

PARK OHIO HOLDINGS CORP

Form 10-Q

November 09, 2009

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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 September 30, 2009
- 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 0-3134

Park-Ohio Holdings Corp.
(Exact name of registrant as specified in its charter)

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

34-1867219
*(I.R.S. Employer
Identification No.)*

6065 Parkland Boulevard, Cleveland, Ohio
(Address of principal executive offices)

44124
(Zip Code)

440/947-2000
(Registrant's telephone number, including area code)

Park-Ohio Holdings Corp. is a successor issuer to Park-Ohio Industries, Inc.

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

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

Number of shares outstanding of registrant's Common Stock, par value \$1.00 per share, as of October 31, 2009: 11,750,012.

The Exhibit Index is located on page 25.

PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES

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Table of Contents**PART I. Financial Information****ITEM 1. *Financial Statements*****PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	(Unaudited)	
	September 30,	December 31,
	2009	2008
	(Dollars in thousands)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 19,377	\$ 17,825
Accounts receivable, less allowances for doubtful accounts of \$6,792 at September 30, 2009 and \$3,044 at December 31, 2008	122,851	165,779
Inventories	199,171	228,817
Deferred tax assets	9,446	9,446
Unbilled contract revenue	9,151	25,602
Other current assets	9,113	12,818
Total Current Assets	369,109	460,287
Property, Plant and Equipment	253,724	248,474
Less accumulated depreciation	170,514	157,832
	83,210	90,642
Other Assets		
Goodwill	4,206	4,109
Other	65,424	64,182
	\$ 521,949	\$ 619,220
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities		
Trade accounts payable	\$ 76,165	\$ 121,995
Accrued expenses	52,556	74,351
Current portion of long-term debt	2,369	8,778
Current portion of other postretirement benefits	2,290	2,290
Total Current Liabilities	133,380	207,414
Long-Term Liabilities, less current portion		
8.375% Senior Subordinated Notes due 2014	188,770	198,985
Revolving credit	147,800	164,600

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Other long-term debt	6,051	2,283
Deferred tax liability	9,090	9,090
Other postretirement benefits and other long-term liabilities	23,580	24,093
	375,291	399,051
Shareholders' Equity		
Capital stock, par value \$1 a share:		
Serial Preferred Stock	-0-	-0-
Common Stock	13,224	12,237
Additional paid-in capital	65,774	64,212
Retained deficit	(34,435)	(29,021)
Treasury stock, at cost	(17,192)	(17,192)
Accumulated other comprehensive loss	(14,093)	(17,481)
	13,278	12,755
	\$ 521,949	\$ 619,220

Note: The balance sheet at December 31, 2008 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See notes to consolidated financial statements.

Table of Contents**PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
	(Amounts in thousands, except per share data)			
Net sales	\$ 168,597	\$ 266,148	\$ 513,252	\$ 819,178
Cost of products sold	145,938	226,759	437,402	697,361
Gross profit	22,659	39,389	75,850	121,817
Selling, general and administrative expenses	21,701	28,799	66,538	82,755
Impairment charges	-0-	17,480	-0-	17,480
Gain on purchase of 8.375% senior subordinated notes	(2,011)	-0-	(5,108)	-0-
Operating income (loss)	2,969	(6,890)	14,420	21,582
Interest expense	5,897	6,775	17,996	20,672
Income (loss) before income taxes	(2,928)	(13,665)	(3,576)	910
Income taxes (benefit)	296	(4,597)	1,838	779
Net income (loss)	\$ (3,224)	\$ (9,068)	\$ (5,414)	\$ 131
Amounts per common share:				
Basic	\$ (.29)	\$ (.82)	\$ (.50)	\$.01
Diluted	\$ (.29)	\$ (.82)	\$ (.50)	\$.01
Common shares used in the computation:				
Basic	11,011	11,006	10,931	11,081
Diluted	11,011	11,006	10,931	11,606

See notes to consolidated financial statements.

Table of Contents**PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY (UNAUDITED)**

	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit) (Dollars in thousands)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2009	\$ 12,237	\$ 64,212	\$ (29,021)	\$ (17,192)	\$ (17,481)	\$ 12,755
Comprehensive loss:						
Net loss			(5,414)			(5,414)
Foreign currency translation adjustment					1,893	1,893
Unrealized loss on marketable securities, net of tax					413	413
Pension and post retirement benefit adjustments, net of tax					1,082	1,082
Comprehensive loss						(2,026)
Amortization of restricted stock		1,570				1,570
Exercise of stock options (360,000 shares)	360	328				688
Restricted stock awards	627	(627)				-0-
Share-based compensation		291				291
Balance at September 30, 2009	\$ 13,224	\$ 65,774	\$ (34,435)	\$ (17,192)	\$ (14,093)	\$ 13,278

See notes to consolidated financial statements.

Table of Contents**PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	Nine Months Ended September 30, 2009 2008	
	(Dollars in thousands)	
OPERATING ACTIVITIES		
Net (loss) income	\$ (5,414)	\$ 131
Adjustments to reconcile net (loss) income to net cash used by operating activities:		
Depreciation and amortization	14,121	16,081
Impairment charges	-0-	17,480
Share-based compensation expense	1,861	1,663
Gain on purchase of 8.375% senior subordinated notes	(5,107)	-0-
Changes in operating assets and liabilities:		
Accounts receivable	42,928	(13,340)
Inventories and other current assets	49,000	(17,950)
Accounts payable and accrued expenses	(67,625)	22,210
Other	(560)	(15,429)
Net Cash Provided by Operating Activities	29,204	10,846
INVESTING ACTIVITIES		
Purchases of property, plant and equipment, net	(4,594)	(15,756)
Purchases of marketable securities	(62)	(533)
Sales of marketable securities	865	2,751
Net Cash Used by Investing Activities	(3,791)	(13,538)
FINANCING ACTIVITIES		
(Payments on) proceeds from long-term debt, net	(2,641)	5,528
(Payments on) proceeds from revolving credit, net	(16,800)	14,800
Purchase of treasury stock	-0-	(3,166)
Purchase of 8.375% senior subordinated notes	(5,108)	-0-
Exercise of stock options	688	10
Net Cash (Used) Provided by Financing Activities	(23,861)	17,172
Increase in Cash and Cash Equivalents	1,552	14,480
Cash and Cash Equivalents at Beginning of Period	17,825	14,512
Cash and Cash Equivalents at End of Period	\$ 19,377	\$ 28,992
Taxes paid	\$ 2,577	\$ 5,826
Interest paid	12,506	15,236

See notes to consolidated financial statements.

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PARK-OHIO HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2009

(Dollar amounts in thousands, except per share data)

NOTE A Basis of Presentation

The consolidated financial statements include the accounts of Park-Ohio Holdings Corp. and its subsidiaries (the Company). All significant intercompany transactions have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month and nine-month periods ended September 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. For further information, refer to the consolidated financial statements