

NOBLE INTERNATIONAL, LTD.

Form 10-Q

November 05, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 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 October 31, 2008 was 23,673,407.

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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 September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net sales	\$ 238,373	\$ 211,946	\$ 867,420	\$ 554,674
Cost of sales	232,940	200,700	806,916	515,829
Gross margin	5,433	11,246	60,504	38,845
Selling, general and administrative expenses	18,482	10,838	58,599	26,094
Operating (loss) profit	(13,049)	408	1,905	12,751
Interest income	130	90	390	249
Interest expense	(3,144)	(3,954)	(14,926)	(10,102)
Litigation award	16,293		16,293	
Loss on extinguishment of debt	(425)		(1,354)	(3,285)
Net loss on derivative instruments		(1,296)		(3,047)
Other income, net	2,184	78	5,231	1,307
Income (loss) before income taxes, minority interest and equity loss	1,989	(4,674)	7,539	(2,127)
Income tax benefit	(3,524)	(1,477)	(5,514)	(1,347)
Income (loss) before minority interest and equity loss	5,513	(3,197)	13,053	(780)
Minority interest, net of tax	45	(192)	(482)	(656)
Equity loss, net of tax	(300)	(158)	(334)	(449)
Net income (loss)	\$ 5,258	\$ (3,547)	\$ 12,237	\$ (1,885)
Basic earnings (loss) per common share	\$ 0.22	\$ (0.21)	\$ 0.52	\$ (0.12)
Diluted earnings (loss) per common share	\$ 0.22	\$ (0.21)	\$ 0.51	\$ (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)

	September 30, 2008	December 31, 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 5,331	\$ 3,332
Accounts receivable, trade, net	155,259	160,664
Inventories, net	63,587	81,500
Unbilled customer tooling, net	3,775	8,825
Prepaid expenses	4,024	3,804
Income taxes receivable	8,782	5,842
Value added tax receivable	5,878	11,117
Deferred income taxes	3,184	3,781
Assets held for sale	1,425	
Other current assets	10,726	12,625
Total Current Assets	261,971	291,490
Property, Plant and Equipment, net	243,549	264,163
Other Assets:		
Goodwill	141,074	155,100
Other intangible assets, net	72,846	78,330
Other assets, net	13,252	14,608
Total Other Assets	227,172	248,038
Total Assets	\$ 732,692	\$ 803,691
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	\$ 146,855	\$ 152,868
Accrued liabilities	27,968	35,125
Valued added tax payable	5,034	3,831
Current maturities of long-term debt	31,693	49,795
Contingent consideration		14,746
Income taxes payable	451	1,021
Total Current Liabilities	212,001	257,386
Long-Term Liabilities:		
Long-term debt, excluding current maturities	130,770	205,690
Convertible subordinated notes	86,216	36,216
Deferred income taxes	33,112	35,605
Other liabilities	10,642	10,018
Total Long-Term Liabilities	260,740	287,529
Minority Interest	6,123	5,641
Commitments and Contingencies (Note 16)		

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Stockholders Equity		
Common stock	16	16
Additional paid-in capital	223,119	222,057
Retained earnings	24,555	16,109
Accumulated other comprehensive income, net	6,138	14,953
Total Stockholders Equity	253,828	253,135
Total Liabilities and Stockholders Equity	\$ 732,692	\$ 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)

	Nine Months Ended September 30,	
	2008	2007
Cash flows from operating activities:		
Net income (loss)	\$ 12,237	\$ (1,885)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Minority interest	482	656
Equity loss	334	449
Litigation award	(14,000)	
Loss on extinguishment of debt	1,304	3,285
Net loss on derivative instruments		263
Amortization of financing fees included in interest expense	1,342	372
Depreciation and amortization	40,679	17,854
Loss on impairment of property, plant and equipment	2,251	
Deferred income taxes	(2,076)	(584)
Share-based compensation expense	230	745
Gain on sale of property, plant and equipment	(233)	(7)
Subtotal of net income (loss) as adjusted for non-cash items	42,550	21,148
Changes in operating assets and liabilities, net of acquisitions and foreign exchange:		
Accounts receivable	1,240	(42,963)
Inventories	16,762	602
Prepaid and other assets	12,802	9,948
Accounts payable	(676)	34,075
Income taxes payable or receivable	(3,333)	(764)
Accrued liabilities	3,862	(6,048)
Excess tax benefit from share-based compensation arrangements	(183)	(187)
Subtotal of changes in operating assets and liabilities	30,474	(5,337)
Net cash provided by operating activities	73,024	15,811
Cash flows from investing activities:		
Purchases of property, plant and equipment	(25,740)	(19,906)
Proceeds from sale of property, plant and equipment	1,753	224
Investment in joint ventures	(814)	(1,250)
Acquisition of businesses, net of cash acquired		(109,426)
Net cash used in investing activities	(24,801)	(130,358)
Cash flows from financing activities:		
Net (payments) borrowings on revolving credit facilities	(30,478)	28,524
Borrowings on term loans	12,500	106,455
Repayments of borrowings under term loans	(99,661)	(11,513)
Repayments under other debt agreements	(4,971)	(2,795)
Proceeds from issuance of convertible subordinated debt	50,000	
Proceeds from issuance of subordinated debt	31,249	
Proceeds from issuance of common stock	187	1,802
Dividends paid on common stock	(3,791)	(4,149)

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Financing fees	(1,222)	(995)
Excess tax benefit from share-based compensation arrangements	183	187
Net cash (used in) provided by financing activities	(46,004)	117,516
Effect of exchange rate changes on cash and cash equivalents	(220)	656
Net increase in cash and cash equivalents	1,999	3,625
Cash and cash equivalents at beginning of period	3,332	6,587
Cash and cash equivalents at end of period	\$ 5,331	\$ 10,212

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 (LOSS) (Unaudited)

(in thousands)

	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2007 2008
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