

COOPER TIRE & RUBBER CO  
Form 10-Q  
November 02, 2012

**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 the quarterly period ended September 30, 2012

OR

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

Commission File No. 1-4329

**COOPER TIRE & RUBBER COMPANY**

(Exact name of registrant as specified in its charter)

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**DELAWARE**  
(State or other jurisdiction of  
incorporation or organization)

**34-4297750**  
(I.R.S. employer  
identification no.)

**701 Lima Avenue, Findlay, Ohio 45840**  
(Address of principal executive offices) (Zip code)

**(419) 423-1321**  
(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, 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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer 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

Number of shares of common stock of registrant outstanding at September 30, 2012: 62,920,783

## Part I. FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

## COOPER TIRE &amp; RUBBER COMPANY

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands except per-share amounts)

	December 31, 2011 (Note 1)	Sept. 30, 2012 (Unaudited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 233,710	\$ 271,512
Notes receivable	71,661	51,130
Accounts receivable, less allowances of \$10,622 at 2011 and \$14,040 at 2012	427,782	499,568
Inventories at lower of cost or market:		
Finished goods	294,384	403,303
Work in process	40,899	43,190
Raw materials and supplies	130,110	139,465
	465,393	585,958
Other current assets	65,434	66,201
Total current assets	1,263,980	1,474,369
Property, plant and equipment:		
Land and land improvements	32,432	32,262
Buildings	305,581	305,607
Machinery and equipment	1,739,241	1,845,183
Molds, cores and rings	231,824	232,619
	2,309,078	2,415,671
Less accumulated depreciation and amortization	1,339,975	1,397,443
Net property, plant and equipment	969,103	1,018,228
Goodwill	18,851	18,851
Intangibles, net of accumulated amortization of \$25,759 at 2011 and \$26,874 at 2012	17,352	16,237
Restricted cash	2,475	9,388
Deferred income tax assets	197,580	187,826
Other assets	31,664	30,163
Total assets	\$ 2,501,005	\$ 2,755,062
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Notes payable	\$ 131,651	\$ 47,688
Accounts payable	339,215	418,780
Accrued liabilities	152,306	228,538
Income taxes payable	6,646	20,943
Current portion of long-term debt	21,199	2,336
Total current liabilities	651,017	718,285

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Long-term debt	329,496	<b>336,631</b>
Postretirement benefits other than pensions	293,267	<b>299,344</b>
Pension benefits	360,632	<b>335,766</b>
Other long-term liabilities	168,703	<b>187,435</b>
Equity:		
Preferred stock, \$1 par value; 5,000,000 shares authorized; none issued		
Common stock, \$1 par value; 300,000,000 shares authorized; 87,850,292 shares issued at 2011 and at 2012	87,850	<b>87,850</b>
Capital in excess of par value	1,042	
Retained earnings	1,464,392	<b>1,591,656</b>
Cumulative other comprehensive loss	(520,878)	<b>(499,673)</b>
	1,032,406	<b>1,179,833</b>
Less: common shares in treasury at cost (25,551,636 at 2011 and 24,929,509 at 2012)	(454,605)	<b>(442,311)</b>
Total parent stockholders' equity	577,801	<b>737,522</b>
Noncontrolling shareholders' interests in consolidated subsidiaries	120,089	<b>140,079</b>
Total equity	697,890	<b>877,601</b>
Total liabilities and equity	\$ 2,501,005	<b>\$ 2,755,062</b>

See accompanying notes.

## COOPER TIRE &amp; RUBBER COMPANY

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

THREE MONTHS ENDED SEPTEMBER 30, 2011 AND 2012

(UNAUDITED)

(Dollar amounts in thousands except per-share amounts)

	2011	2012
Net sales	\$ 1,048,602	<b>\$ 1,095,626</b>
Cost of products sold	960,518	<b>897,468</b>
Gross profit	88,084	<b>198,158</b>
Selling, general and administrative	40,872	<b>68,555</b>
Operating profit	47,212	<b>129,603</b>
Interest expense	8,953	<b>7,115</b>
Interest income	829	<b>542</b>
Other income (expense)	(124)	<b>(315)</b>
Income before income taxes	38,964	<b>122,715</b>
Income tax expense	17,003	<b>40,004</b>
Net income	21,961	<b>82,711</b>
Net income attributable to noncontrolling shareholders' interests	4,680	<b>8,598</b>
Net income attributable to Cooper Tire & Rubber Company	\$ 17,281	<b>\$ 74,113</b>
Basic earnings per share:		
Net income attributable to Cooper Tire & Rubber Company common stockholders	\$ 0.28	<b>\$ 1.18</b>
Diluted earnings per share:		
Net income attributable to Cooper Tire & Rubber Company common stockholders	\$ 0.27	<b>\$ 1.17</b>
Dividends per share	\$ 0.105	<b>\$ 0.105</b>

See accompanying notes.

## COOPER TIRE &amp; RUBBER COMPANY

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

THREE MONTHS ENDED SEPTEMBER 30, 2011 AND 2012

(UNAUDITED)

(Dollar amounts in thousands)

	Three Months Ended September 30,	
	2011	2012
Net income	\$ 21,961	\$ 82,711
Other comprehensive income		
Cumulative currency translation adjustments		
Foreign currency translation adjustments	(8,959)	10,346
Financial instruments		
Change in the fair value of derivatives and marketable securities	11,001	(8,023)
Income tax (expense)/benefit on derivative instruments	(921)	2,864
Financial instruments, net of tax	10,080	(5,159)
Postretirement benefit plans		
Amortization of actuarial loss	9,339	11,617
Amortization of prior service credit	(359)	(172)
Income tax expense on postretirement benefit plans	(477)	(4,160)
Foreign currency translation effect	1,961	(4,039)
Postretirement benefit plans, net of tax	10,464	3,246
Other comprehensive income	11,585	8,433
Comprehensive income	33,546	91,144
Less comprehensive income attributable to noncontrolling shareholders' interests	1,886	9,532
Comprehensive income attributable to Cooper Tire & Rubber Company	\$ 31,660	\$ 81,612

See accompanying notes.

## COOPER TIRE &amp; RUBBER COMPANY

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2012

(UNAUDITED)

(Dollar amounts in thousands except per-share amounts)

	2011	2012
Net sales	\$ 2,869,134	<b>\$ 3,138,366</b>
Cost of products sold	2,630,816	<b>2,675,875</b>
Gross profit	238,318	<b>462,491</b>
Selling, general and administrative	134,670	<b>189,764</b>
Operating profit	103,648	<b>272,727</b>
Interest expense	27,603	<b>23,973</b>
Interest income	2,399	<b>1,914</b>
Other income	5,524	<b>333</b>
Income before income taxes	83,968	<b>251,001</b>
Income tax expense	29,083	<b>81,650</b>
Net income	54,885	<b>169,351</b>
Net income attributable to noncontrolling shareholders' interests	10,407	<b>21,924</b>
Net income attributable to Cooper Tire & Rubber Company	\$ 44,478	<b>\$ 147,427</b>
Basic earnings per share:		
Net income attributable to Cooper Tire & Rubber Company common stockholders	\$ 0.72	<b>\$ 2.36</b>
Diluted earnings per share:		
Net income attributable to Cooper Tire & Rubber Company common stockholders	\$ 0.71	<b>\$ 2.34</b>
Dividends per share	\$ 0.315	<b>\$ 0.315</b>

See accompanying notes.

COOPER TIRE & RUBBER COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2012

(UNAUDITED)

(Dollar amounts in thousands)

	Nine Months Ended September 30,	
	2011	2012
Net income	\$ 54,885	\$ 169,351