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NN INC
Form 8-K
November 02, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of report (Date of earliest event reported): November 1, 2005

NN, INC.
(Exact Name of Registrant as Specified in Charter)

| | | |
|---|-----------------------------|---|
| Delaware | 0-23486 | 62-1096725 |
| ----- | ----- | ----- |
| (State or other jurisdiction of incorporation or organization) | (Commission File Number) | (I. R. S. Employer Identification No.) |

2000 Waters Edge Drive, Johnson City, Tennessee 37604

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (423) 743-9151

Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

Furnished as Exhibit 99.1 is a copy of a Press Release issued by NN, Inc. on November 1, 2005.

Item 9.01. Financial Statements and Exhibits

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(c) Exhibits.

The following exhibit is furnished pursuant to Item 2.02, is not considered "filed" under the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any of the previous or future filings of NN, Inc. under the Securities Act of 1933, as amended, or the Exchange Act:

Exhibits:

| Exhibit Number | Description |
|----------------|--|
| 99.1 | Press Release of NN, Inc. dated November 1, 2005 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NN, Inc.

Dated: November 1, 2005

By: /s/ William C. Kelly, Jr.

William C. Kelly, Jr.
Secretary, Treasurer and
Chief Administrative Officer

Exhibit 99.1

FINANCIAL
RELATIONS BOARD

NEWS

RE: NN, Inc.
2000 Waters Edge Drive
Johnson City, TN 37604

FOR FURTHER INFORMATION:

AT THE COMPANY

AT FINANCIAL RELATIONS BOARD

Will Kelly
Vice President and Chief Administrative Officer
(423) 743-9151

Marilynn Meek Susan Garland
(General info) (Analyst info)
212-827-3773 212-827-3775

FOR IMMEDIATE RELEASE
November 1, 2005

NN, INC. REPORTS THIRD QUARTER 2005 RESULTS

Third Quarter Revenues Up 3%, Earnings Per Share Up 15%
Nine Months Year-To-Date Revenues Up 9%, Earnings Per Share Up 33%

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Johnson City, Tenn., November 1, 2005 - NN, Inc. (Nasdaq: NNBR) today reported its financial results for the third quarter and nine months ended September 30, 2005. Net sales for the third quarter of 2005 were \$75.0 million, up 2.9% from \$72.9 million for the same period of 2004. Net income for the third quarter of 2005 totaled \$2.6 million as compared to \$2.2 million for the same period of 2004. Earnings per diluted share for the third quarter of 2005 were \$0.15, up 15% from \$0.13 per diluted share in third quarter 2004.

Net sales for the first nine months of 2005 were \$245.5 million, up 8.7%, compared to \$225.8 million for the same period of 2004. Net income for the first nine months of 2005 totaled \$9.9 million as compared to \$7.4 million for the same period of 2004. Earnings per diluted share for the first nine months of 2005 were \$0.57, an increase of 33% from \$0.43 per diluted share for the same period of 2004.

James H. Dorton, Vice President and Chief Financial Officer, commented, "Of the total revenue increase of \$19.7 million for the first nine months of 2005, price increases accounted for approximately 34%, the positive effects of currency translation accounted for 27% and volume increases accounted for approximately 39% of the total increase.

"As a percentage of net sales, cost of products sold was 77.6% in the third quarter of 2005 versus 78.5% in the third quarter of 2004. Cost improvements associated with our Level 3 initiatives were the primary factor for the improved margins. As a percentage of net sales, cost of products sold for the first nine months of 2005 of 78.1% was comparable to 78.2% for the same period in the prior year. We estimate that Level 3 initiatives in the first nine months of 2005 accounted for approximately 2.0% margin improvement. These improvements were offset by the margin reduction associated with raw material pass through.

"Selling, general and administrative expenses of \$7.2 million, or 9.6% as a percentage of net sales for the third quarter of 2005 were negatively impacted by the recording of a reserve for Delphi Corp. accounts receivable and for start-up costs in China. However SG&A remained relatively flat as compared to the same period in 2004 of \$7.1 million, or 9.8% as a percentage of net sales. Selling, general and administrative expenses for the first nine months of 2005 were \$22.0 million, or 8.9 % as a percentage of net sales as compared to \$22.3 million, or 9.9% as a percentage of net sales for the same period of 2004."

Mr. Dorton concluded, "Total debt on September 30, 2005 was \$67.8 million, down \$4.7 million year-to-date after adjusting for currency. For the year, we believe that we will reduce total debt by approximately \$10.0 million."

Roderick R. Baty, Chairman and Chief Executive Officer, commented, "In mid-October we revised our previously released 2005 full year guidance primarily due to three factors: lower second half sales volumes in Europe, currency translation, and an unfavorable tax rate mix. Although these negative factors will cause us to fall short of our original guidance, our revised guidance of approximately \$325 million in revenues and earnings per diluted share of \$0.77 to \$0.81 show significant improvement over the prior year."

Mr. Baty concluded, "Our outlook for the remainder of 2005 is mixed. Lower revenues in comparison to original plan for the second half in Europe are partially offset by continuing strong demand in North America. The longer-term global outlook for customers' demand in both our automotive and industrial served markets, however, remains strong. Strategically, we will continue to focus on opportunities to profitably grow our core bearing components business. In early October of this year, we announced the purchase of SNR Roulements' internal precision ball producing equipment from its manufacturing facility in

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Annecy, France. This outsourcing transaction is consistent with our strategy and further provides us with the opportunity to add additional value to our existing customer relationships through our component manufacturing and service competencies. Further, our investments in Slovakia and China not only position us well for the geographic expansion of our ball manufacturing capabilities in Eastern Europe and Asia, but provide us with the capabilities for other bearing component manufacturing as well. In China, we will begin limited production of high volume automotive application precision balls during the fourth quarter of this year. Finally, our Level 3 program is delivering solid results and we expect even stronger results in 2006 and beyond."

NN, Inc. manufactures and supplies high precision bearing components consisting of balls, rollers, seals, and retainers for leading bearing manufacturers on a global basis. In addition, the company manufactures a variety of other plastic components. NN, Inc. had sales of US \$304 million in 2004.

Except for specific historical information, many of the matters discussed in this press release may express or imply projections of revenues or expenditures, statements of plans and objectives or future operations or statements of future economic performance. These, and similar statements are forward-looking statements concerning matters that involve risks, uncertainties and other factors which may cause the actual performance of NN, Inc. and its subsidiaries to differ materially from those expressed or implied by this discussion. All forward-looking information is provided by the Company pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of these factors. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "assumptions", "target", "guidance", "outlook", "plans", "projection", "may", "will", "would", "expect", "intend", "estimate", "anticipate", "believe", "potential" or "continue" (or the negative or other derivatives of each of these terms) or similar terminology. Factors which could materially affect actual results include, but are not limited to: general economic conditions and economic conditions in the industrial sector, inventory levels, success of cost improvement initiatives, adequate reserves for accounts receivable, successful and timely start-up costs for new operations, debt reduction, competitive influences, risks that current customers will commence or increase captive production, risks of capacity underutilization, quality issues, availability and price of raw materials, currency and other risks associated with international trade, the Company's dependence on certain major customers, and other risk factors and cautionary statements listed from time to time in the Company's periodic reports filed with the Securities and Exchange Commission, including, but not limited to, the Company's Annual Report on 10-K for the fiscal year ended December 31, 2004.

(Financial Tables Follow)

NN, Inc.
Condensed Statements of Income
(In Thousands, except per share amounts)
(Unaudited)

Three Months Ended
September 30,
2005 2004

Ni
2005

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| | | | |
|--|-----------|-----------|--------|
| Net sales | \$ 74,998 | \$ 72,917 | \$ 245 |
| Cost of products sold (exclusive of depreciation shown separately below) | 58,177 | 57,263 | 191 |
| Selling, general and administrative | 7,180 | 7,126 | 21 |
| Depreciation and amortization | 3,998 | 3,999 | 12 |
| Loss on disposal of assets | -- | -- | |
| Income from operations | 5,643 | 4,529 | 19 |
| Interest expense, net | 967 | 1,101 | 2 |
| Other (income) expense | 53 | (177) | |
| Income before provision for income taxes | 4,623 | 3,605 | 16 |
| Provision for income taxes | 2,066 | 1,453 | 6 |
| Net income | \$ 2,557 | \$2,152 | \$ 9 |
| Diluted income per common share | \$ 0.15 | \$ 0.13 | \$ |
| Weighted average diluted shares | 17,522 | 17,135 | 17 |

NN, Inc.
Condensed Balance Sheets
(In Thousands)
(Unaudited)

September 30,
2005

| | |
|--------------------------------------|-----------|
| Assets | |
| Current Assets: | |
| Cash | \$ 7,707 |
| Accounts receivable, net | 52,981 |
| Inventories, net | 35,051 |
| Other current assets | 11,009 |
| Total current assets | 106,748 |
| Property, plant and equipment, net | 115,930 |
| Goodwill, net | 41,932 |
| Other assets | 6,197 |
| Total assets | \$270,807 |
| Liabilities and Stockholders' Equity | |

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| | |
|--|-----------|
| Current liabilities: | |
| Accounts payable | \$ 36,092 |
| Accrued salaries and wages | 13,835 |
| Current portion of long-term debt | 6,319 |
| Other liabilities | 9,301 |
| | ----- |
| Total current liabilities | 65,547 |
| Deferred income taxes | 16,715 |
| Long-term notes payable | 61,481 |
| Other | 13,089 |
| | ----- |
| Total liabilities | 156,832 |
| Total stockholders' equity | 113,975 |
| | ----- |
| Total liabilities and stockholders' equity | \$270,807 |
| | ===== |

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