

CORE MOLDING TECHNOLOGIES INC
Form 10-Q
November 09, 2012
Table of Contents

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 September 30, 2012

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 001-12505

CORE MOLDING TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	31-1481870
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
800 Manor Park Drive, Columbus, Ohio	43228-0183
(Address of principal executive office)	(Zip Code)
Registrant's telephone number, including area code (614) 870-5000	
N/A	

Former name, former address and former fiscal year, if changed since last report.

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 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 definition of "accelerated filer," "large accelerated filer," and "smaller reporting company," in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a 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 November 8, 2012, the latest practicable date, 7,275,016 shares of the registrant's common stock were issued and outstanding.

Table of Contents

Part I — Financial Information

Item 1. Financial Statements

Consolidated Balance Sheets 3

Consolidated Statements of Income 4

Consolidated Statements of Comprehensive Income 5

Consolidated Statement of Stockholders' Equity 6

Consolidated Statements of Cash Flows 7

Notes to Consolidated Financial Statements 8

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 16

Item 3. Quantitative and Qualitative Disclosures About Market Risk 23

Item 4. Controls and Procedures 24

Part II — Other Information 25

Item 1. Legal Proceedings 25

Item 1A. Risk Factors 25

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 25

Item 3. Defaults Upon Senior Securities 25

Item 4. Mine Safety Disclosures 25

Item 5. Other Information 25

Item 6. Exhibits 25

Signatures 26

Index to Exhibits 27

Table of Contents

Part I — Financial Information

Core Molding Technologies, Inc. and Subsidiaries

Consolidated Balance Sheets

	September 30, 2012 (Unaudited)	December 31, 2011
Assets:		
Current assets:		
Cash and cash equivalents	\$—	\$4,634,000
Accounts receivable (less allowance for doubtful accounts: September 30, 2012 - \$316,000; December 31, 2011 - \$236,000)	20,842,000	22,048,000
Inventories:		
Finished goods	1,989,000	1,872,000
Work in process	1,698,000	1,547,000
Stores	8,346,000	7,989,000
Total inventories, net	12,033,000	11,408,000
Deferred tax asset-current portion	1,843,000	1,843,000
Foreign sales tax receivable	1,203,000	910,000
Prepaid expenses and other current assets	1,210,000	954,000
Tooling in progress	331,000	—
Total current assets	37,462,000	41,797,000
Property, plant and equipment — net	52,338,000	49,344,000
Deferred tax asset	1,120,000	1,045,000
Goodwill	1,097,000	1,097,000
Other assets	7,000	15,000
Total Assets	\$92,024,000	\$93,298,000
Liabilities and Stockholders' Equity:		
Current liabilities:		
Current portion of long-term debt	\$3,939,000	\$4,104,000
Revolving line of credit	752,000	—
Current portion of interest rate swaps	130,000	173,000
Accounts payable	9,160,000	9,813,000
Tooling in progress	—	1,520,000
Current portion of post retirement benefits liability	1,002,000	1,002,000
Accrued liabilities:		
Compensation and related benefits	5,444,000	7,147,000
Taxes	—	225,000
Other	833,000	1,003,000
Total current liabilities	21,260,000	24,987,000
Long-term debt	6,171,000	9,477,000
Interest rate swaps	122,000	158,000
Post retirement benefits liability	8,221,000	8,580,000
Total Liabilities	35,774,000	43,202,000
Commitments and Contingencies	—	—

Edgar Filing: CORE MOLDING TECHNOLOGIES INC - Form 10-Q

Stockholders' Equity:

Preferred stock — \$0.01 par value, authorized shares — 10,000,000; outstanding shares: 0 at September 30, 2012 and December 31, 2011	—	—
Common stock — \$0.01 par value, authorized shares – 20,000,000; outstanding shares: 7,130,804 at September 30, 2012 and 7,048,069 at December 31, 2011	71,000	70,000
Paid-in capital	25,267,000	24,872,000
Accumulated other comprehensive income, net of income taxes	3,761,000	3,877,000
Treasury stock	(26,748,000)	(26,495,000)
Retained earnings	53,899,000	47,772,000
Total Stockholders' Equity	56,250,000	50,096,000
Total Liabilities and Stockholders' Equity	\$92,024,000	\$93,298,000

See notes to unaudited consolidated financial statements.

Table of ContentsCore Molding Technologies, Inc. and Subsidiaries
Consolidated Statements of Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net sales:				
Products	\$32,149,000	\$37,173,000	\$117,689,000	\$99,694,000
Tooling	5,532,000	663,000	9,065,000	2,425,000
Total net sales	37,681,000	37,836,000	126,754,000	102,119,000
Total cost of sales	32,692,000	29,665,000	107,108,000	79,626,000
Gross margin	4,989,000	8,171,000	19,646,000	22,493,000
Total selling, general and administrative expense	3,032,000	3,417,000	10,232,000	9,517,000
Income before interest and taxes	1,957,000	4,754,000	9,414,000	12,976,000
Interest expense	96,000	171,000	221,000	620,000
Income before income taxes	1,861,000	4,583,000	9,193,000	12,356,000
Income tax expense	710,000	1,727,000	3,066,000	4,389,000
Net income	\$1,151,000	\$2,856,000	\$6,127,000	\$7,967,000
Net income per common share:				
Basic	\$0.16	\$0.41	\$0.86	\$1.15
Diluted	\$0.16	\$0.39	\$0.83	\$1.09
Weighted average shares outstanding:				
Basic	7,127,000	6,976,000	7,094,000	6,926,000
Diluted	7,383,000	7,278,000	7,381,000	7,284,000
See notes to unaudited consolidated financial statements.				

Table of ContentsCore Molding Technologies, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	\$1,151,000	\$2,856,000	\$6,127,000	\$7,967,000
Other comprehensive income:				
Interest rate swaps:				
Adjustment for amortization of losses included in net income	21,000	21,000	62,000	62,000
Income tax expense	(7,000)) (7,000) (21,000) (21,000
Post retirement benefit plan adjustments:				
Net actuarial loss	40,000	54,000	119,000	164,000
Prior service costs	(124,000)) (124,000) (372,000) (372,000
Income tax benefit	32,000	21,000	96,000	62,000
Comprehensive income	\$1,113,000	\$2,821,000	\$6,011,000	\$7,862,000
See notes to unaudited consolidated financial statements.				

Table of ContentsCore Molding Technologies, Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity
(Unaudited)

	Common Stock Outstanding		Paid-In Capital	Accumulated Other Comprehensive Income	Treasury Stock	Retained Earnings	Total Stockholders' Equity
	Shares	Amount					
Balance at December 31, 2011	7,048,069	\$70,000	\$24,872,000	\$3,877,000	\$(26,495,000)	\$47,772,000	\$50,096,000
Net income						6,127,000	6,127,000
Change in post retirement benefits, net of tax of \$96,000				(157,000)			(157,000)
Change in interest rate swaps, net of tax of \$21,000				41,000			41,000
Common stock issued	25,775		81,000				81,000
Purchase of treasury stock	(31,455)				(253,000)		(253,000)
Restricted stock issued	88,415	1,000					1,000
Share-based compensation			314,000				314,000
Balance at September 30, 2012	7,130,804	\$71,000	\$25,267,000	\$3,761,000	\$(26,748,000)	\$53,899,000	\$56,250,000

See notes to unaudited consolidated financial statements.

Table of ContentsCore Molding Technologies, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities:		
Net income	\$6,127,000	\$7,967,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,492,000	2,940,000
Deferred income taxes	(75,000)	(41,000)
Interest rate swaps — mark-to-market and amortization of losses	(38,000)	68,000
Share-based compensation	314,000	284,000
Loss on disposal of assets	1,000	—
(Gain) loss on foreign currency translation and transaction	(14,000)	70,000
Change in operating assets and liabilities:		
Accounts receivable	1,206,000	(9,663,000)
Inventories	(625,000)	(2,096,000)
Prepaid and other assets	(585,000)	(121,000)
Accounts payable	16,000	1,870,000
Accrued and other liabilities	(3,980,000)	3,573,000
Post retirement benefits liability	(516,000)	(139,000)
Net cash provided by operating activities	5,323,000	4,712,000
Cash flows from investing activities:		
Purchase of property, plant and equipment	(7,103,000)	(4,940,000)
Proceeds from sale of property, plant and equipment	37,000	—
Net cash used in investing activities	(7,066,000)	(4,940,000)
Cash flows from financing activities:		
Gross repayments on revolving line of credit	(41,390,000)	—
Gross borrowings on revolving line of credit	42,142,000	—
Payment of principal on Mexican loan	(1,600,000)	(1,600,000)
Payment of principal on capex loan	(1,286,000)	(1,286,000)
Payment of principal on term loan	—	(107,000)
Payment of principal on industrial development revenue bond	(585,000)	(540,000)
Payments related to the purchase of treasury stock	(253,000)	(236,000)
Proceeds from issuance of common stock	81,000	354,000
Net cash used in financing activities	(2,891,000)	(3,415,000)
Net change in cash and cash equivalents	(4,634,000)	(3,643,000)
Cash and cash equivalents at beginning of period	4,634,000	5,657,000
Cash and cash equivalents at end of period	\$—	\$2,014,000
Cash paid for:		
Interest (net of amounts capitalized)	\$173,000	\$497,000

Edgar Filing: CORE MOLDING TECHNOLOGIES INC - Form 10-Q

Income taxes	\$3,234,000	\$3,481,000
Non Cash:		
Fixed asset purchases in accounts payable	\$431,000	\$409,000

See notes to unaudited consolidated financial statements.

7

Table of ContentsCore Molding Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and include all of the information and disclosures required by accounting principles generally accepted in the United States of America for interim reporting, which are less than those required for annual reporting. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (all of which are normal and recurring in nature) necessary to present fairly the financial position of Core Molding Technologies, Inc. and its subsidiaries ("Core Molding Technologies" or the "Company") at September 30, 2012, and the results of operations and cash flows for the three and nine months ended September 30, 2012. The "Notes to Consolidated Financial Statements," which are contained in the Company's 2011 Annual Report to Shareholders, should be read in conjunction with these consolidated financial statements.

Core Molding Technologies and its subsidiaries operate in the plastics market in a family of products known as "reinforced plastics." Reinforced plastics are combinations of resins and reinforcing fibers (typically glass or carbon) that are molded to shape. Core Molding Technologies is a manufacturer of sheet molding compound ("SMC") and molder of fiberglass reinforced plastics. The Company specializes in large-format moldings and offers a wide range of fiberglass processes, including compression molding of SMC, glass mat thermoplastics ("GMT") and bulk molding compounds ("BMC"), as well as spray-up, hand-lay-up, and resin transfer molding ("RTM"). Additionally, the Company offers reaction injection molding ("RIM"), utilizing dicyclopentadiene technology. Core Molding Technologies maintains four production facilities in Columbus, Ohio; Batavia, Ohio; Gaffney, South Carolina; and Matamoros, Mexico.

The Company operates in one business segment as a manufacturer of SMC and molder of fiberglass reinforced plastics. The Company produces and sells SMC and molded products for varied markets, including light, medium, and heavy-duty trucks, automobiles and automotive aftermarket, marine, and other commercial products.

Certain items previously reported have been reclassified to conform to the current year's reporting format. These reclassifications had no effect on net income or shareholders' equity as previously reported.

2. Net Income per Common Share

Net income per common share is computed based on the weighted average number of common shares outstanding during the period. Diluted net income per common share is computed similarly but includes the effect of the assumed exercise of dilutive stock options and restricted stock under the treasury stock method.

The computation of basic and diluted net income per common share is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	\$1,151,000	\$2,856,000	\$6,127,000	\$7,967,000
Weighted average common shares outstanding — basic	7,127,000	6,976,000	7,094,000	6,926,000
Effect of dilutive securities	256,000	302,000	287,000	358,000
Weighted average common and potentially issuable common shares outstanding — diluted	7,383,000	7,278,000	7,381,000	7,284,000

Edgar Filing: CORE MOLDING TECHNOLOGIES INC - Form 10-Q

Basic net income per common share	\$0.16	\$0.41	\$0.86	\$1.15
Diluted net income per common share	\$0.16	\$0.39	\$0.83	\$1.09

At September 30, 2012 and 2011 there were 5,000 unexercised stock options that were not included in diluted earnings per share, as they were anti-dilutive.

8

Table of Contents

3. Major Customers

Core Molding Technologies currently has two major customers, Navistar, Inc. (“Navistar”) and PACCAR, Inc. (“PACCAR”). Major customers are defined as customers whose sales individually consist of more than ten percent of total sales during any reporting period. The following table presents sales revenue for the above-mentioned customers for the three and nine months ended September 30, 2012 and 2011:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Navistar product sales	\$11,902,000	\$17,643,000	\$43,756,000	\$46,155,000
Navistar tooling sales	5,456,000	325,000	6,494,000	1,152,000
Total Navistar sales	17,358,000	17,968,000	50,250,000	47,307,000
PACCAR product sales	12,507,000	12,754,000	44,028,000	34,227,000
PACCAR tooling sales	40,000	127,000	330,000	351,000
Total PACCAR sales	12,547,000	12,881,000	44,358,000	34,578,000
Other product sales	7,740,000	6,776,000	29,905,000	19,312,000
Other tooling sales	36,000	211,000	2,241,000	922,000
Total other sales	7,776,000	6,987,000	32,146,000	20,234,000
Total product sales	32,149,000	37,173,000	117,689,000	99,694,000
Total tooling sales	5,532,000	663,000	9,065,000	2,425,000
Total sales	\$37,681,000	\$37,836,000	\$126,754,000	\$102,119,000

4. Property, Plant & Equipment

Property, plant and equipment consisted of the following at September 30, 2012 and December 31, 2011:

	September 30, 2012	December 31, 2011
Property, plant and equipment	\$99,645,000	\$93,236,000
Accumulated depreciation	(47,307,000) (43,892,000
Property, plant and equipment — net	\$52,338,000	\$49,344,000

Property, plant, and equipment are recorded at cost. Depreciation is provided on a straight-line method over the estimated useful lives of the assets. The carrying amount of long-lived assets is evaluated annually to determine if an adjustment to the depreciation period or to the unamortized balance is warranted. Additions in progress were \$3,217,000 and \$7,271,000 at September 30, 2012 and December 31, 2011, respectively and primarily relate to the Matamoros, Mexico production facility expansion. The Company capitalized \$174,000 and \$35,000 of interest expense for the nine months ended September 30, 2012 and 2011, respectively. For the three months ended September 30, 2012 and 2011, the Company capitalized \$34,000 and \$35,000 of interest expense, respectively. At September 30, 2012 and December 31, 2011, purchase commitments for capital expenditures in progress were \$1,403,000 and \$4,356,000, respectively. These commitments are primarily related to the Company's Matamoros production facility expansion project.

Table of Contents

5. Post Retirement Benefits

The components of expense for Core Molding Technologies' post retirement benefit plans for the three and nine months ended September 30, 2012 and 2011 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Pension expense:				
Multi-employer plan contributions	\$ 125,000	\$ 103,000	\$ 344,000	\$ 307,000
Defined contribution plan contributions	115,000	121,000	426,000	412,000
Total pension expense	240,000	224,000	770,000	719,000
Health and life insurance:				
Interest cost	91,000	133,000	273,000	398,000
Amortization of prior service costs	(124,000)	(124,000)	(372,000)	(372,000)
Amortization of net loss	40,000	55,000	119,000	164,000
Net periodic benefit cost	7,000	64,000	20,000	190,000
Total post retirement benefits expense	\$ 247,000	\$ 288,000	\$ 790,000	\$ 909,000

The Company made payments of \$834,000 to pension plans and \$632,000 for post retirement healthcare and life insurance during the nine months ended September 30, 2012. For the remainder of 2012 the Company expects to make approximately \$187,000 of pension plan payments, of which \$58,000 was accrued at September 30, 2012. The Company also expects to make approximately \$369,000 of post retirement healthcare and life insurance payments for the remainder of 2012, all of which were accrued at September 30, 2012.

6. Debt

Debt consists of the following at:

	September 30, 2012	December 31, 2011
Capex loan payable to a bank, interest at a variable rate (1.98% and 2.02% at September 30, 2012 and December 31, 2011, respectively) with monthly payments of \$6,285,000 interest and principal through May 2016	\$6,285,000	\$7,571,000
Mexican loan payable to a bank, interest at a variable rate (1.94% at September 30, 2012 and December 31, 2011) with annual principal and monthly interest payments through January 2014	3,200,000	4,800,000
Industrial Development Revenue Bond, interest adjustable weekly (0.37% at September 30, 2012 and December 31, 2011), payable quarterly, principal due in variable quarterly installments through April 2013, secured by a bank letter of credit	625,000	1,210,000
Revolving line of credit, interest at a variable rate (1.94% at September 30, 2012) with monthly interest payments and a maturity date of May 31, 2014	752,000	—
Mexican Expansion Revolving loan	—	—
Total	10,862,000	13,581,000
Less current portion	(4,691,000)	(4,104,000)
Long-term debt	\$6,171,000	\$9,477,000

Credit Agreement

In 2008, the Company and its wholly owned subsidiary, CoreComposites de Mexico, S. de R.L. de C.V., entered into a credit agreement (the "Credit Agreement") to refinance certain existing debt and borrow funds to finance the

construction of the Company's manufacturing facility in Mexico.

Table of Contents

Under this Credit Agreement, the Company received certain loans, subject to the terms and conditions stated in the agreement, which included (1) a \$12,000,000 Capex loan; (2) an \$8,000,000 Mexican loan; (3) an \$8,000,000 variable rate revolving line of credit; (4) a \$2,678,563 term loan to refinance an existing term loan; and (5) a letter of credit in an undrawn face amount of \$3,332,493 with respect to the Company's existing Industrial Development Revenue Bond ("IDRB") financing. The Credit Agreement is secured by a guarantee of each U.S. subsidiary of the Company, and by a lien on substantially all of the present and future assets of the Company and its U.S. subsidiaries, except that only 65% of the stock issued by CoreComposites de Mexico, S. de C.V. has been pledged. The \$8,000,000 Mexican loan is also secured by substantially all of the present and future assets of the Company's Mexican subsidiary.

The Company is completing a \$14,500,000 capacity expansion to its Matamoros, Mexico production facility. In anticipation of funding needs for this expansion, the Company amended the Credit Agreement in 2011 to secure an additional \$10,000,000 Mexican expansion revolving loan as described below.

Revolving Line of Credit

On July 9, 2012, the Company and its wholly owned subsidiary, CoreComposites de Mexico, S. de R.L. de C.V., entered into a seventh amendment (the "Seventh Amendment") to the Credit Agreement. Pursuant to the terms of the Seventh Amendment, the parties agreed to extend the commitment for the revolving line of credit to May 31, 2014. The revolving line of credit bears interest at daily LIBOR plus 175 basis points and is collateralized by all of the present and future assets of the Company and its U.S. subsidiaries (except that only 65% of the stock issued by CoreComposites de Mexico, S. de C.V. has been pledged).

Mexican Expansion Revolving Loan

At September 30, 2012, the Company had available a \$10,000,000 variable rate revolving loan, scheduled to mature on May 31, 2013. The revolving loan bears interest at daily LIBOR plus 175 basis points and is collateralized by all of the present and future assets of the Company and its U.S. subsidiaries (except that only 65% of the stock issued by CoreComposites de Mexico, S. de C.V. has been pledged).

Bank Covenants

The Company is required to meet certain financial covenants included in the Credit Agreement with respect to leverage ratios, fixed charge ratios, capital expenditures as well as other customary affirmative and negative covenants. As of September 30, 2012, the Company was in compliance with its financial covenants associated with the loans made under the Credit Agreement as described above.

Management regularly evaluates the Company's ability to meet its debt covenants. Based upon the Company's forecasts, which are primarily based on industry analysts' estimates of heavy and medium-duty truck production volumes, as well as other assumptions, management believes that the Company will be able to maintain compliance with its financial covenants for the next 12 months.

Interest Rate Swaps

In conjunction with its variable rate IDR, the Company entered into an interest rate swap agreement through April 2013, which was initially designated as a cash flow hedging instrument. Under this agreement, the Company paid a fixed rate of 4.89% to the counterparty and received 76% of the 30-day commercial paper rate (0.10% at September 30, 2012). During 2010, the Company determined this interest rate swap was no longer highly effective. As a result, the Company discontinued the use of hedge accounting effective January 1, 2010 related to this swap, and began recording mark-to-market adjustments within interest expense in the Company's Consolidated Statements of Income. The pre-tax loss previously recognized in Accumulated Other Comprehensive Income, totaling \$200,000 as of December 31, 2009, is being amortized as an increase to interest expense of \$5,000 per month, or \$3,000 net of tax, over the remaining term of the interest rate swap agreement. The fair value of the swap was a liability of \$15,000 and \$52,000 as of September 30, 2012 and December 31, 2011, respectively. The Company recorded interest income of \$37,000 for a mark-to-market adjustment of swap fair value for the first nine months of 2012 related to this swap. The notional amount of the swap at September 30, 2012 and December 31, 2011 was \$625,000 and \$1,210,000, respectively.

Effective December 18, 2008, the Company entered into an interest rate swap agreement that became effective May 1, 2009 and continues through May 2016, which was designated as a cash flow hedge of the \$12,000,000 Capex loan. Under this agreement, the Company pays a fixed rate of 2.295% to the counterparty and receives LIBOR (0.23% at September 30, 2012). Effective March 31, 2009, the interest terms in the Company's Credit Agreement related to the \$12,000,000 Capex loan were amended. The Company then determined that this interest rate swap was no longer highly effective. As a result, the Company discontinued the use of hedge accounting effective March 31, 2009 related to this swap, and began recording mark-to-market adjustments within

Table of Contents

interest expense in the Company's Consolidated Statements of Income. The pre-tax loss previously recognized in Accumulated Other Comprehensive Income, totaling \$146,000 as of March 31, 2009, is being amortized as an increase to interest expense of \$2,000 per month, or \$1,000 net of tax, over the remaining term of the interest rate swap agreement. The fair value of the swap as of September 30, 2012 and December 31, 2011 was a liability of \$237,000 and \$279,000, respectively. The Company recorded interest income of \$42,000 for a mark-to-market adjustment of swap fair value for the first nine months of 2012 related to this swap. The notional amount of the swap at September 30, 2012 and December 31, 2011 was \$6,286,000 and \$7,571,000, respectively.

Interest expense includes \$41,000 and \$52,000 of expense for settlements related to the Company's swaps for the three months ended September 30, 2012 and 2011, respectively. For the nine months ended September 30, 2012 and 2011, interest expense includes \$134,000 and \$179,000, respectively, of expense for settlements related to the Company's swaps.

7. Income Taxes

The Company's consolidated balance sheets at September 30, 2012 and December 31, 2011 include a net deferred tax asset of \$2,963,000 and \$2,888,000, respectively. The Company performs analyses to evaluate the balance of deferred tax assets that will be realized. Such analyses are based on the premise that the Company is, and will continue to be, a going concern and that it is more likely than not that deferred tax benefits will be realized through the generation of future taxable income.

Income tax expense for the nine months ended September 30, 2012 is estimated to be \$3,066,000, or 33% of income before income taxes. Income tax expense for the nine months ended September 30, 2011 was estimated to be \$4,389,000, or 36% of income before income taxes.

As of September 30, 2012, the Company had no liability for unrecognized tax benefits. The Company does not anticipate that the unrecognized tax benefits will significantly change within the next twelve months.

The Company files income tax returns in the U.S. federal jurisdiction, Mexico and various state jurisdictions. The Company is no longer subject to U.S. federal and state income tax examinations by tax authorities for the years before 2009, and no longer subject to Mexican income tax examinations by Mexican authorities for the years before 2007.

8. Share Based Compensation

The Company has a Long Term Equity Incentive Plan (the "2006 Plan"), as approved by the Company's stockholders in May 2006. This 2006 Plan replaced the Long Term Equity Incentive Plan (the "Original Plan") as originally approved by the stockholders in May 1997 and as amended in May 2000. The 2006 Plan allows for grants to directors and employees of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, performance shares, performance units and other incentive awards ("Stock Awards") up to an aggregate of 3,000,000 awards, each representing a right to buy a share of Core Molding Technologies common stock. Stock Awards can be granted under the 2006 Plan through the earlier of December 31, 2015, or the date the maximum number of available awards under the 2006 Plan have been granted.

Stock Options

The following summarizes the activity relating to stock options under the plans mentioned above for the nine months ended September 30, 2012:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2011	400,650	\$3.35
Exercised	(25,775) 3.14
Granted	—	—
Forfeited	—	—
Outstanding at September 30, 2012	374,875	\$3.37
Exercisable at September 30, 2012	354,775	\$3.40

Table of Contents

The following summarizes the status of, and changes to, unvested options during the nine months ended September 30, 2012:

	Number of Options	Weighted Average Exercise Price
Unvested at December 31, 2011	20,100	\$2.75
Granted	—	—
Vested	—	—
Forfeited	—	—
Unvested at September 30, 2012	20,100	\$2.75

At September 30, 2012 and 2011, there was \$13,000 and \$18,000, respectively, of total unrecognized compensation expense related to unvested stock options granted under the plan. That cost is expected to be recognized over the weighted-average period of 1.3 years. Total compensation cost related to incentive stock options was \$4,000 for the nine months ended September 30, 2012 and 2011, all of which is included in selling, general and administrative expenses.

Restricted Stock

In 2006, the Company began granting shares of its common stock to certain directors, officers, and key managers in the form of unvested stock (“Restricted Stock”). These awards are recorded at the market value of Core Molding Technologies’ common stock on the date of issuance and amortized ratably as compensation expense over the applicable vesting period.

The following summarizes the status of Restricted Stock grants as of September 30, 2012 and changes during the nine months ended September 30, 2012:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested balance at December 31, 2011	173,556	\$5.21
Granted	59,070	7.93
Vested	(88,415) 4.44
Forfeited	—	—
Unvested balance September 30, 2012	144,211	\$6.79

At September 30, 2012 and 2011, there was \$657,000 and \$626,000, respectively, of total unrecognized compensation expense related to Restricted Stock granted under the 2006 Plan. That cost is expected to be recognized over the weighted-average period of 1.6 years. Total compensation cost related to restricted stock grants for the nine months ended September 30, 2012 and 2011 was \$310,000 and \$280,000, respectively, all of which was recorded to selling, general and administrative expense.

During the nine months ended September 30, 2012 and 2011, employees surrendered 31,455 and 25,902 shares, respectively, of the Company’s common stock to satisfy income tax withholding obligations in connection with the vesting of restricted stock.

9. Fair Value of Financial Instruments

The Company’s financial instruments consist of long-term debt, interest rate swaps, accounts receivable, and accounts payable. The carrying amount of these financial instruments approximated their fair value.

The level in the fair value hierarchy disclosed is based on the lowest level of input that is significant to the fair value measurement. Level 2 inputs are inputs, other than quoted prices in active markets for identical asset or liabilities, that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data. The Company has two Level 2 fair value measurements all of which relate to the Company’s interest rate swaps. The Company utilizes interest rate swap contracts to manage its targeted mix of fixed and floating rate debt, and these swaps are valued using observable benchmark rates at commonly quoted intervals for the full term of the swaps

(market approach). These interest rate swaps are discussed in detail in Note 6.

Table of Contents

The following table presents financial liabilities measured and recorded at fair value on the Company's Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of September 30, 2012 and December 31, 2011:

	Balance Sheet Location	(Level 2) September 30, 2012 Fair Value	December 31, 2011 Fair Value
Derivatives not designated as hedging instruments	Interest rate swaps	\$252,000	\$331,000
Interest rate risk activities			

There were no non-recurring fair value measurements for the nine months ended September 30, 2012.

The effect of derivative instruments on the Consolidated Statements of Income was as follows:

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Realized/Unrealized Gain (Loss) Recognized in Income on Derivatives	
		September 30, 2012	September 30, 2011
Three months ended			
Interest rate swaps	Interest expense	\$3,000	\$(74,000)
Nine months ended			
Interest rate swaps	Interest expense	\$17,000	\$(89,000)

As discussed in Note 6, the Company discontinued the use of hedge accounting for its two interest rate swaps, effective March 31, 2009 for the Capex swap and January 1, 2010 for the IDR swap. The Company now records all mark-to-market adjustments related to these interest rate swaps within interest expense in the Company's Consolidated Statements of Income, since the date the Company discontinued hedge accounting for each swap. It is anticipated that during the next twelve months the expiration and settlement of cash flow hedge contracts along with the amortization of losses on discontinued hedges will result in income statement recognition of amounts currently classified in accumulated other comprehensive loss of approximately \$52,000, or \$34,000 net of taxes.

Table of Contents

10. Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update 2011-04, Fair Value Measurement (Topic 820) — Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU 2011-04). ASU 2011-04 represents the converged guidance of the FASB and the International Accounting Standards Board on fair value measurement. The guidance clarifies certain existing requirements and changes certain principles to achieve convergence between U.S. GAAP and IFRS. ASU 2011-04 also expands the disclosures for fair value measurements. ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In June 2011, the FASB issued Accounting Standards Update 2011-05, Presentation of Comprehensive Income (ASU 2011-05). ASU 2011-05 amends guidance on the presentation of comprehensive income to require entities to report components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements. In addition, an entity is required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. In December 2011, the FASB issued an update to this guidance, Accounting Standards Update 2011-12, Comprehensive Income (Topic 220) — Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05 (ASU 2011-12), which defers the effective date for the presentation of reclassification of items out of accumulated other comprehensive income to some future period. Except for the presentation of reclassification adjustments, the provisions of this guidance are effective for interim and annual periods beginning after December 15, 2011. This accounting standards update impacted our disclosures only, and did not have any impact on our financial condition, results of operations or liquidity. The disclosures required by this accounting standards update are presented in the Consolidated Statements of Comprehensive Income.

In September 2011, the FASB issued Accounting Standards Update 2011-08, Intangibles — Goodwill and Other (Topic 350) — Testing Goodwill for Impairment (ASU 2011-08). ASU 2011-08 amends guidance on the testing of goodwill for impairment to reduce complexity and costs by allowing an entity the option to make a qualitative evaluation about the likelihood of goodwill impairment to determine whether it should calculate the fair value of a reporting unit. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Table of Contents

Part I — Financial Information

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of the federal securities laws. As a general matter, forward-looking statements are those focused upon future plans, objectives or performance as opposed to historical items and include statements of anticipated events or trends and expectations and beliefs relating to matters not historical in nature. Such forward-looking statements involve known and unknown risks and are subject to uncertainties and factors relating to Core Molding Technologies' operations and business environment, all of which are difficult to predict and many of which are beyond Core Molding Technologies' control. These uncertainties and factors could cause Core Molding Technologies' actual results to differ materially from those matters expressed in or implied by such forward-looking statements.

Core Molding Technologies believes that the following factors, among others, could affect its future performance and cause actual results to differ materially from those expressed or implied by forward-looking statements made in this report: business conditions in the plastics, transportation, marine and commercial product industries; federal and state regulations (including engine emission regulations); general economic, social and political environments in the countries in which Core Molding Technologies operates; safety and security conditions in Mexico; dependence upon two major customers as the primary source of Core Molding Technologies' sales revenues; efforts of Core Molding Technologies to expand its customer base; the actions of competitors, customers, and suppliers; failure of Core Molding Technologies' suppliers to perform their obligations; the availability of raw materials; inflationary pressures; new technologies; regulatory matters; labor relations; the loss or inability of Core Molding Technologies to attract and retain key personnel; federal, state and local environmental laws and regulations; the availability of capital; the ability of Core Molding Technologies to provide on-time delivery to customers, which may require additional shipping expenses to ensure on-time delivery or otherwise result in late fees; risk of cancellation or rescheduling of orders; management's decision to pursue new products or businesses which involve additional costs, risks or capital expenditures; and other risks identified from time-to-time in Core Molding Technologies' other public documents on file with the Securities and Exchange Commission, including those described in Item 1A of the 2011 Annual Report to Shareholders on Form 10-K.

Description of the Company

Core Molding Technologies is a manufacturer of sheet molding compound ("SMC") and molder of fiberglass reinforced plastics. The Company specializes in large-format moldings and offers a wide range of fiberglass processes, including compression molding of SMC, glass mat thermoplastics ("GMT") and bulk molding compounds ("BMC"); spray-up, hand-lay-up, and resin transfer molding ("RTM"). Additionally, the Company offers reaction injection molding ("RIM"), utilizing dicyclopentadiene technology. Core Molding Technologies serves a wide variety of markets, including medium and heavy-duty truck, marine, automotive, and other commercial products. Product sales to heavy and medium-duty truck markets accounted for 86% and 92% of the Company's sales for the nine months ended September 30, 2012 and 2011, respectively. The demand for Core Molding Technologies' products is affected by economic conditions in the United States, Canada, and Mexico. Core Molding Technologies' manufacturing operations have a significant fixed cost component. Accordingly, during periods of changing demand, the profitability of Core Molding Technologies' operations may change proportionately more than revenues from operations.

In 1996, Core Molding Technologies acquired substantially all of the assets and assumed certain liabilities of Columbus Plastics, a wholly owned operating unit of Navistar's truck manufacturing division since its formation in late

1980. Columbus Plastics, located in Columbus, Ohio, was a compounder and compression molder of SMC. In 1998, Core Molding Technologies began operations at its second facility in Gaffney, South Carolina, and in 2001, Core Molding Technologies acquired certain assets of Airshield Corporation. As a result of this acquisition, Core Molding Technologies expanded its fiberglass molding capabilities to include the spray up, hand-lay-up open mold processes and RTM closed molding. In 2004, Core Molding Technologies acquired substantially all the operating assets of Keystone Restyling Products, Inc., a privately held manufacturer and distributor of fiberglass reinforced products for the automotive-aftermarket industry. In 2005, Core Molding Technologies acquired certain assets of the Cincinnati Fiberglass Division of Diversified Glass, Inc., a Batavia, Ohio-based, privately held manufacturer and distributor of fiberglass reinforced plastic components supplied primarily to the heavy-duty truck market. In 2009, the Company completed construction of a production facility in Matamoros, Mexico that replaced its leased facility. In July 2011, the Company formed Core Specialty Composites and leased a facility in Warsaw, Kentucky to produce parts for customers outside of the Company's traditional markets. Due to changing market conditions for products manufactured at the Warsaw facility the Company terminated its lease and closed its Warsaw facility in October 2012.

Table of Contents

Overview

For the nine months ended September 30, 2012 the Company recorded net income of \$6,127,000, or \$0.86 per basic and \$0.83 per diluted share, compared with net income of \$7,967,000, or \$1.15 per basic and \$1.09 per diluted share, for the nine months ended September 30, 2011. Product sales increased 18% for the nine months ended September 30, 2012 as compared to the same period in 2011. This increase, all of which occurred in the first six months of the year, was primarily the result of increased demand from North American heavy and medium-duty truck customers and new business awards. Product sales for the third quarter of 2012 decreased 14% as compared to the third quarter of 2011 for reasons noted below.

For the remainder of 2012, industry analysts and several of our customers are forecasting production rates to be consistent with those experienced in the third quarter of 2012. Considering these forecasts, the Company anticipates lower product sales during the fourth quarter of 2012 as compared to the same period in 2011. Recent truck industry analysts' forecasts for 2013 project combined heavy and medium-duty production levels to be slightly above the levels estimated for 2012. The Company also anticipates that new product launches expected to occur in the fourth quarter of 2012 and early 2013 will have a favorable impact on the Company's product sales in 2013.

As previously disclosed, due to changes in market conditions and business plans, the customer served by the Company's Warsaw, Kentucky facility informed the Company it did not intend to continue purchasing products produced at the Warsaw facility beyond June 2012. In October 2012, the Company and its customer agreed to terminate the supply agreement. The Company subsequently terminated its facility lease and permanently closed the Warsaw facility. The Company does not anticipate any adverse financial impact in the fourth quarter associated with this operation or the closure of this facility.

Results of Operations

Three Months Ended September 30, 2012, as Compared to Three Months Ended September 30, 2011

Net sales for the three months ended September 30, 2012 and 2011 totaled \$37,681,000 and \$37,836,000, respectively. Included in total sales were tooling project sales of \$5,532,000 and \$663,000 for the three months ended September 30, 2012 and 2011, respectively. Tooling project sales result from billings to customers primarily for molds and assembly equipment specific to their products as well as other non-production billings. These sales are sporadic in nature and fluctuate in regard to scope and related revenue on a period-to-period basis. Total product sales, excluding tooling project sales, were approximately 14% lower for the three months ended September 30, 2012, as compared to the same period a year ago. The primary reasons for the decrease were lower demand from North American heavy and medium-duty truck customers.

Sales to Navistar totaled \$17,358,000 for the three months ended September 30, 2012, decreasing 3% from \$17,968,000 in sales for the three months ended September 30, 2011. Included in total sales was \$5,456,000 of tooling sales for the three months ended September 30, 2012 compared to \$325,000 for the same three months in 2011.

Product sales to Navistar decreased 33% for the three months ended September 30, 2012 as compared to the same period in the prior year due to an overall decline in demand from Navistar.

Sales to PACCAR totaled \$12,547,000 for the three months ended September 30, 2012, decreasing 3% from \$12,881,000 in sales for the three months ended September 30, 2011. Included in total sales was \$40,000 of tooling sales for the three months ended September 30, 2012 compared to \$127,000 for the same three months in 2011.

Product sales to PACCAR decreased by 2% for the three months ended September 30, 2012 as compared to the same period in the prior year due to an overall decline in demand from PACCAR.

Sales to other customers for the three months ended September 30, 2012 increased 11% to \$7,776,000 compared to \$6,987,000 for the three months ended September 30, 2011. Included in total sales was \$36,000 of tooling sales for the three months ended September 30, 2012 compared to \$211,000 for the same three months in 2011. Product sales to other customers increased \$964,000 or 14% for the three months ended September 30, 2012 as compared to the same period in the prior year, with \$478,000 of the increase resulting from increased product sales to customers in the

automotive industry. The remaining increase was primarily due to increased product sales to customers in the marine industry.

Gross margin was approximately 13% of sales for the three months ended September 30, 2012, compared with 22% for the three months ended September 30, 2011. Production inefficiencies unfavorably impacted gross margin as a percent of sales by 4%. These inefficiencies were primarily related to both production and indirect labor. Fixed costs of production also increased as a percent of sales by 2%, primarily due to reduced sales volume. A change in the Company's sales mix to products with lower margins negatively impacted gross margin as a percent of sales by 1.5%. Additionally, tooling sales had a dilutive effect on gross margin as a percent of sales of 1.5% for the quarter. Tooling sales do not provide the same margins as product sales.

Table of Contents

Selling, general and administrative expense (“SG&A”) was \$3,032,000 for the three months ended September 30, 2012, compared to \$3,417,000 for the three months ended September 30, 2011. Contributing to the decrease in SG&A expense were a \$436,000 decrease in profit sharing expense and a \$144,000 net favorable impact of foreign currency. Partially offsetting these decreases were increases in SG&A labor and outside service costs of \$151,000 and \$118,000, respectively.

Interest expense totaled \$96,000 for the three months ended September 30, 2012, compared to interest expense of \$171,000 for the three months ended September 30, 2011. The primary cause of the decrease was mark to market adjustments on the Company’s interest rate swaps. In the three months ended September 30, 2012, approximately \$24,000 of income was recorded related to the mark to market of the Company’s interest rate swaps as compared to approximately \$53,000 of expense for the three months ended September 30, 2011.

Income tax expense for the three months ended September 30, 2012 and 2011 was approximately 38% of total income before income taxes.

The Company recorded net income for the three months ended September 30, 2012 of \$1,151,000, or \$0.16 per basic and diluted share, compared with net income of \$2,856,000, or \$0.41 per basic and \$0.39 per diluted share, for the three months ended September 30, 2011.

Nine Months Ended September 30, 2012, as Compared to Nine Months Ended September 30, 2011

Net sales for the nine months ended September 30, 2012 totaled \$126,754,000, representing an approximate 24% increase from the \$102,119,000 reported for the nine months ended September 30, 2011. Included in total sales were tooling project sales of \$9,065,000 and \$2,425,000 for the nine months ended September 30, 2012 and 2011, respectively. Tooling project sales result from billings to customers primarily for molds and assembly equipment specific to their products as well as other non-production billings. These sales are sporadic in nature and fluctuate in regard to scope and related revenue on a period-to-period basis. Total product sales, excluding tooling project sales, were approximately 18% higher for the nine months ended September 30, 2012, as compared to the same period a year ago. The primary reasons for the increase in product sales were higher demand from North American heavy and medium-duty truck customers as well as increased sales from new business awards.

Sales to Navistar totaled \$50,250,000 for the nine months ended September 30, 2012, increasing 6% from \$47,307,000 in sales for the nine months ended September 30, 2011. Included in total sales was \$6,494,000 of tooling sales for the nine months ended September 30, 2012 compared to \$1,152,000 for the same nine months in 2011.

Product sales to Navistar decreased by 5% for the nine months ended September 30, 2012 as compared to the same period in the prior year due to an overall decline in demand from Navistar.

Sales to PACCAR totaled \$44,358,000 for the nine months ended September 30, 2012, increasing 28% from \$34,578,000 in sales for the nine months ended September 30, 2011. Included in total sales was \$330,000 of tooling sales for the nine months ended September 30, 2012 compared to \$351,000 for the same nine months in 2011. Product sales to PACCAR increased by 29% for the nine months ended September 30, 2012 as compared to the same period in the prior year. Sales to PACCAR were higher due to an overall increase in demand from PACCAR and due to new product launches.

Sales to other customers for the nine months ended September 30, 2012 increased 59% to \$32,146,000 compared to \$20,234,000 for the nine months ended September 30, 2011. Included in total sales was \$2,241,000 of tooling sales for the nine months ended September 30, 2012 compared to \$922,000 for the same nine months in 2011. Product sales to other customers increased \$10,593,000 or 55% for the nine months ended September 30, 2012 as compared to the same period in the prior year, with \$6,797,000 of the increase resulting from increased product sales to customers in the marine industry. The remaining increase was primarily due to increased demand for the Company’s products from other heavy and medium-duty truck customers as well as customers in the automotive industry.

Gross margin was approximately 15.5% of sales for the nine months ended September 30, 2012, compared with 22% for the nine months ended September 30, 2011. Start-up costs and production inefficiencies incurred at the Company’s production facility in Warsaw, Kentucky reduced gross margin as a percent of sales by approximately 1.5%. As discussed above, the Company closed this facility in October 2012. Production inefficiencies at the Company’s other facilities unfavorably impacted gross margin as a percent of sales by approximately 3%. These inefficiencies were primarily related to both production and indirect labor. A change in the Company’s product mix to products with lower

margins negatively impacted gross margin as a percent of sales by approximately 1.5%. Additionally, tooling sales had a dilutive effect on gross margin as a percent of sales of 0.5%. Tooling sales do not provide the same margins as product sales.

Selling, general and administrative expense ("SG&A") was \$10,232,000 for the nine months ended September 30, 2012, compared to \$9,517,000 for the nine months ended September 30, 2011. Outside service costs and labor costs increased \$500,000 and

Table of Contents

\$432,000, respectively. Also impacting SG&A were increased travel costs of \$178,000 and higher supplies, repairs and maintenance of \$107,000. These increases were partially offset by lower profit sharing expense of \$507,000. Interest expense totaled \$221,000 for the nine months ended September 30, 2012, compared to interest expense of \$620,000 for the nine months ended September 30, 2011. Increased capitalized interest related to the Matamoros, Mexico facility expansion project reduced interest expense by \$139,000. Reductions in outstanding loan balances due to regularly scheduled principal payments also reduced interest expense by \$111,000. Mark to market adjustments on the Company's interest rate swaps also contributed to the decrease in interest expense. For the nine months ended September 30, 2012, the Company recorded approximately \$79,000 of income related to the mark to market of the Company's interest rate swaps as compared to approximately \$27,000 of expense for the nine months ended September 30, 2011.

Income tax expense for the nine months ended September 30, 2012 was approximately 33% of income before income taxes. Income tax expense for the nine months ended September 30, 2011 was approximately 36% of income before income taxes. The decrease in income taxes as a percent of income before taxes is primarily due to a lower Mexican effective income tax rate and 2011 taxes including \$105,000 of interest and penalties related to Mexican income tax filings.

The Company recorded net income for the nine months ended September 30, 2012 of \$6,127,000 or \$0.86 per basic and \$0.83 per diluted share, compared with net income of \$7,967,000, or \$1.15 per basic and \$1.09 per diluted share, for the nine months ended September 30, 2011.

Liquidity and Capital Resources

The Company's primary sources of funds have been cash generated from operating activities and borrowings from third parties. Primary cash requirements are for operating expenses, increases in working capital and capital expenditures.

Cash provided by operating activities for the nine months ended September 30, 2012 totaled \$5,323,000. Net income of \$6,127,000 positively impacted operating cash flows. Non-cash expenses of depreciation and amortization contributed \$3,492,000 to operating cash flow. Changes in working capital decreased cash provided by operating activities by \$3,968,000. Changes in working capital primarily relate to a decrease in accrued liabilities, which included amounts accrued for profit sharing at December 31, 2011 that were paid in 2012. Increases in inventories and increased prepaid and other assets at September 30, 2012 as compared to December 31, 2011 had a negative impact on working capital. These were partially offset by decreased accounts receivable at September 30, 2012 as compared to December 31, 2011.

Cash used in investing activities for the nine months ended September 30, 2012 was \$7,066,000, which primarily represents equipment purchases, building expansion and improvements at the Company's Matamoros, Mexico facility. As previously disclosed, the Company will require additional capacity at its Matamoros, Mexico facility, which will support increased production volumes as well as new programs for customers. The Company plans to invest approximately \$14,500,000 for this capacity expansion, of which approximately \$12,500,000 had been spent as of September 30, 2012. In total, Core Molding Technologies anticipates spending approximately \$2,500,000 during the remainder of 2012 on property, plant and equipment purchases for all of the Company's operations. At September 30, 2012, purchase commitments for capital expenditures in progress were \$1,403,000, and are primarily related to the Company's Matamoros production facility expansion project.

Cash used in financing activities for the nine months ended September 30, 2012 totaled \$2,891,000, which was primarily a result of scheduled repayments of principal on the Company's outstanding loans.

At September 30, 2012, the Company had no cash on hand, a revolving line of credit of up to \$8,000,000 and a Mexican expansion revolving loan of \$10,000,000. At September 30, 2012, Core Molding Technologies had outstanding borrowings on the revolving line of credit of \$752,000, and no outstanding borrowings on the Mexican expansion revolving loan. On July 9, 2012, the Company and its wholly owned subsidiary, CoreComposites de Mexico, S. de R.L. de C.V., entered into a seventh amendment (the "Seventh Amendment") to the Credit Agreement. Pursuant to the terms of the Seventh Amendment, the parties agreed to extend the commitment for the revolving line of credit to May 31, 2014. The Mexican expansion revolving loan is scheduled to mature on May 31, 2013. The Company has not utilized, and does not anticipate the need to utilize or renew, the Mexican expansion revolving loan to complete the remaining portion of the Matamoros expansion.

The Company is required to meet certain financial covenants included in the Credit Agreement with respect to leverage ratios, fixed charge ratios, capital expenditures as well as other customary affirmative and negative covenants. As of September 30, 2012, the Company was in compliance with its financial covenants.

Table of Contents

Management regularly evaluates the Company's ability to effectively meet its debt covenants based on the Company's forecasts. Based on the Company's forecasts which are primarily based on industry analysts' estimates of heavy and medium-duty truck production volumes, as well as other assumptions, management believes that the Company will be able to maintain compliance with its financial covenants for the next 12 months. Management believes that cash flow from operating activities and available borrowings under the Credit Agreement will be sufficient to meet the Company's liquidity needs. If a material adverse change in the financial position of Core Molding Technologies should occur, or if actual sales or expenses are substantially different than what has been forecasted, Core Molding Technologies' liquidity and ability to obtain further financing to fund future operating and capital requirements could be negatively impacted.

Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update 2011-04, Fair Value Measurement (Topic 820) — Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU 2011-04). ASU 2011-04 represents the converged guidance of the FASB and the International Accounting Standards Board on fair value measurement. The guidance clarifies certain existing requirements and changes certain principles to achieve convergence between U.S. GAAP and IFRS. ASU 2011-04 also expands the disclosures for fair value measurements. ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In June 2011, the FASB issued Accounting Standards Update 2011-05, Presentation of Comprehensive Income (ASU 2011-05). ASU 2011-05 amends guidance on the presentation of comprehensive income to require entities to report components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements. In addition, an entity is required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. In December 2011, the FASB issued an update to this guidance, Accounting Standards Update 2011-12, Comprehensive Income (Topic 220) — Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05 (ASU 2011-12), which defers the effective date for the presentation of reclassification of items out of accumulated other comprehensive income to some future period. Except for the presentation of reclassification adjustments, the provisions of this guidance are effective for interim and annual periods beginning after December 15, 2011. This accounting standards update impacted our disclosures only, and did not have any impact on our financial condition, results of operations or liquidity. The disclosures required by this accounting standards update are presented in the Consolidated Statements of Comprehensive Income.

In September 2011, the FASB issued Accounting Standards Update 2011-08, Intangibles — Goodwill and Other (Topic 350) — Testing Goodwill for Impairment (ASU 2011-08). ASU 2011-08 amends guidance on the testing of goodwill for impairment to reduce complexity and costs by allowing an entity the option to make a qualitative evaluation about the likelihood of goodwill impairment to determine whether it should calculate the fair value of a reporting unit. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Table of Contents

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations discuss the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to accounts receivable, inventories, self-insurance, post retirement benefits, and income taxes. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Accounts receivable allowances: Management maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The Company recorded an allowance for doubtful accounts of \$316,000 and \$236,000 at September 30, 2012 and December 31, 2011, respectively. Management also records estimates for customer returns and deductions, discounts offered to customers, and for price adjustments. Should customer returns and deductions, discounts, and price adjustments fluctuate from the estimated amounts, additional allowances may be required. The Company has reduced accounts receivable for chargebacks by \$1,214,000 at September 30, 2012 and \$1,283,000 at December 31, 2011.

Inventories: Inventories, which include material, labor and manufacturing overhead, are valued at the lower of cost or market. The inventories are accounted for using the first-in, first-out (FIFO) method of determining inventory costs. Inventory quantities on-hand are regularly reviewed, and where necessary, provisions for excess and obsolete inventory are recorded based on historical and anticipated usage. The Company has recorded an allowance for slow moving and obsolete inventory of \$855,000 at September 30, 2012 and \$862,000 at December 31, 2011.

Long-Lived Assets: Long-lived assets consist primarily of property, plant and equipment. The recoverability of long-lived assets is evaluated by an analysis of operating results and consideration of other significant events or changes in the business environment. The Company evaluates whether impairment exists for property, plant and equipment on the basis of undiscounted expected future cash flows from operations before interest. There was no impairment of the Company's long-lived assets for the nine months ended September 30, 2012 or September 30, 2011.

Goodwill: Core Molding Technologies acquired certain assets of Airshield Corporation in 2001, and as a result, recorded goodwill related to its Matamoros, Mexico operations in the amount of \$1,097,000. The Company evaluates goodwill annually on December 31st to determine whether impairment exists, or at interim periods if an indicator of possible impairment exists. The Company evaluates goodwill for impairment using fair value measurements based on a projected discounted cash flow valuation model, in accordance with ASC 350, "Intangibles-Goodwill and Other." If impairment exists, the carrying amount of the goodwill is reduced to its estimated fair value. There was no impairment of the Company's goodwill for the nine months ended September 30, 2012 or September 30, 2011.

Self-Insurance: The Company is self-insured with respect to its U.S. based medical and dental claims and its Columbus and Batavia, Ohio workers' compensation claims, all of which are subject to stop-loss insurance thresholds. The Company has recorded an estimated liability for self-insured medical and dental claims incurred but not reported and worker's compensation claims incurred but not reported at September 30, 2012 and December 31, 2011 of \$979,000 and \$1,045,000, respectively.

Post retirement benefits: Management records an accrual for post retirement costs associated with the health care plan sponsored by Core Molding Technologies. Should actual results differ from the assumptions used to determine the reserves, additional provisions may be required. In particular, increases in future healthcare costs above the assumptions could have an adverse effect on Core Molding Technologies' operations. The effect of a change in

healthcare costs is described in Note 11 of the Notes to Consolidated Financial Statements, which are contained in the Company's 2011 Annual Report to Shareholders on Form 10-K. Core Molding Technologies had a liability for post retirement healthcare benefits based on actuarially computed estimates of \$9,223,000 at September 30, 2012 and \$9,582,000 at December 31, 2011.

Table of Contents

Revenue Recognition: Revenue from product sales is recognized at the time products are shipped and title transfers. Allowances for returned products and other credits are estimated and recorded as revenue is recognized. Tooling revenue is recognized when the customer approves the tool and accepts ownership. Progress billings and expenses are shown net as an asset or liability on the Company's Consolidated Balance Sheet. Tooling in progress can fluctuate significantly from period to period and is dependent upon the stage of tooling projects and the related billing and expense payment timetable for individual projects and therefore does not necessarily reflect projected income or loss from tooling projects. At September 30, 2012 the Company had a net asset related to tooling in progress of \$331,000, which represents approximately \$13,227,000 of progress tooling billings and \$13,558,000 of progress tooling expenses. At December 31, 2011 the Company had a net liability related to tooling in progress of \$1,520,000, which represents approximately \$8,270,000 of progress tooling billings and \$6,750,000 of progress tooling expenses. Income taxes: The Consolidated Balance Sheets at September 30, 2012 and December 31, 2011, include a deferred tax asset of \$2,963,000 and \$2,888,000, respectively. The Company performs analyses to evaluate the balance of deferred tax assets that will be realized. Such analyses are based on the premise that the Company is, and will continue to be, a going concern and that it is more likely than not that deferred tax benefits will be realized through the generation of future taxable income. For more information, refer to refer to Note 10 of the Notes to Consolidated Financial Statements, which are contained in the Company's 2011 Annual Report to Shareholders on Form 10-K.

Table of Contents

Part I — Financial Information

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Core Molding Technologies' primary market risk results from changes in the price of commodities used in its manufacturing operations. Core Molding Technologies is also exposed to fluctuations in interest rates and foreign currency fluctuations associated with the Mexican Peso. Core Molding Technologies does not hold any material market risk sensitive instruments for trading purposes.

Core Molding Technologies has the following five items that are sensitive to market risks: (1) Industrial Development Revenue Bond ("IDRB") with a variable interest rate (although the Company has an interest rate swap to fix the interest rate at 4.89%); (2) Revolving Line of Credit, Mexican Expansion Revolving Loan and Mexican Loan payable under the Credit Agreement, each of which bears a variable interest rate; (3) Capex Loan payable with a variable interest rate (although the Company has an interest rate swap to fix the variable portion of the applicable interest rate at 2.3%); (4) foreign currency purchases in which the Company purchases Mexican pesos with United States dollars to meet certain obligations that arise due to operations at the facility located in Mexico; and (5) raw material purchases in which Core Molding Technologies purchases various resins and fiberglass for use in production. The prices and availability of these materials are affected by the prices of crude oil and natural gas as well as processing capacity versus demand. Assuming a hypothetical 10% increase in commodity prices, Core Molding Technologies would be impacted by an increase in raw material costs, which would have an adverse effect on operating margins.

Assuming a hypothetical 10% change in short-term interest rates, interest paid on the Company's Line of Credit, Mexican Expansion Revolving Loan and the Mexican Loan would have been impacted, as the interest rate on these loans is based upon LIBOR, however, it would not have a material effect on earnings before tax.

A 10% change in future interest rate curves would impact the fair value of the Company's interest rate swaps.

Table of Contents

Part I — Financial Information

Item 4. Controls and Procedures

As of the end of the period covered by this report, the Company has carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and its Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based upon this evaluation, the Company's management, including its Chief Executive Officer and its Chief Financial Officer, concluded that the Company's disclosure controls and procedures were (i) effective to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act was accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure, and (ii) effective to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There were no changes in internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) that occurred in the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

Part II — Other Information

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There have been no material changes in Core Molding Technologies' risk factors from those previously disclosed in Core Molding Technologies' 2011 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Information concerning our stock repurchases during the three months ended September 30, 2012 is below. All stock was purchased to satisfy tax withholding obligations upon vesting of restricted stock awards.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number that May Yet Be Purchased Under the Plans or Programs
July 1 to 31, 2012	19,831	\$8.11	—	—
August 1 to 31, 2012	—	\$—	—	—
September 1 to 30, 2012	—	\$—	—	—

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

See Index to Exhibits.

Table of Contents

INDEX TO EXHIBITS

Exhibit No.	Description	Location
2(a)(1)	Asset Purchase Agreement Dated as of September 12, 1996, As amended October 31, 1996, between Navistar and RYMAC Mortgage Investment Corporation ¹	Incorporated by reference to Exhibit 2-A to Registration Statement on Form S-4 (Registration No. 333-15809)
2(a)(2)	Second Amendment to Asset Purchase Agreement dated December 16, 1996 ¹	Incorporated by reference to Exhibit 2(a)(2) to Annual Report on Form 10-K for the year-ended December 31, 2001
2(b)(1)	Agreement and Plan of Merger dated as of November 1, 1996, between Core Molding Technologies, Inc. and RYMAC Mortgage Investment Corporation	Incorporated by reference to Exhibit 2-B to Registration Statement on Form S-4 (Registration No. 333-15809)
2(b)(2)	First Amendment to Agreement and Plan of Merger dated as of December 27, 1996 Between Core Molding Technologies, Inc. and RYMAC Mortgage Investment Corporation	Incorporated by reference to Exhibit 2(b)(2) to Annual Report on Form 10-K for the year ended December 31, 2002
2(c)	Asset Purchase Agreement dated as of October 10, 2001, between Core Molding Technologies, Inc. and Airshield Corporation	Incorporated by reference to Exhibit 1 to Form 8-K filed October 31, 2001
3(a)(1)	Certificate of Incorporation of Core Molding Technologies, Inc. as filed with the Secretary of State of Delaware on October 8, 1996	Incorporated by reference to Exhibit 4(a) to Registration Statement on Form S-8 (Registration No. 333-29203)
3(a)(2)	Certificate of Amendment of Certificate of Incorporation of Core Molding Technologies, Inc. as filed with the Secretary of State of Delaware on November 6, 1996	Incorporated by reference to Exhibit 4(b) to Registration Statement on Form S-8 (Registration No. 333-29203)
3(a)(3)	Certificate of Amendment of Certificate of Incorporation as filed with the Secretary of State of Delaware on August 28, 2002	Incorporated by reference to Exhibit 3(a)(4) to Quarterly Report on Form 10-Q for the quarter ended September 30, 2002
3(a)(4)	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock as filed with the Secretary of State of Delaware on July 18, 2007	Incorporated by reference to Exhibit 3.1 to Form 8-K filed July 19, 2007
3(b)	Amended and Restated By-Laws of Core Molding Technologies, Inc.	Incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed January 4, 2008

Edgar Filing: CORE MOLDING TECHNOLOGIES INC - Form 10-Q

- | | | |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| 4(a)(1) | Certificate of Incorporation of Core Molding Technologies, Inc. as filed with the Secretary of State of Delaware on October 8, 1996 | Incorporated by reference to Exhibit 4(a) to Registration Statement on Form S-8 (Registration No. 333-29203) |
| 4(a)(2) | Certificate of Amendment of Certificate of Incorporation of Core Molding Technologies, Inc. as filed with the Secretary of State of Delaware on November 6, 1996 | Incorporated by reference to Exhibit 4(b) to Registration Statement on Form S-8 (Registration No. 333-29203) |
| 4(a)(3) | Certificate of Amendment of Certificate of Incorporation as filed with the Secretary of State of Delaware on August 28, 2002 | Incorporated by reference to Exhibit 3(a)(4) to Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 |
| 4(a)(4) | Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock as filed with the Secretary of State of Delaware on July 18, 2007 | Incorporated by reference to Exhibit 3.1 to Form 8-K filed July 19, 2007 |
| 4(b) | Stockholder Rights Agreement dated as of July 18, 2007, between Core Molding Technologies, Inc. and American Stock Transfer & Trust Company | Incorporated by reference to Exhibit 4.1 to Current Report Form 8-K filed July 19, 2007 |

Table of Contents

Exhibit No.	Description	Location
11	Computation of Net Income per Share	Exhibit 11 omitted because the required information is Included in Notes to Financial Statement
10(a)	Seventh Amendment Agreement, dated July 9, 2012, to the Credit Agreement dated December 9, 2008, among Core Molding Technologies, Inc., Core Composites de Mexico, S. De R.L. de C.V. and Keybank National Association.	Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed July 10, 2012
31(a)	Section 302 Certification by Kevin L. Barnett, President, Chief Executive Officer, and Director	Filed Herein
31(b)	Section 302 Certification by Herman F. Dick, Jr., Vice President, Secretary, Treasurer, and Chief Financial Officer	Filed Herein
32(a)	Certification of Kevin L. Barnett, Chief Executive Officer of Core Molding Technologies, Inc., dated November 9, 2012, pursuant to 18 U.S.C. Section 1350	Filed Herein
32(b)	Certification of Herman F. Dick, Jr., Chief Financial Officer of Core Molding Technologies, Inc., dated November 9, 2012, pursuant to 18 U.S.C. Section 1350	Filed Herein
101.INS ²	XBRL Instance Document	Furnished Herein
101.SCH ²	XBRL Taxonomy Extension Schema Document	Furnished Herein
101.CAL ²	XBRL Taxonomy Extension Calculation Linkbase	Furnished Herein
101.LAB ²	XBRL Taxonomy Extension Label Linkbase	Furnished Herein
101.PRE ²	XBRL Taxonomy Extension Presentation Linkbase	Furnished Herein
101.DEF ²	XBRL Taxonomy Extension Definition Linkbase	Furnished Herein

The Asset Purchase Agreement, as filed with the Securities and Exchange Commission at Exhibit 2-A to Registration Statement on Form S-4 (Registration No. 333-15809), omits the exhibits (including, the Buyer Note, Special Warranty Deed, Supply Agreement, Registration Rights Agreement and Transition Services Agreement, identified in the Asset Purchase Agreement) and schedules (including, those identified in Sections 1, 3, 4, 5, 6, 8 and 30 of the Asset Purchase Agreement). Core Molding Technologies, Inc. will provide any omitted exhibit or schedule to the Securities and Exchange Commission upon request.

Pursuant to Regulation S-T, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

