

Core-Mark Holding Company, Inc.
Form 10-Q
August 09, 2016
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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 June 30, 2016

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: 000-51515
Core-Mark Holding Company, Inc.
(Exact name of registrant as specified in its charter)

Delaware 20-1489747
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

395 Oyster Point Boulevard, Suite 415 94080
South San Francisco, CA
(Address of principal executive offices) (Zip Code)
(650) 589-9445
(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 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 (§232.405 of this chapter) 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.

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

As of August 5, 2016, 46,265,454 shares of the registrant's common stock, \$0.01 par value per share, were outstanding.

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 FOR THE QUARTER ENDED JUNE 30, 2016
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share and per share data)

(Unaudited)

	June 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 18.0	\$ 12.5
Restricted cash	3.8	8.5
Accounts receivable, net of allowance for doubtful accounts of \$11.7 and \$10.9 as of June 30, 2016 and December 31, 2015, respectively	386.1	272.7
Other receivables, net	100.5	69.4
Inventories, net (Note 4)	467.9	407.4
Deposits and prepayments	95.4	65.0
Deferred income taxes	1.8	1.8
Total current assets	1,073.5	837.3
Property and equipment, net	175.6	159.5
Goodwill	34.5	22.9
Other intangible assets, net	43.5	29.5
Other non-current assets, net	30.1	28.1
Total assets	\$1,357.2	\$1,077.3
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 160.3	\$ 129.6
Book overdrafts	41.4	29.2
Cigarette and tobacco taxes payable	215.1	193.6
Accrued liabilities	134.2	106.9
Deferred income taxes	0.3	0.3
Total current liabilities	551.3	459.6
Long-term debt (Note 5)	232.6	60.4
Deferred income taxes	19.5	18.6
Other long-term liabilities	11.1	10.6
Claims liabilities	27.6	26.6
Pension liabilities	7.3	7.5
Total liabilities	849.4	583.3
Contingencies (Note 6)		
Stockholders' equity:		
Common stock, \$0.01 par value (100,000,000 shares authorized, 52,191,054 and 51,953,354 shares issued; 46,265,454 and 46,116,670 shares outstanding at June 30, 2016 and December 31, 2015, respectively)	0.5	0.3
Additional paid-in capital	272.4	271.8
Treasury stock at cost (5,925,600 and 5,836,684 shares of common stock at June 30, 2016 and December 31, 2015, respectively)	(65.3)	(61.8)
Retained earnings	314.5	300.0

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Accumulated other comprehensive loss	(14.3)	(16.3)
Total stockholders' equity	507.8	494.0
Total liabilities and stockholders' equity	\$1,357.2	\$1,077.3

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Net sales	\$3,687.4	\$2,810.4	\$6,698.7	\$5,262.7
Cost of goods sold	3,499.5	2,651.5	6,359.7	4,966.5
Gross profit	187.9	158.9	339.0	296.2
Warehousing and distribution expenses	106.0	88.6	197.6	168.1
Selling, general and administrative expenses	53.0	47.5	102.4	94.8
Amortization of intangible assets	1.2	0.6	2.1	1.2
Total operating expenses	160.2	136.7	302.1	264.1
Income from operations	27.7	22.2	36.9	32.1
Interest expense	(1.0)	(0.7)	(1.8)	(1.3)
Interest income	—	0.1	0.1	0.3
Foreign currency transaction (losses) gains, net	(0.3)	(0.2)	0.4	(0.6)
Income before income taxes	26.4	21.4	35.6	30.5
Provision for income taxes (Note 7)	(10.1)	(8.2)	(13.6)	(11.8)
Net income	\$16.3	\$13.2	\$22.0	\$18.7
Basic and diluted net income per common share (Note 9)	\$0.35	\$0.29	\$0.47	\$0.40
Basic weighted-average shares (Note 9)	46.3	46.2	46.3	46.2
Diluted weighted-average shares (Note 9)	46.5	46.6	46.5	46.6
Dividends declared and paid per common share (Note 11)	\$0.08	\$0.07	\$0.16	\$0.13

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Net income	\$16.3	\$13.2	\$22.0	\$18.7
Other comprehensive income (loss), net of tax:				
Defined benefit plan adjustments	0.1	—	0.2	0.1
Foreign currency translation (loss) gain	(0.1)	0.5	1.8	(2.2)
Other comprehensive income (loss), net of tax	—	0.5	2.0	(2.1)
Comprehensive income	\$16.3	\$13.7	\$24.0	\$16.6

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Six Months Ended		
	June 30,		
	2016		2015
Cash flows from operating activities:			
Net income	\$	22.0	18.7
Adjustments to reconcile net income to net cash provided by operating activities:			
LIFO and inventory provisions	6.3		6.0
Amortization of debt issuance costs	0.2		0.2
Stock-based compensation expense	3.6		4.0
Bad debt expense, net	1.0		0.8
Depreciation and amortization	19.8		18.4
Foreign currency transaction (gains)/losses, net	(0.4	)	0.6
Deferred income taxes	0.9		(0.6
Changes in operating assets and liabilities:)
Accounts receivable, net	(77.6	)	(41.0
Other receivables, net	(30.6	)	(3.2
Inventories, net	(42.2	)	(9.5
Deposits, prepayments and other non-current assets	(33.0	)	(9.4
Accounts payable	29.8)
Cigarette and tobacco taxes payable	19.2		24.1
Pension, claims, accrued and other long-term liabilities	28.3		(14.2
Excess tax deductions associated with stock-based compensation	(2.4)	(3.9
Net cash used in operating activities	(55.1)	(10.9

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Cash flows from investing activities:			
Acquisition of business, net of cash acquired	(88.4)	(8.0
Change in restricted cash	4.7		3.2
Additions to property and equipment, net	(22.8	)	(14.4
Capitalization of software and related development costs	(2.7	)	(3.9
Proceeds from sale of fixed assets	—		0.3
Net cash used in investing activities	(109.2	)	(22.8
Cash flows from financing activities:			
Borrowing under revolving credit facility, net	172.9		48.4
Dividends paid	(7.5	)	(6.1
Payments on capital leases	(1.2	)	(1.1
Payments of financing costs	(1.3	)	(0.3
Repurchases of common stock	(3.5	)	(6.0
Proceeds from exercise of common stock options	—		0.2
Tax withholdings related to net share settlements of restricted stock units	(5.2	)	(3.1
Excess tax deductions associated with stock-based compensation	2.4		1.9
Increase in book overdrafts	12.2		0.9
Net cash provided by financing activities	168.8		34.8
Effects of changes in foreign exchange rates	1.0		(1.0
Change in cash and cash equivalents	5.5		0.1
Cash and cash equivalents, beginning of period	12.5		14.4
	\$	18.0	\$
			14.5

Cash and cash
equivalents, end of
period

Supplemental
disclosures:

Cash paid during the
period for:

Income taxes, net	\$	8.8	\$	12.8
Interest	\$	1.1		