid expenses and other current assets	2,426,000	8,195,000
Current assets of discontinued operations (Note 2)	-	52,096,000
Total current assets	100,001,000	152,631,000
Plant and equipment — net	10,205,000	10,036,000
Long-term core inventory — net	128,076,000	118,211,000
Long-term core inventory deposits	28,075,000	27,610,000
Long-term deferred income taxes	11,705,000	2,546,000
Intangible assets — net	3,605,000	3,983,000
Other assets	7,837,000	7,723,000
Long-term assets of discontinued operations (Note 2)	-	44,334,000
TOTAL ASSETS	\$289,504,000	\$367,074,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$40,192,000	\$39,152,000
Accrued liabilities	7,939,000	9,326,000
Customer finished goods returns accrual	13,960,000	14,289,000
Other current liabilities	4,915,000	1,192,000
Current portion of term loan	8,400,000	3,900,000
Current liabilities of discontinued operations (Note 2)	-	151,914,000
Total current liabilities	75,406,000	219,773,000
Term loan, less current portion	94,474,000	80,110,000
Deferred core revenue	12,293,000	12,014,000
Other liabilities	7,458,000	3,481,000
Long-term liabilities of discontinued operations (Note 2)	-	55,210,000
Total liabilities	189,631,000	370,588,000
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, 20,000,000 shares authorized; 14,460,979 shares issued and outstanding at September 30, 2013 and March 31, 2013,	145,000	145,000

respectively

Additional paid-in capital	114,978,000	114,737,000
Accumulated other comprehensive loss	(844,000)	(846,000)
Accumulated deficit	(14,406,000)	(117,550,000)
Total shareholders' equity (deficit)	99,873,000	(3,514,000)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$289,504,000	\$367,074,000

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		Six Months Ended	
	September 30, 2013	2012	September 30, 2013	2012
Net sales	\$66,174,000	\$57,652,000	\$116,419,000	\$104,451,000
Cost of goods sold	46,469,000	37,556,000	80,700,000	69,536,000
Gross profit	19,705,000	20,096,000	35,719,000	34,915,000
Operating expenses:				
General and administrative	8,706,000	4,392,000	18,338,000	10,306,000
Sales and marketing	2,143,000	1,724,000	3,874,000	3,496,000
Research and development	398,000	461,000	947,000	897,000
Total operating expenses	11,247,000	6,577,000	23,159,000	14,699,000
Operating income	8,458,000	13,519,000	12,560,000	20,216,000
Interest expense, net	4,663,000	3,093,000	8,588,000	5,989,000
Income from continuing operations before income tax expense	3,795,000	10,426,000	3,972,000	14,227,000
Income tax expense	1,631,000	3,923,000	1,705,000	5,357,000
Income from continuing operations	2,164,000	6,503,000	2,267,000	8,870,000
Income (loss) from discontinued operations	-	(15,436,000)	100,877,000	(27,665,000)