

STANDARD MOTOR PRODUCTS INC
Form 10-Q
July 31, 2015

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, 2015

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 11-1362020
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

37-18 Northern Blvd., Long Island City, N.Y. 11101
(Address of principal executive offices) (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
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 July 28, 2015, there were 22,820,134 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 STATEMENTS

STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share data)	Three Months Ended		Six Months Ended	
	June 30, 2015 (Unaudited)	2014	June 30, 2015 (Unaudited)	2014
Net sales	\$269,382	\$272,540	\$496,971	\$505,292
Cost of sales	196,622	195,141	360,322	359,983
Gross profit	72,760	77,399	136,649	145,309
Selling, general and administrative expenses	51,736	48,847	100,934	96,441
Litigation charge	--	10,650	--	10,650
Restructuring and integration expenses	(26	) 555	31	726
Other income, net	262	273	543	533
Operating income	21,312	17,620	36,227	38,025
Other non-operating income (expense), net	548	307	699	(106
Interest expense	480	457	906	765
Earnings from continuing operations before taxes	21,380	17,470	36,020	37,154
Provision for income taxes	7,572	6,301	12,873	13,578
Earnings from continuing operations	13,808	11,169	23,147	23,576
Loss from discontinued operations, net of income taxes	(430	) (529	) (821	) (1,211
Net earnings	\$13,378	\$10,640	\$22,326	\$22,365
<u>Per Share Data:</u>				
Net earnings per common share – Basic:				
Earnings from continuing operations	\$0.60	\$0.49	\$1.01	\$1.03
Discontinued operations	(0.02	) (0.02	) (0.04	) (0.05
Net earnings per common share – Basic	\$0.58	\$0.47	\$0.97	\$0.98
Net earnings per common share – Diluted:				
Earnings from continuing operations	\$0.59	\$0.48	\$1.00	\$1.02
Discontinued operations	(0.01	) (0.02	) (0.04	) (0.06
Net earnings per common share – Diluted	\$0.58	\$0.46	\$0.96	\$0.96
Dividend declared per share	\$0.15	\$0.13	\$0.30	\$0.26
Average number of common shares	22,917,718	22,874,002	22,914,322	22,910,419
Average number of common shares and dilutive common shares	23,261,094	23,196,713	23,256,255	23,219,055

See accompanying notes to consolidated financial statements (unaudited).

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	Three Months		Six Months Ended	
	Ended June 30, 2015 (Unaudited)	2014	June 30, 2015 (Unaudited)	2014
Net earnings	\$13,378	\$10,640	\$22,326	\$22,365
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	822	(141)	(2,252)	(731)
Pension and postretirement plans:				
Amortization of:				
Prior service benefit	(29)	(755)	(58)	(1,509)
Unrecognized loss	512	546	1,130	1,138
Unrecognized actuarial gains	421	150	421	150
Foreign currency exchange rate changes	25	(3)	33	(25)
Income tax (expense) benefit related to pension and postretirement plans	(367)	17	(608)	75
Pension and postretirement plans, net of tax	562	(45)	918	(171)
Total other comprehensive income (loss), net of tax	1,384	(186)	(1,334)	(902)
Comprehensive income	\$14,762	\$10,454	\$20,992	\$21,463

See accompanying notes to consolidated financial statements (unaudited).

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)	June 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 12,704	\$ 13,728
Accounts receivable, less allowances for discounts and doubtful accounts of \$6,135 and \$6,369 for 2015 and 2014, respectively	160,618	126,524
Inventories	277,261	278,051
Deferred income taxes	36,667	36,534
Prepaid expenses and other current assets	12,686	11,196
Total current assets	499,936	466,033
Property, plant and equipment, net	68,263	64,611
Goodwill	54,999	54,975
Other intangibles, net	31,836	34,402
Deferred income taxes	14,165	14,941
Other assets	40,060	38,589
Total assets	\$ 709,259	\$ 673,551
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	\$ 52,916	\$ 56,558
Current portion of long-term debt	69	175
Accounts payable	88,939	70,674
Sundry payables and accrued expenses	47,342	49,412
Accrued customer returns	39,285	30,621
Accrued rebates	29,933	26,076
Payroll and commissions	16,206	17,313
Total current liabilities	274,690	250,829
Long-term debt	69	83
Other accrued liabilities	14,609	15,024
Accrued asbestos liabilities	33,294	33,462
Total liabilities	322,662	299,398
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	94,202	91,411
Retained earnings	274,610	259,160
Accumulated other comprehensive income	(3,986)	(2,652)
Treasury stock – at cost (1,115,902 shares and 1,043,064 shares in 2015 and 2014, respectively)	(26,101)	(21,638)
Total stockholders' equity	386,597	374,153
Total liabilities and stockholders' equity	\$ 709,259	\$ 673,551

See accompanying notes to consolidated financial statements (unaudited).

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Six Months Ended June 30, 2015 2014 (Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$22,326	\$22,365
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	8,552	8,440
Amortization of deferred financing cost	348	350
Increase (decrease) to allowance for doubtful accounts	39	(359)
Increase to inventory reserves	396	1,960
Amortization of deferred gain on sale of building	(524)	(524)
Equity income from joint ventures	(966)	(147)
Employee Stock Ownership Plan allocation	1,104	913
Stock-based compensation	2,927	2,397
Excess tax benefits related to exercise of employee stock grants	(130)	(152)
Increase in deferred income taxes	(53)	(273)
Loss on discontinued operations, net of tax	821	1,211
Change in assets and liabilities:		
Increase in accounts receivable	(34,563)	(16,149)
Increase in inventories	(820)	(19,527)
Increase in prepaid expenses and other current assets	(489)	(6,702)
Increase in accounts payable	18,327	13,847
Increase in sundry payables and accrued expenses	9,947	13,526
Net change in other assets and liabilities	(1,070)	(3,558)
Net cash provided by operating activities	26,172	17,618
CASH FLOWS FROM INVESTING ACTIVITIES:		