

TITAN INTERNATIONAL INC
Form 10-Q
July 26, 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 Quarterly Period Ended: June 30, 2012

or

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

Commission file number 1-12936

TITAN INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Illinois

36-3228472

(State of Incorporation)

(I.R.S. Employer Identification No.)

2701 Spruce Street, Quincy, IL 62301

(Address of principal executive offices, including Zip Code)

(217) 228-6011

(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 (or 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, or a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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 Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding at July 23, 2012
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Common stock, no par value per share	42,294,570
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TITAN INTERNATIONAL, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

(All amounts in thousands, except per share data)

	Three months ended		Six months ended	
	June 30, 2012	2011	June 30, 2012	2011
Net sales	\$459,233	\$404,447	\$922,321	\$685,276
Cost of sales	377,147	340,113	746,872	564,670
Gross profit	82,086	64,334	175,449	120,606
Selling, general and administrative expenses	23,410	16,573	54,245	41,866
Research and development expenses	1,189	1,014	2,697	2,197
Royalty expense	2,652	2,350	5,001	5,267
Supply agreement termination income	(26,134)) —	(26,134)) —
Income from operations	80,969	44,397	139,640	71,276
Interest expense	(6,217)) (6,149)) (12,512)) (12,429)
Noncash convertible debt conversion charge	—	—	—	(16,135)
Other income	613	2,270	3,724	2,463
Income before income taxes	75,365	40,518	130,852	45,175
Provision for income taxes	31,040	14,962	51,133	22,655
Net income	44,325	25,556	79,719	22,520
Net income (loss) attributable to noncontrolling interests	269	(8)) 244	(8)
Net income attributable to Titan	\$44,056	\$25,564	\$79,475	\$22,528
Earnings per common share:				
Basic	\$1.05	\$.61	\$1.89	\$.55
Diluted	\$.84	\$.50	\$1.53	\$.47
Average common shares and equivalents outstanding:				
Basic	42,158	41,981	42,132	41,250
Diluted	53,516	53,394	53,492	53,229
Dividends declared per common share:	\$.005	\$.005	\$.010	\$.010

See accompanying Notes to Consolidated Financial Statements.

TITAN INTERNATIONAL, INC.
 CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
 (All amounts in thousands)

	Three months ended June 30,		
	2012	2011	
Net income	\$44,325	\$25,556	
Unrealized gain (loss) on investments, net of tax of \$3,276 and \$7,886, respectively	(5,580) 14,645	
Currency translation adjustment	(8,136) 2,932	
Pension liability adjustments, net of tax of \$491 and \$364, respectively	836	592	
Comprehensive income	31,445	43,725	
Net comprehensive income (loss) attributable to noncontrolling interests	269	(8)
Comprehensive income attributable to Titan	\$31,176	\$43,733	
	Six months ended June 30,		
	2012	2011	
Net income	\$79,719	\$22,520	
Unrealized gain on investments, net of tax of \$199 and \$7,351, respectively	337	13,652	
Currency translation adjustment	(4,569) 2,932	
Pension liability adjustments, net of tax of \$982 and \$727, respectively	1,672	1,185	
Comprehensive income	77,159	40,289	
Net comprehensive income (loss) attributable to noncontrolling interests	244	(8)
Comprehensive income attributable to Titan	\$76,915	\$40,297	

See accompanying Notes to Consolidated Financial Statements.

TITAN INTERNATIONAL, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS (UNAUDITED)
(All amounts in thousands, except share data)

	June 30, 2012	December 31, 2011
Assets		
Current assets		
Cash and cash equivalents	\$149,450	\$129,170
Accounts receivable, net	237,418	189,527
Inventories	214,858	190,872
Deferred income taxes	29,773	26,775
Prepaid and other current assets	38,637	28,249
Total current assets	670,136	564,593
Property, plant and equipment, net	324,676	334,742
Other assets	99,187	110,951
Total assets	\$1,093,999	\$1,010,286
Liabilities and Equity		
Current liabilities		
Short-term debt	\$7,596	\$11,723
Accounts payable	109,555	76,574
Other current liabilities	70,464	87,469
Total current liabilities	187,615	175,766
Long-term debt	312,881	317,881
Deferred income taxes	43,243	38,691
Other long-term liabilities	73,184	81,069
Total liabilities	616,923	613,407
Equity:		
Titan stockholder's equity		
Common stock (no par, 120,000,000 shares authorized, 44,092,997 issued)	37	37
Additional paid-in capital	383,102	380,295
Retained earnings	146,105	67,053
Treasury stock (at cost, 1,805,065 and 1,887,316 shares, respectively)	(16,600)	(17,338)
Treasury stock reserved for deferred compensation	(1,233)	(1,233)
Accumulated other comprehensive loss	(36,135)	(33,575)
Total Titan stockholders' equity	475,276	395,239
Noncontrolling interests	1,800	1,640
Total equity	477,076	396,879
Total liabilities and equity	\$1,093,999	\$1,010,286

See accompanying Notes to Consolidated Financial Statements.

TITAN INTERNATIONAL, INC.
CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
(All amounts in thousands, except share data)

	Number of common shares	Common Stock	Additional paid-in capital	Retained earnings	Treasury stock	Treasury stock reserved for contractual obligations	Accumulated other comprehensive income (loss)	Total Titan Equity	Noncontrolling interest	Total Equity
Balance										
January 1, 2012	42,205,681	\$37	\$380,295	\$67,053	\$(17,338)	\$(1,233)	\$(33,575)	\$395,239	\$1,640	\$396,879
Net income				79,475				79,475	244	79,719
Currency translation adjustment							(4,569)	(4,569)		(4,569)
Pension liability adjustments, net of tax							1,672	1,672		1,672
Unrealized gain on investment, net of tax							337	337		337
Dividends on common stock				(423)				(423)		(423)
Exercise of stock options	68,898		269		618			887		887
Consolidated joint venture								—	(84)	