

Dorman Products, Inc.
Form 10-Q
August 01, 2011
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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 25, 2011

OR

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: 0-18914

Dorman Products, Inc.

(Exact name of registrant as specified in its charter)

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Pennsylvania
(State or other jurisdiction of
incorporation or organization)
3400 East Walnut Street, Colmar, Pennsylvania
(Address of principal executive offices)

23-2078856
(I.R.S. Employer
Identification No.)
18915
(Zip Code)

(215) 997-1800

(Registrant's telephone number, including area code)

[None]

(Former name, former address and former fiscal year, if changed since last report)

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 "accelerated filer", "large accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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 July 25, 2011 the Registrant had 18,034,173 shares of common stock, \$0.01 par value, outstanding.

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DORMAN PRODUCTS, INC. AND SUBSIDIARIES

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	For the Thirteen Weeks Ended	
	June 25, 2011	June 26, 2010
(in thousands, except for per share data)		
Net sales	\$ 131,619	\$ 115,009
Cost of goods sold	84,857	71,681
Gross profit	46,762	43,328
Selling, general and administrative expenses	26,312	24,230
Income from operations	20,450	19,098
Interest expense, net	49	58
Income before taxes	20,401	19,040
Provision for taxes	7,654	7,555
Net income	\$ 12,747	\$ 11,485
Earnings Per Share:		
Basic	\$ 0.71	\$ 0.65
Diluted	\$ 0.70	\$ 0.63
Average Shares Outstanding:		
Basic	17,925	17,757
Diluted	18,227	18,127

See accompanying notes to consolidated financial statements

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DORMAN PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	For the Twenty-six Weeks Ended	
	June 25, 2011	June 26, 2010
(in thousands, except for per share data)		
Net sales	\$ 255,993	\$ 213,985
Cost of goods sold	163,819	132,880
Gross profit	92,174	81,105
Selling, general and administrative expenses	52,534	46,308
Income from operations	39,640	34,797
Interest expense, net	119	123
Income before taxes	39,521	34,674
Provision for taxes	14,388	13,574
Net income	\$ 25,133	\$ 21,100
Earnings Per Share:		
Basic	\$ 1.40	\$ 1.19
Diluted	\$ 1.38	\$ 1.17
Average Shares Outstanding:		
Basic	17,898	17,723
Diluted	18,203	18,092

See accompanying notes to consolidated financial statements

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(in thousands, except for share data)	June 25, 2011	December 25, 2010
Assets		
Current Assets:		
Cash and cash equivalents	\$ 38,812	\$ 30,463
Accounts receivable, less allowance for doubtful accounts and customer credits of \$47,078 and \$46,726	102,305	101,851
Inventories	129,964	120,433
Deferred income taxes	12,974	12,135
Prepays and other current assets	2,993	2,213
Total current assets	287,048	267,095
Property, plant and equipment, net	35,485	28,790
Goodwill	26,553	26,553
Other assets	821	721
Total	\$ 349,907	\$ 323,159
Liabilities and Shareholders Equity		
Current Liabilities:		
Accounts payable	\$ 37,608	\$ 33,978
Accrued compensation	6,403	11,482
Other accrued liabilities	3,916	2,700
Total current liabilities	47,927	48,160
Other long-term liabilities	4,249	3,210
Deferred income taxes	8,991	8,636
Commitments and contingencies		
Shareholders Equity:		
Common stock, par value \$0.01; authorized 25,000,000 shares; issued and outstanding 18,036,268 and 17,887,344	180	178
Additional paid-in capital	35,711	34,924
Cumulative translation adjustments	3,431	2,752
Retained earnings	249,418	225,299
Total shareholders equity	288,740	263,153
Total	\$ 349,907	\$ 323,159

See accompanying notes to consolidated financial statements

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DORMAN PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands)	For the Twenty-six Weeks Ended	
	June 25, 2011	June 26, 2010
Cash Flows from Operating Activities:		
Net income	\$ 25,133	\$ 21,100
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	3,726	3,879
Provision for doubtful accounts	152	54
Provision for deferred income taxes	(484)	(421)
Provision for non-cash stock compensation	260	115
Changes in assets and liabilities:		
Accounts receivable	(469)	(19,438)
Inventories	(9,028)	(2,731)
Prepays and other current assets	(750)	(198)
Other assets	(140)	161
Accounts payable	3,559	15,364
Accrued compensation and other liabilities	(2,853)	(1,138)
Cash provided by operating activities	19,106	16,747
 Cash Flows from Investing Activities:		
Property, plant and equipment additions	(10,392)	(4,168)
Cash used in investing activities	(10,392)	(4,168)
 Cash Flows from Financing Activities:		
Repayment of long-term debt obligations		(44)
Proceeds from exercise of stock options	356	364
Other stock related activity	229	576
Purchase and cancellation of common stock	(1,069)	(664)
Cash (used in) provided by financing activities	(484)	232
Effect of exchange rate changes on cash and cash equivalents	119	(127)
Net Increase in Cash and Cash Equivalents	8,349	12,684
Cash and Cash Equivalents, Beginning of Period	30,463	10,626
Cash and Cash Equivalents, End of Period	\$ 38,812	\$ 23,310
 Supplemental Cash Flow Information		
Cash paid for interest expense	\$ 114	\$ 130
Cash paid for income taxes	\$ 15,061	\$ 12,746

See accompanying notes to consolidated financial statements

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DORMAN PRODUCTS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE TWENTY-SIX WEEKS ENDED JUNE 25, 2011 AND JUNE 26, 2010
(unaudited)

1. Basis of Presentation

As used herein, unless the context otherwise requires, Dorman, the Company, we, us, or our refers to Dorman Products, Inc. and its subsidiaries. Our ticker symbol on NASDAQ is DORM.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (SEC). However, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the thirteen and twenty-six weeks ended June 25, 2011 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2011. We may experience significant fluctuations from quarter to quarter in our results of operations due to the timing of orders placed by our customers. Generally, the second and third quarters have the highest level of customer orders, but the introduction of new products and product lines to customers may cause significant fluctuations from quarter to quarter. These financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 25, 2010.

2. Sales of Accounts Receivable

We have entered into several customer sponsored programs administered by unrelated financial institutions that permit us to sell, without recourse, certain accounts receivable at discounted rates to the financial institutions. Pursuant to these arrangements, we sold accounts receivable in the aggregate amount of \$95.1 million and \$36.4 million during the twenty-six weeks ended June 25, 2011 and June 26, 2010, respectively.

The sales of receivables were accounted for as a sale and were removed from our consolidated balance sheet at the time of the sales transactions. Selling, general and administrative expenses for the twenty-six weeks ended June 25, 2011 and June 26, 2010 include \$1.8 million and \$0.6 million, respectively, in financing costs associated with these accounts receivable sales programs.

If receivables had not been sold, \$109.4 million and \$77.1 million of additional receivables would have been outstanding at June 25, 2011 and December 25, 2010, respectively, based on standard payment terms. We retained no rights or interest, and have no obligations, with respect to the sold receivables. We do not service the receivables after the sales transactions.

3. Inventories