Dorman Products, Inc. Form 10-Q August 01, 2011 Table of Contents

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D.C. 20549** 

# **FORM 10-Q**

(Mark One)

X 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)

Pennsylvania (State or other jurisdiction of incorporation or organization) 23-2078856 (I.R.S. Employer Identification No.)

3400 East Walnut Street, Colmar, Pennsylvania (Address of principal executive offices)

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. x 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). x 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 x

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 x No

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

# DORMAN PRODUCTS, INC. AND SUBSIDIARIES

# INDEX TO QUARTERLY REPORT ON FORM 10-Q

June 25, 2011

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#### PART I. FINANCIAL INFORMATION

#### ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

### DORMAN PRODUCTS, INC. AND SUBSIDIARIES

#### CONSOLIDATED STATEMENTS OF OPERATIONS

#### (unaudited)

		For the Thirteen Weeks Ended	
	June 25,	June 26,	
(in thousands, except for per share data)	2011	2010	
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,	June 26,
(in thousands, except for per share data)	2011	2010
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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### DORMAN PRODUCTS, INC. AND SUBSIDIARIES

#### CONSOLIDATED BALANCE SHEETS

### (unaudited)

(in thousands, except for share data)	June 25, 2011	Dec	cember 25, 2010
Assets	2011		2010
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
Prepaids 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

### DORMAN PRODUCTS, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

### (unaudited)

Income         June 25, 2013         2013			For the Twenty-six Weeks Ended	
Cash Flows from Operating Activities:         Security of the properties of the provided by operating activities:         Security of the provision for desired income to cash provided by operating activities:         Security of the provision for desired income taxes         3,726         3,879         3,879         5,879         7,979         5,879         7,979         7,979         7,979         1,979 <th>(in thousands)</th> <th>- /</th> <th>- /</th>	(in thousands)	- /	- /	
Net income         \$ 25,133         \$ 21,100           Adjustments to reconcile net income to cash provided by operating activities:         3,726         3,879           Depreciation and amortization         3,726         3,879           Provision for doubful accounts         (421)           Provision for one-cash stock compensation         200         115           Changes in assets and liabilities:         469         (19,438)           Inventories         (469)         (19,438)           Inventories         (49,028)         (2,731)           Prepaids and other current assets         (750)         (1998)           Other assets         (750)         (1998)           Accounts payable         3,559         15,364           Accumed compensation and other liabilities         (2,853)         (1,138)           Cash provided by operating activities         19,106         16,747           Cash provided by operating activities         19,106         16,747           Cash used in investing Activities:         19,106         16,747           Cash provided by operating activities         10,392         (4,168)           Cash Flows from Investing Activities:         2         2           Cash provent in an exercise of stock options         3         4			2010	
Adjustments to reconcile net income to cash provided by operating activities:         3,726         3,879           Depreciation and aumoritzation         3,726         54           Provision for deferred income taxes         (484)         (421)           Provision for non-eash stock compensation         260         115           Changes in assets and liabilities:         469         19,438           Accounts receivable         (409)         (2,731)           Prepaids and other current assets         (750)         (196)           Other assets         (10)         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 Lees from Financing Activities         (10,392)         (4,168)           Cash used in investing activities         29         576           Repayment of long-term debt obligations         444         440           Proceeds from exercise of stock options         356         364           Other stock related activity         229 <td>• •</td> <td>\$ 25,133</td> <td>\$ 21,100</td>	• •	\$ 25,133	\$ 21,100	
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:         (469)         119,438           Inventories         (9,028)         (2,731)           Prepaids and other current assets         (140)         161           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:           Cash provided by operating activities         (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		7 -27,222	+,	
Provision for doubtful accounts         152         54           Provision for deferred income taxes         (484)         (421)           Provision for non-eash stock compensation         260         115           Changes in assets and liabilities:         360         (19,38)           Inventories         (9,028)         (2,731)           Prepaids and other current assets         (750)         (1980)           Other assets         (10         16           Accounts payable         3,559         15,364           Account compensation and other liabilities         (2,853)         (1,388)           Cash provided by operating activities         19,106         16,747           Cash Flows from Investing Activities:         2         4,168           Cash used in investing activities         (10,392)         (4,168)           Cash used in investing activities         (10,392)         (4,168)           Cash used in investing activities         (44)         202           Cash flows from Financing Activities:         (44)         202           Repayment of long-term debt obligations         (44)         202         576           Other stock related activity         229         576           Purchase and cancellation of common stock         (1,069) </td <td>j</td> <td>3,726</td> <td>3,879</td>	j	3,726	3,879	
Provision for non-cash stock compensation         260         115           Changes in assets and liabilities:         469         (19,438)           Inventories         (9,028)         (2,731)           Prepaids and other current assets         (160)         (161)         161           Other assets         (140)         161         Accrued compensation and other liabilities         (2,853)         (1,336)           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:         (10,392)         (4,168)           Cash repayment of long-term debt obligations         (44)         408           Cash repayment of long-term debt obligations         (44)         202         55           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         (1,069)         (664)           Net Increase in Cash and Cash Equivalents         8,349         12,684     <				
Changes in assets and liabilities:         469 (19,438)           Accounts receivable (19,028)         (2,731)           Inventories (9,028)         (375)         (198)           Other assets (10,108)         (104)         (161)           Accounts payable (2,853)         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:           Troperty, plant and equipment additions         (10,392)         (4,168)           Cash Isome Financing Activities:           Cash Flows from Financing Activities:           Cash Flows from Financing Activities:           Cash Lead activities         (10,392)         (4,168)           Cash Lead activities         (10,392)         (4,168)           Cash Lead activity         229         576           Cash (10,692)         15,66           Cash (10,692)         664	Provision for deferred income taxes	(484)	(421)	
Accounts receivable         (469)         (19,438)           Inventories         (9,028)         (2,731)           Prepaids and other current assets         (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 lows from Financing Activities:         (10,392)         (4,168)           Repayment of long-term debt obligations         (44)         (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         (48)         232           Effect of exchange rate changes on 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         38,8812	Provision for non-cash stock compensation	260	115	
Inventories         (9,028)         (2,731)           Prepaids and other current assets         (750)         (188)           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)         48           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         (48)         232           Effect of exchange rate changes on 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	Changes in assets and liabilities:			
Prepaids 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:         (10,392)         (4,168)           Cash used in investing activities         (10,392)         (4,168)           Cash Flows from Financing Activities:         2         444           Repayment of long-term debt obligations         (44)         444           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         33,812         \$23,310 <td>Accounts receivable</td> <td>(469)</td> <td>(19,438)</td>	Accounts receivable	(469)	(19,438)	
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 Plows from Investing Activities:         ****         ****           Property, plant and equipment additions         (10,392)         (4,168)           Cash used in investing activities         ****         ****           Cash Hows 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         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         2         2         3 </td <td>Inventories</td> <td>(9,028)</td> <td>(2,731)</td>	Inventories	(9,028)	(2,731)	
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 Plows from Investing Activities:         ****         ****           Property, plant and equipment additions         (10,392)         (4,168)           Cash used in investing activities         ****         ****           Cash Hows 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         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         2         2         3 </td <td>Prepaids and other current assets</td> <td>(750)</td> <td>(198)</td>	Prepaids and other current assets	(750)	(198)	
Accrued compensation and other liabilities       (2,853)       (1,138)         Cash provided by operating activities       19,106       16,747         Cash Flows from Investing Activities:       Toperty, plant and equipment additions       (10,392)       (4,168)         Cash used in investing activities       (10,392)       (4,168)         Cash Flows from Financing Activities:       444         Repayment of long-term debt obligations       (444)       445         Proceeds from exercise of stock options       3.56       364       364       365       364       364       365       364       364       365       364       364       365       364       364       366       364       366       364       366       364       366       364       366       364       366       364       366       364       366       364       366       364       366       364       366       364       366       364       366       364       366       364       366		(140)	161	
Cash provided by operating activities19,10616,747Cash 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 options356364Other stock related activity229576Purchase and cancellation of common stock(1,069)(664)Cash (used in) provided by financing activities(484)232Effect of exchange rate changes on cash and cash equivalents119(127)Net Increase in Cash and Cash Equivalents8,34912,684Cash and Cash Equivalents, Beginning of Period30,46310,626Cash and Cash Equivalents, End of Period\$38,812\$23,310Supplemental Cash Flow Information Cash paid for interest expense\$114\$130	Accounts payable	3,559	15,364	
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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 provided by operating activities	19,106	16,747	
Cash used in investing activities(10,392)(4,168)Cash Flows from Financing Activities:(44)Repayment of long-term debt obligations(44)Proceeds from exercise of stock options356364Other stock related activity229576Purchase and cancellation of common stock(1,069)(664)Cash (used in) provided by financing activities(484)232Effect of exchange rate changes on cash and cash equivalents119(127)Net Increase in Cash and Cash Equivalents8,34912,684Cash and Cash Equivalents, Beginning of Period33,46310,626Cash and Cash Equivalents, End of Period\$38,812\$23,310Supplemental Cash Flow InformationSupplemental Cash Flow Information114\$130Cash paid for interest expense\$114\$130	Cash Flows from Investing Activities:			
Cash Flows from Financing Activities:Repayment of long-term debt obligations(44)Proceeds from exercise of stock options356364Other stock related activity229576Purchase and cancellation of common stock(1,069)(664)Cash (used in) provided by financing activities(484)232Effect of exchange rate changes on cash and cash equivalents119(127)Net Increase in Cash and Cash Equivalents8,34912,684Cash and Cash Equivalents, Beginning of Period30,46310,626Cash and Cash Equivalents, End of Period\$38,812\$23,310Supplemental Cash Flow InformationCash paid for interest expense\$114\$130	Property, plant and equipment additions	(10,392)	(4,168)	
Repayment of long-term debt obligations(44)Proceeds from exercise of stock options356364Other stock related activity229576Purchase and cancellation of common stock(1,069)(664)Cash (used in) provided by financing activities(484)232Effect of exchange rate changes on cash and cash equivalents119(127)Net Increase in Cash and Cash Equivalents8,34912,684Cash and Cash Equivalents, Beginning of Period30,46310,626Cash and Cash Equivalents, End of Period\$38,812\$23,310Supplemental Cash Flow Information\$38,91\$114\$130Cash paid for interest expense\$114\$130	Ç	(10,392)	(4,168)	
Proceeds from exercise of stock options 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			(44)	
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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 (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				
Effect of exchange rate changes on cash and cash equivalents  Net Increase in Cash and Cash Equivalents  Cash and Cash Equivalents, Beginning of Period  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	Purchase and cancenation of common stock	(1,009)	(004)	
Net Increase in Cash and Cash Equivalents 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 (used in) provided by financing activities	(484)	232	
Cash and Cash Equivalents, Beginning of Period30,46310,626Cash and Cash Equivalents, End of Period\$ 38,812\$ 23,310Supplemental Cash Flow InformationCash paid for interest expense\$ 114\$ 130	Effect of exchange rate changes on cash and cash equivalents	119	(127)	
Cash and Cash Equivalents, Beginning of Period30,46310,626Cash and Cash Equivalents, End of Period\$ 38,812\$ 23,310Supplemental Cash Flow InformationCash paid for interest expense\$ 114\$ 130				
Cash and Cash Equivalents, Beginning of Period30,46310,626Cash and Cash Equivalents, End of Period\$ 38,812\$ 23,310Supplemental Cash Flow InformationCash paid for interest expense\$ 114\$ 130	Net Increase in Cash and Cash Equivalents	8,349	12,684	
Supplemental Cash Flow Information Cash paid for interest expense \$ 114 \$ 130		30,463	10,626	
Cash paid for interest expense \$ 114 \$ 130	Cash and Cash Equivalents, End of Period	\$ 38,812	\$ 23,310	
Cash paid for interest expense \$ 114 \$ 130	Supplemental Cash Flow Information			
		\$ 114	\$ 130	

See accompanying notes to consolidated financial statements

# Edgar Filing: Dorman Products, Inc. - Form 10-Q

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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 subsidia 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. <u>Inventories</u>