

Core-Mark Holding Company, Inc.
Form 10-Q
November 08, 2012
Table of Contents

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 September 30, 2012

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)

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)
(650) 589-9445
(Registrant's telephone number, including area code)

94080
(Zip 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 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 definitions of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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 Exchange Act).
Yes No

As of October 31, 2012, 11,519,522 shares of the registrant's common stock, \$0.01 par value per share, were outstanding.

FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2012
TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	<u>1</u>
<u>ITEM 1. Financial Statements (unaudited)</u>	<u>1</u>
<u>Condensed Consolidated Balance Sheets as of September 30, 2012 and December 31, 2011</u>	<u>1</u>
<u>Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2012 and 2011</u>	<u>2</u>
<u>Condensed Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2012 and 2011</u>	<u>3</u>
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2012 and 2011</u>	<u>4</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>5</u>
<u>ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>14</u>
<u>ITEM 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>29</u>
<u>ITEM 4. Controls and Procedures</u>	<u>29</u>
<u>PART II. OTHER INFORMATION</u>	<u>30</u>
<u>ITEM 1. Legal Proceedings</u>	<u>30</u>
<u>ITEM 1A. Risk Factors</u>	<u>30</u>
<u>ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>30</u>
<u>ITEM 6. Exhibits</u>	<u>31</u>
<u>SIGNATURES</u>	<u>32</u>

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)

	September 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 13.3	\$ 15.2
Restricted cash	10.9	12.6
Accounts receivable, net of allowance for doubtful accounts of \$10.6 and \$9.6 at September 30, 2012 and December 31, 2011, respectively	234.9	215.7
Other receivables, net	49.9	42.0
Inventories, net (Note 4)	278.7	362.3
Deposits and prepayments	44.0	48.2
Deferred income taxes	6.2	6.2
Total current assets	637.9	702.2
Property and equipment, net	106.0	99.5
Goodwill	16.2	16.2
Other non-current assets, net	52.5	52.3
Total assets	\$ 812.6	\$ 870.2
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 102.4	\$ 91.5
Book overdrafts	20.5	27.1
Cigarette and tobacco taxes payable	151.8	173.4
Accrued liabilities	75.7	78.6
Deferred income taxes	0.3	0.3
Total current liabilities	350.7	370.9
Long-term debt (Note 5)	1.1	63.1
Deferred income taxes	12.4	9.8
Other long-term liabilities	8.6	9.5
Claims liabilities, net	27.5	27.8
Pension liabilities	11.0	13.6
Total liabilities	411.3	494.7
Stockholders' equity:		
Common stock, \$0.01 par value (50,000,000 shares authorized, 12,574,680 and 12,382,724 shares issued; 11,519,103 and 11,344,947 shares outstanding at September 30, 2012 and December 31, 2011, respectively)	0.1	0.1
Additional paid-in capital	247.7	240.1
Treasury stock at cost (1,055,577 and 1,037,777 shares of common stock at September 30, 2012 and December 31, 2011, respectively)	(32.9) (32.2
Retained earnings	189.7	171.6
Accumulated other comprehensive loss	(3.3) (4.1
Total stockholders' equity	401.3	375.5

Total liabilities and stockholders' equity	\$ 812.6	\$ 870.2
--	----------	----------

See accompanying notes to condensed consolidated financial statements.

1

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

(In millions, except per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended		
	September 30,		September 30,		
	2012	2011	2012	2011	
Net sales	\$2,314.9	\$2,225.1	\$6,702.9	\$5,987.4	
Cost of goods sold	2,192.7	2,102.9	6,348.0	5,663.1	
Gross profit	122.2	122.2	354.9	324.3	
Warehousing and distribution expenses	68.4	61.7	198.0	173.4	
Selling, general and administrative expenses	35.9	38.6	113.4	111.8	
Amortization of intangible assets	0.7	0.8	2.4	2.1	
Total operating expenses	105.0	101.1	313.8	287.3	
Income from operations	17.2	21.1	41.1	37.0	
Interest expense	(0.4) (0.6) (1.6) (1.8)
Interest income	0.1	0.2	0.3	0.4	
Foreign currency transaction losses, net	—	(1.4) (0.1) (0.6)
Income before income taxes	16.9	19.3	39.7	35.0	
Provision for income taxes (Note 7)	(6.4) (7.3) (15.5) (14.0)
Net income	\$10.5	\$12.0	\$24.2	\$21.0	
Basic net income per common share (Note 8)	\$0.92	\$1.05	\$2.12	\$1.84	
Diluted net income per common share (Note 8)	\$0.90	\$1.03	\$2.08	\$1.78	
Basic weighted-average shares (Note 8)	11.5	11.4	11.4	11.4	
Diluted weighted-average shares (Note 8)	11.7	11.7	11.6	11.8	
Dividends declared and paid per common share	\$0.17	\$—	\$0.51	\$—	

See accompanying notes to condensed consolidated financial statements.

Table of ContentsCORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Net income	\$ 10.5	\$ 12.0	\$ 24.2	\$ 21.0
Other comprehensive income (loss), net of tax:				
Minimum pension liability adjustment	—	—	0.1	—
Foreign currency translation adjustment	0.7	(1.3) 0.7	(0.7
Total other comprehensive income (loss), net of tax	0.7	(1.3) 0.8	(0.7
Comprehensive income	\$ 11.2	\$ 10.7	\$ 25.0	\$ 20.3

See accompanying notes to condensed consolidated financial statements.

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

(In millions)

(Unaudited)

	Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 24.2	\$ 21.0
Adjustments to reconcile net income to net cash provided by operating activities:		
LIFO and inventory provisions	10.9	12.6
Amortization of debt issuance costs	0.3	0.4
Stock-based compensation expense	4.1	4.1
Bad debt expense, net	1.3	1.2
Depreciation and amortization	19.0	16.1
Foreign currency transaction losses, net	0.1	0.6
Deferred income taxes	2.5	1.6
Changes in operating assets and liabilities:		
Accounts receivable, net	(20.0)	(24.5)
Other receivables, net	(7.8)	(0.6)
Inventories, net	74.3	5.3
Deposits, prepayments and other non-current assets	(1.2)	(18.0)
Accounts payable	10.6	37.0
Cigarette and tobacco taxes payable	(23.0)	(9.6)
Pension, claims, accrued and other long-term liabilities	(6.5)	0.8
Net cash provided by operating activities	88.8	48.0
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	—	(51.4)
Restricted cash	2.1	(2.1)
Additions to property and equipment, net	(20.3)	(11.1)
Capitalization of software	(0.2)	—
Proceeds from sale of fixed assets	0.3	—
Net cash used in investing activities	(18.1)	(64.6)
Cash flows from financing activities:		
(Repayments) borrowings under revolving credit facility, net	(62.0)	23.6
Dividends paid	(5.9)	—
Payments of financing costs	—	(0.7)
Repurchases of common stock	(0.7)	(18.0)
Proceeds from exercise of common stock options and warrants	3.4	4.7
Tax withholdings related to net share settlements of restricted stock units	(1.4)	(1.2)
Excess tax deductions associated with stock-based compensation	1.1	1.6
(Decrease) increase in book overdrafts	(6.7)	10.9
Net cash (used in) provided by financing activities	(72.2)	20.9
Effects of changes in foreign exchange rates	(0.4)	(0.3)
(Decrease)/Increase in cash and cash equivalents	(1.9)	4.0
Cash and cash equivalents, beginning of period	15.2	16.1
Cash and cash equivalents, end of period	\$ 13.3	\$ 20.1
Supplemental disclosures:		

Edgar Filing: Core-Mark Holding Company, Inc. - Form 10-Q

Cash paid during the period for:

Income taxes paid, net of refunds

\$6.1

\$4.5