

TITAN INTERNATIONAL INC
Form 10-Q
October 29, 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 Quarterly Period Ended: September 30, 2013

or

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

Commission file number 1-12936

TITAN INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Illinois

(State of Incorporation)

2701 Spruce Street, Quincy, IL 62301

(Address of principal executive offices, including Zip Code)

36-3228472

(I.R.S. Employer Identification No.)

(217) 228-6011

(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 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 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, or a non-accelerated filer, or a smaller reporting company. See definitions 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 Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

	Shares Outstanding at
Class	October 21, 2013

Common stock, no par value per share	53,550,422
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TITAN INTERNATIONAL, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

(All amounts in thousands, except per share data)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Net sales	\$497,510	\$404,719	\$1,669,188	\$1,327,040
Cost of sales	435,004	337,558	1,423,276	1,084,430
Gross profit	62,506	67,161	245,912	242,610
Selling, general and administrative expenses	38,731	25,497	124,827	79,742
Research and development expenses	2,778	1,759	8,281	4,456
Royalty expense	3,942	3,739	10,960	8,740
Supply agreement termination income	—	—	—	(26,134)
Income from operations	17,055	36,166	101,844	175,806
Interest expense	(12,414)	(6,187)	(35,924)	(18,699)
Convertible debt conversion charge	—	—	(7,273)	—
Gain on earthquake insurance recovery	—	—	22,451	—
Other income	8,722	2,439	7,712	6,163
Income before income taxes	13,363	32,418	88,810	163,270
Provision for income taxes	5,711	13,589	38,913	64,722
Net income	7,652	18,829	49,897	98,548
Net loss attributable to noncontrolling interests	(441)	(750)	(888)	(506)
Net income attributable to Titan	\$8,093	\$19,579	\$50,785	\$99,054
Earnings per common share:				
Basic	\$.15	\$.46	\$.96	\$2.35
Diluted	\$.15	\$.39	\$.89	\$1.92
Average common shares and equivalents outstanding:				
Basic	53,440	42,180	52,900	42,148
Diluted	59,391	53,326	59,444	53,315
Dividends declared per common share:	\$.005	\$.005	\$.015	\$.015

See accompanying Notes to Consolidated Financial Statements.

TITAN INTERNATIONAL, INC.
 CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
 (All amounts in thousands)

	Three months ended September 30,		
	2013	2012	
Net income	\$7,652	\$18,829	
Unrealized loss on investments, net of tax of \$0 and \$208, respectively	—	(353))
Currency translation adjustment, net	854	(1,247))
Pension liability adjustments, net of tax of \$557 and \$491, respectively	969	836	
Comprehensive income	9,475	18,065	
Net comprehensive loss attributable to noncontrolling interests	(85) (1,104)
Comprehensive income attributable to Titan	\$9,560	\$19,169	

	Nine months ended September 30,		
	2013	2012	
Net income	\$49,897	\$98,548	
Unrealized loss on investments, net of tax of \$0 and \$9, respectively	(3) (16)
Currency translation adjustment, net	(24,513) (5,816)
Pension liability adjustments, net of tax of \$1,670 and \$1,473, respectively	2,990	2,508	
Comprehensive income	28,371	95,224	
Net comprehensive loss attributable to noncontrolling interests	(3,243) (859)
Comprehensive income attributable to Titan	\$31,614	\$96,083	

See accompanying Notes to Consolidated Financial Statements.

TITAN INTERNATIONAL, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS (UNAUDITED)
(All amounts in thousands, except share data)

	September 30, 2013	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	\$447,456	\$189,114
Accounts receivable, net	290,247	297,798
Inventories	375,893	366,385
Deferred income taxes	33,133	50,558
Prepaid and other current assets	97,292	92,268
Total current assets	1,244,021	996,123
Property, plant and equipment, net	561,706	568,344
Goodwill	22,534	24,941
Deferred income taxes	7,241	8,383
Other assets	112,259	112,444
Total assets	\$1,947,761	\$1,710,235
Liabilities and Equity		
Current liabilities		
Short-term debt	\$104,884	\$145,801
Accounts payable	195,123	180,065
Other current liabilities	153,476	141,214
Total current liabilities	453,483	467,080
Long-term debt	637,388	441,438
Deferred income taxes	47,216	62,259
Other long-term liabilities	98,632	107,096
Total liabilities	1,236,719	1,077,873
Equity		
Titan stockholders' equity		
Common stock (no par, 120,000,000 shares authorized, 55,253,092 and 50,350,048 issued, respectively)	—	—
Additional paid-in capital	557,467	507,199
Retained earnings	223,389	173,407
Treasury stock (at cost, 1,712,557 and 1,787,844 shares, respectively)	(15,769)	(16,445)
Treasury stock reserved for deferred compensation	(1,075)	(1,075)
Accumulated other comprehensive loss	(75,640)	(56,469)
Total Titan stockholders' equity	688,372	606,617
Noncontrolling interests	22,670	25,745
Total equity	711,042	632,362
Total liabilities and equity	\$1,947,761	\$1,710,235

See accompanying Notes to Consolidated Financial Statements.

TITAN INTERNATIONAL, INC.
CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
(All amounts in thousands, except share data)

	Number of common shares	Additional paid-in capital	Retained earnings	Treasury stock	Treasury stock reserved for deferred compensation	Accumulated other comprehensive income (loss)	Total Titan Equity	Noncontrolling interest	Total Equity
Balance January 1, 2013	48,562,204	\$ 507,199	\$ 173,407	\$(16,445)	\$(1,075)	\$(56,469)	\$ 606,617	\$ 25,745	\$ 632,362
Net income			50,785				50,785	(888)	49,897
Currency translation adjustment						(22,158)	(22,158)	(2,355)	(24,513)
Pension liability adjustments, net of tax						2,990	2,990		2,990
Unrealized loss on investment						(3)	(3)		(3)
Dividends on common stock			(803)				(803)		(803)
Note conversion	4,903,044	45,903					45,903		45,903
Exercise of stock options	49,967	414		449					