

NOBLE INTERNATIONAL, LTD.

Form 10-Q

August 07, 2008

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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 June 30, 2008

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 No.: 001-13581

NOBLE INTERNATIONAL, LTD.

(Exact name of registrant as specified in its charter)

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Delaware
(State of incorporation)

38-3139487
(I.R.S. Employer Identification No.)

840 W. Long Lake Rd., Suite 601

Troy, Michigan
(Address of principal executive offices)

48098
(Zip Code)

Registrant's telephone number, including area code: (248) 519-0700

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. 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.

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

The number of shares of the registrant's common stock outstanding as of July 31, 2008 was 23,671,760.

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The matters discussed in this Quarterly Report (Report) on Form 10-Q contain certain forward-looking statements of Noble International, Ltd. (the Company). For this purpose, any statements contained in this Report that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as may, expect, believe, anticipate, estimate, or continue, the neg other variations thereof, or comparable terminology, are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors, including continued market demand for the types of products and services produced and sold by the Company, change in worldwide economic and political conditions and associated impact on interest and foreign exchange rates, the level of sales by original equipment manufacturers of vehicles for which the Company supplies parts, the successful integration of companies acquired by the Company, and changes in consumer debt levels.

Table of Contents**Part I Financial Information****Item 1. Financial Statements****NOBLE INTERNATIONAL, LTD.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)****(in thousands, except per share amounts)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net sales	\$ 314,949	\$ 182,657	\$ 629,047	\$ 342,728
Cost of sales	283,773	168,650	573,976	315,129
Gross margin	31,176	14,007	55,071	27,599
Selling, general and administrative expenses	19,247	7,743	40,117	15,256
Operating profit	11,929	6,264	14,954	12,343
Interest income	175	72	260	159
Interest expense	(5,772)	(3,200)	(11,782)	(6,147)
Loss on extinguishment of debt	(929)		(929)	(3,285)
Net loss on derivative instruments		(1,751)		(1,751)
Other income, net	2,527	1,559	3,047	1,227
Income before income taxes, minority interest and equity loss	7,930	2,944	5,550	2,546
Income tax (benefit) expense	(1,274)	736	(1,990)	129
Income before minority interest and equity loss	9,204	2,208	7,540	2,417
Minority interest, net of tax	(235)	(289)	(527)	(464)
Equity loss, net of tax	(6)	(71)	(34)	(291)
Net income	\$ 8,963	\$ 1,848	6,979	1,662
Basic earnings per common share	\$ 0.38	\$ 0.13	\$ 0.30	\$ 0.12
Diluted earnings per common share	\$ 0.35	\$ 0.13	\$ 0.30	\$ 0.12

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**NOBLE INTERNATIONAL, LTD.****CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**

(in thousands)

	June 30, 2008	December 31, 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 14,897	\$ 3,332
Accounts receivable, trade, net	181,690	160,664
Inventories, net	64,409	81,500
Unbilled customer tooling, net	6,909	8,825
Prepaid expenses	3,932	3,804
Income taxes receivable	4,705	5,842
Value added tax receivable	8,575	11,117
Deferred income taxes	3,544	3,781
Assets held for sale	2,248	
Other current assets	11,127	12,625
Total Current Assets	302,036	291,490
Property, Plant and Equipment, net	264,762	264,163
Other Assets:		
Goodwill	152,312	155,100
Other intangible assets, net	79,696	78,330
Other assets, net	15,935	14,608
Total Other Assets	247,943	248,038
Total Assets	\$ 814,741	\$ 803,691
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	\$ 164,566	\$ 152,868
Accrued liabilities	32,386	35,125
Valued added tax payable	6,774	3,831
Current maturities of long-term debt	37,413	49,795
Contingent consideration	15,705	14,746
Income taxes payable	1,074	1,021
Total Current Liabilities	257,918	257,386
Long-Term Liabilities:		
Long-term debt, excluding current maturities	146,522	205,690
Convertible subordinated notes	86,216	36,216
Deferred income taxes	35,545	35,605
Other liabilities	10,180	10,018
Total Long-Term Liabilities	278,463	287,529
Minority Interest	6,168	5,641

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Commitments and Contingencies (Note 16)

Stockholders Equity

Common stock	16	16
Additional paid-in capital	223,177	222,057
Retained earnings	19,300	16,109
Accumulated other comprehensive income, net	29,699	14,953

Total Stockholders Equity 272,192 253,135

Total Liabilities and Stockholders Equity \$ 814,741 \$ 803,691

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**NOBLE INTERNATIONAL, LTD.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

(in thousands)

	Six Months Ended June 30,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 6,979	\$ 1,662
Adjustments to reconcile net loss to net cash provided by operating activities:		
Minority interest	527	464
Equity loss	34	291
Loss on extinguishment of debt	929	3,285
Net loss on derivative instruments		1,751
Amortization of financing fees included in interest expense	1,001	258
Depreciation and amortization	26,643	9,768
Deferred income taxes	(1,416)	(156)
Share-based compensation expense	230	392
Gain on sale of property, plant and equipment	51	(2)
Changes in operating assets and liabilities, net of acquisitions and foreign exchange:		
Accounts receivable	(14,762)	(21,234)
Inventories	20,560	(1,353)
Prepaid and other assets	7,022	5,128
Accounts payable	7,967	20,985
Income taxes payable or receivable	1,313	691
Accrued liabilities	6,684	951
Excess tax benefit from share-based compensation arrangements	184	(164)
Net cash provided by operating activities	63,946	22,717
Cash flows from investing activities:		
Purchases of property, plant and equipment	(16,314)	(13,890)
Proceeds from sale of property, plant and equipment	1,230	220
Investment in joint ventures	(814)	(187)
Additional direct costs paid for Pullman acquisition		(37)
Net cash used in investing activities	(15,898)	(13,894)
Cash flows from financing activities:		
Net (payments) borrowings on revolving credit facilities	(23,192)	5,390
Repayments of borrowings under term loans	(86,124)	(7,070)
Repayments under other debt agreements	(3,829)	(1,178)
Proceeds from issuance of convertible subordinated debt	50,000	
Proceeds from issuance of subordinated debt	31,249	
Proceeds from issuance of common stock	187	1,163
Dividends paid on common stock	(3,788)	(2,262)
Financing fees	(937)	(90)
Excess tax benefit from share-based compensation arrangements	148	164
Net cash used in financing activities	(36,286)	(3,883)
Effect of exchange rate changes on cash and cash equivalents	(197)	28
Net increase (decrease) in cash and cash equivalents	11,565	4,968

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Cash and cash equivalents at beginning of period	3,332	6,587
Cash and cash equivalents at end of period	\$ 14,897	\$ 11,555

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NOBLE INTERNATIONAL, LTD.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net income	\$ 8,963	\$ 1,848	\$ 6,979	\$ 1,662
Other comprehensive income:				
Foreign currency translation adjustments, net	307	1,631	14,311	1,649
Change in unrecognized loss on derivative instruments and other, net	1,186	59	435	59