

COAST DISTRIBUTION SYSTEM INC
Form 10-Q
August 12, 2003
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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 **June 30, 2003**

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 1-9511

THE COAST DISTRIBUTION SYSTEM, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE

94-2490990

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

350 Woodview Avenue, Morgan Hill, California
(Address of principal executive offices)

95037
(Zip Code)

(408) 782-6686

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed, since last year)

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 an accelerated filer (as defined in Securities Exchange Act Rule 12b-2)

YesNo

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

4,422,598 shares of Common Stock as of August 1, 2003

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THE COAST DISTRIBUTION SYSTEM, INC.

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(Dollars in thousands)

	June 30, 2003	December 31, 2002
	(unaudited)	
ASSETS		
CURRENT ASSETS		
Cash	\$ 3,168	\$ 1,996
Accounts receivable net of allowances of \$1,216 and \$1,172 as of June 30, 2003 and December 31, 2002, respectively	23,858	12,118
Inventories	36,008	36,198
Other current assets	1,096	3,134
Total current assets	64,130	53,446
PROPERTY, PLANT, AND EQUIPMENT NET	2,419	2,454
OTHER ASSETS	1,265	1,256
	\$ 67,814	\$ 57,156
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term obligations	\$ 63	\$ 62
Accounts payable	10,295	10,909
Other current liabilities	2,906	2,613
Total current liabilities	13,264	13,584
LONG-TERM OBLIGATIONS		
Secured note payable to bank	31,096	23,004
Other long-term liabilities	282	279
	31,378	23,283
STOCKHOLDERS EQUITY		
Preferred stock, \$.001 par value: 2,000,000 shares authorized; none issued and outstanding:		
Common stock, \$.001 par value: 10,000,000 shares authorized; 4,422,598 and 4,390,864 issued as of June 30, 2003 and December 31, 2002 respectively		
	16,868	16,837
Accumulated comprehensive loss	(149)	(806)
Retained earnings	6,453	4,258
	23,172	20,289
	\$ 67,814	\$ 57,156

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

Table of Contents**THE COAST DISTRIBUTION SYSTEM, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS****(Dollars in thousands, except per share data)****(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net sales	\$ 47,530	\$ 44,885	\$ 88,161	\$ 83,082
Cost of sales, including distribution costs	38,101	37,803	71,274	68,876
Gross profit	9,429	7,082	16,887	14,206
Selling, general and administrative expenses	6,365	5,535	12,077	10,881
Operating income	3,064	1,547	4,810	3,325
Other income (expense)				
Interest	(443)	(462)	(795)	(793)
Other	117	(11)	116	(10)
	(326)	(473)	(679)	(803)
Earnings before income taxes and cumulative effect of accounting change	2,738	1,074	4,131	2,522
Income tax provision	1,127	465	1,671	1,194
Earnings before cumulative effect of accounting change	1,611	609	2,460	1,328
Cumulative effect of accounting change				(6,325)
Net earnings (loss)	\$ 1,611	\$ 609	\$ 2,460	\$ (4,997)
Basic earnings (loss) per share				
Before cumulative effect of accounting change	\$ 0.36	\$ 0.14	\$ 0.56	\$ 0.30
Cumulative effect of accounting change				(1.44)
Basic earnings (loss) per share	\$ 0.36	\$ 0.14	\$ 0.56	\$ (1.14)
Diluted earnings (loss) per share:				
Before cumulative effect of accounting change	\$ 0.35	\$ 0.14	\$ 0.54	\$ 0.30
Cumulative effect of accounting change				(1.44)
Diluted earnings (loss) per share	\$ 0.35	\$ 0.14	\$ 0.54	\$ (1.14)

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

Table of Contents**THE COAST DISTRIBUTION SYSTEM, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**
(Dollars in thousands)Six months ended June 30,
(Unaudited)

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Net earnings (loss)	\$ 2,460	\$ (4,997)
Adjustments to reconcile net earnings (loss) to net cash used in operating activities:		
Depreciation and amortization	436	400
Cumulative effect of accounting change		6,325
Changes in assets and liabilities:		
Accounts receivable	(11,740)	(11,371)
Inventories	190	925
Other current assets	2,038	364
Accounts payable	(614)	(779)
Current liabilities	293	(189)
	<u> </u>	<u> </u>
Total adjustments	(9,397)	(4,325)
	<u> </u>	<u> </u>
Net cash used in operating activities	(6,937)	(9,322)
Cash flows from investing activities:		
Capital expenditures	(387)	(823)
Increase (decrease) in other assets	(23)	1,088
	<u> </u>	<u> </u>
Net cash provided by (used in) investing activities	(410)	265
Cash flows from financing activities:		
Net borrowings under line-of-credit agreement	8,092	8,911
Net borrowings of other long-term debt	4	60
Issuance of common stock pursuant to employee stock option and purchase plans	31	14
Payment of cash dividend	(265)	
	<u> </u>	<u> </u>
Net cash provided by financing activities	7,862	8,985
Effect of exchange rate changes on cash	657	236
	<u> </u>	<u> </u>
NET INCREASE IN CASH	1,172	164
Cash beginning of period	1,996	1,001
	<u> </u>	<u> </u>
Cash end of period	\$ 3,168	\$ 1,165
	<u> </u>	<u> </u>

During the six months ended June 30, 2003 the Company's Board of Directors declared a cash dividend in the amount of \$0.06 per share. That dividend, totaling \$265,000, was paid on April 21, 2003.

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

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THE COAST DISTRIBUTION SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. The accompanying condensed consolidated interim financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information (GAAP). Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles in the United States of America for complete financial statements. In the opinion of management, these unaudited condensed interim consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments and accruals) necessary for a fair presentation of the Company s financial position as of June 30, 2003 and the results of its operations and cash flows for the three and six month periods ended June 30, 2003 and 2002. The accounting policies followed by the Company are set forth in Note A to the Company s financial statements in its Annual Report on Form 10-K for its fiscal year ended December 31, 2002 and additional information regarding those policies is set forth in Item 2 of this Report, entitled Management s Discussion and Analysis of Financial Condition and Results of Operations.