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TITAN INTERNATIONAL INC

Form 10-Q

August 03, 2017

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**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: June 30, 2017

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)

**Delaware**                      **36-3228472**

(State of Incorporation) (I.R.S. Employer Identification No.)

**2701 Spruce Street, Quincy, IL 62301**

(Address of principal executive offices, including Zip Code)

**(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, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth 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

Emerging growth company

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 Exchange Act). Yes  No

Indicate the number of shares of Titan International, Inc. outstanding: 59,700,839 shares common stock, \$0.0001 par value, as of July 25, 2017.

**TITAN INTERNATIONAL, INC.**

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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****TITAN INTERNATIONAL, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

(All amounts in thousands, except per share data)

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Net sales	\$364,399	\$330,214	\$721,900	\$652,008
Cost of sales	320,837	286,496	638,609	579,993
Gross profit	43,562	43,718	83,291	72,015
Selling, general and administrative expenses	34,463	36,302	75,801	71,364
Research and development expenses	2,608	2,714	5,451	5,193
Royalty expense	2,533	2,109	5,142	4,403
Income (loss) from operations	3,958	2,593	(3,103 )	(8,945 )
Interest expense	(7,320 )	(7,982 )	(15,041 )	(16,494 )
Foreign exchange gain (loss)	(5,257 )	2,182	(767 )	7,005
Other income	2,208	3,049	5,357	6,954
Loss before income taxes	(6,411 )	(158 )	(13,554 )	(11,480 )
Provision for income taxes	126	3,648	3,568	4,652
Net loss	(6,537 )	(3,806 )	(17,122 )	(16,132 )
Net income (loss) attributable to noncontrolling interests	(244 )	(550 )	624	(133 )
Net loss attributable to Titan	(6,293 )	(3,256 )	(17,746 )	(15,999 )
Redemption value adjustment	(4,040 )	(1,900 )	(3,099 )	(7,108 )
Net loss applicable to common shareholders	\$(10,333 )	\$(5,156 )	\$(20,845 )	\$(23,107 )
Earnings per common share:				
Basic	\$(0.17 )	\$(0.10 )	\$(0.35 )	\$(0.43 )
Diluted	\$(0.17 )	\$(0.10 )	\$(0.35 )	\$(0.43 )
Average common shares and equivalents outstanding:				
Basic	59,557	53,884	59,067	53,869
Diluted	59,557	53,884	59,067	53,869
Dividends declared per common share:	\$0.005	\$0.005	\$0.010	\$0.010

See accompanying Notes to Condensed Consolidated Financial Statements.



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

	<b>Three months ended</b>	
	<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>
Net loss	\$ (6,537 )	\$ (3,806 )
Currency translation adjustment	8,006	4,346
Pension liability adjustments, net of tax of \$(97) and \$(133), respectively	989	448
Comprehensive income	2,458	988
Net comprehensive income (loss) attributable to redeemable and noncontrolling interests	(1,562 )	706
Comprehensive income attributable to Titan	\$4,020	\$282

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>
Net loss	\$ (17,122 )	\$ (16,132 )
Currency translation adjustment	19,025	21,931
Pension liability adjustments, net of tax of \$(111) and \$(304), respectively	1,722	735
Comprehensive income	3,625	6,534
Net comprehensive income attributable to redeemable and noncontrolling interests	1,221	6,106
Comprehensive income attributable to Titan	\$2,404	\$428

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
	(unaudited)	
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 143,236	\$ 147,827
Certificates of deposit	10,000	50,000
Accounts receivable, net	219,924	179,384
Inventories	323,491	272,236
Prepaid and other current assets	78,413	79,734
Total current assets	775,064	729,181
Property, plant and equipment, net	435,731	437,201
Deferred income taxes	8,265	4,663
Other assets	92,891	94,851
Total assets	\$ 1,311,951	\$ 1,265,896
<b>Liabilities</b>		
Current liabilities		
Short-term debt	\$ 42,563	\$ 97,412
Accounts payable	187,077	148,255
Other current liabilities	118,024	120,437
Total current liabilities	347,664	366,104
Long-term debt	408,789	408,760
Deferred income taxes	18,248	13,183
Other long-term liabilities	77,826	80,161
Total liabilities	852,527	868,208
<b>Redeemable noncontrolling interest</b>	108,839	104,809
<b>Equity</b>		
Titan shareholders' equity		
Common stock (\$0.0001 par value, 120,000,000 shares authorized, 60,715,356 issued, 59,657,340 outstanding)	—	—
Additional paid-in capital	535,436	479,075
Retained earnings (deficit)	(1,128	) 17,214
Treasury stock (at cost, 1,058,016 and 1,083,212 shares, respectively)	(9,893	) (10,119 )
Stock reserved for deferred compensation	(1,075	) (1,075 )
Accumulated other comprehensive loss	(168,128	) (188,278 )
Total Titan shareholders' equity	355,212	296,817
Noncontrolling interests	(4,627	) (3,938 )
Total equity	350,585	292,879
Total liabilities and equity	\$ 1,311,951	\$ 1,265,896

See accompanying Notes to Condensed Consolidated Financial Statements.



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

	Number of common shares	Additional paid-in capital	Retained earnings (deficit)	Treasury stock	Treasury stock reserved for deferred compensation	Accumulated other comprehensive income (loss)	Total Titan Equity	Noncontrolling interest	Total Equity
<b>Balance January 1, 2017</b>	54,169,880	\$479,075	\$17,214	\$(10,119)	\$(1,075)	\$(188,278)	\$296,817	\$(3,938)	\$292,879
Net income (loss) *			(17,746)				(17,746)	814	(16,932)
Currency translation adjustment, net *						18,428	18,428	(524)	17,904
Pension liability adjustments, net of tax						1,722	1,722		1,722
Dividends declared			(596)				(596)		(596)
Note conversion	5,462,264	58,460					58,460		58,460
Redemption value adjustment		(3,099)					(3,099)		(3,099)
Stock-based compensation		956							