

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
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FILER

KEY PLASTICS INC

CIK: **838491** | IRS No.: **382653726** | State of Incorpor.: **MI** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **033-56048** | Film No.: **96665814**
SIC: **3714** Motor vehicle parts & accessories

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Business Address

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8104496100

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ended September 30, 1996 Commission file number 33-56048

KEY PLASTICS, INC.

MICHIGAN
State or other jurisdiction of
incorporation or organization)

38-2653726
(I.R.S. Employer
Identification No.)

21333 Haggerty Rd., Suite 200, Novi, MI
(Address of principal executive offices)

48375
(Zip Code)

Registrant's telephone number, including area code: (810) 449-6100

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

As of November 12, 1996, 315,908 shares of the Company's Common Stock were outstanding.

PART I - Financial Information

Item 1.

KEY PLASTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATION

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	1996	1995	1996	1995
	----	----	----	----
Net Sales	\$52,883,090	\$38,014,242	\$155,655,944	\$137,275,170
Cost of Sales	43,090,480	31,613,844	125,419,015	110,448,610
	-----	-----	-----	-----
Gross Profit	9,792,610	6,400,398	30,236,929	26,826,560
Selling, general & administrative expenses	4,112,665	3,894,659	11,481,437	11,470,382
Amortization	160,203	159,078	480,609	477,234
	-----	-----	-----	-----
Operating income	5,519,742	2,346,661	18,274,883	14,878,944
Interest expense, net	3,750,920	3,637,670	10,896,435	10,651,893
	-----	-----	-----	-----
Net income	\$ 1,768,822	\$ (1,291,009)	\$ 7,378,448	\$ 4,227,051
	=====	=====	=====	=====
Earnings per share	\$5.33	\$ (3.83)	\$22.20	\$12.55
	=====	=====	=====	=====

See notes to condensed consolidated financial statements

KEY PLASTICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	Sept 30, 1996	Dec. 31, 1995
ASSETS	----- (Unaudited)	-----
Current assets:		
Accounts receivable, net	\$41,244,226	\$29,706,392
Inventories	29,823,877	22,063,953
Prepaid expenses and other current assets	2,067,258	1,169,835
	-----	-----
Total current assets	73,135,361	52,940,180
Property, plant and equipment, net	78,614,896	68,183,780
Intangibles, net	2,696,188	2,844,297
Other assets	3,198,095	2,421,728
	-----	-----
Total assets	\$157,644,540	\$126,389,985
	=====	=====

LIABILITIES AND SHAREHOLDERS' DEFICIT

Current liabilities:

Current maturities of long-term debt	\$17,123,707	\$17,172,590
Accounts payable	27,627,703	20,207,585
Accrued liabilities	13,477,552	6,006,572
	-----	-----
Total current liabilities	58,228,962	43,386,747

Capital lease obligations	2,222,304	2,669,133
Long-term debt	110,673,890	99,797,587
Other long-term liabilities	902,500	911,332

Shareholders' deficit:

Common stock, par value \$.30		
Authorized: 450,000		
Issued and outstanding:		
316,208 and 316,834, respectively	94,862	95,050
Additional paid-in capital	10,002,725	10,002,725
Accumulated deficit	(24,480,703)	(30,472,589)
	-----	-----
Total shareholders' deficit	(14,383,116)	(20,374,814)

Total liabilities and shareholders' deficit	\$157,644,540	\$126,389,985
	=====	=====

See notes to condensed consolidated financial statements

KEY PLASTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

	For the nine months ended September 30,	
	1996	1995
	----	----
Cash flows from operating activities:		
Net income	\$7,378,448	\$4,227,051
	-----	-----
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,779,654	5,181,485
Amortization	480,610	477,234
(Increase) Decrease in assets:		
Accounts receivable	(11,376,470)	2,115,099
Inventories	(7,672,876)	586,064
Other current assets	(879,675)	(375,879)
Increase (Decrease) in liabilities:		
Accounts payable	7,287,277	(9,425,561)
Accrued liabilities	7,385,326	3,355,473
	-----	-----
Total adjustments	1,003,846	1,913,915
	-----	-----
Net cash provided from operating activities	8,382,294	6,140,966
	-----	-----
Cash flows from investing activities:		
Acquisitions of property, plant and equipment	(15,693,570)	(9,290,270)
Increase in other assets	(1,087,566)	(802,499)
	-----	-----
Net cash used for investing activities	(16,781,136)	(10,092,769)
	-----	-----
Cash flows from financing activities:		
Net borrowings under debt agreements	12,748,538	12,542,216
Principal payments under debt agreements	(2,367,947)	(4,503,537)
Dividend distributions	(1,669,862)	(4,025,190)
Other, net	-	(61,686)
	-----	-----
Net cash provided by financing activities	8,710,729	3,951,803
	-----	-----
Effect of exchange rate changes on cash	(311,887)	-

Net increase in cash	----- 0	----- 0
Cash, beginning of period	0	0
Cash, end of period	----- \$ 0	----- \$ 0
Supplemental disclosure of cash flow information, cash paid during the period for interest	=====	=====
	\$ 7,816,666	\$ 7,706,714
	=====	=====

See notes to condensed consolidated financial statements

KEY PLASTICS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Financial Statement Presentation:

Information for the three and nine month periods ended September 30, 1996 and 1995 is unaudited but includes all adjustments, consisting of normal recurring adjustments, which management of Key Plastics, Inc. (the "Company") considers necessary for a fair presentation of the consolidated financial position, results of operations and cash flows. Certain information and footnotes necessary to comply with generally accepted accounting principles have been condensed or omitted.

Certain items in the December 31, 1995 balance sheet have been reclassified to conform to the current period presentation.

Effective May 1, 1996, the Company acquired an injection molding operation in the United Kingdom which primarily services the automotive industry. The consolidated financial statements include the results of operations and cash flows for the United Kingdom operations from May 1, 1996 to September 30, 1996, as well as the financial position at September 30, 1996.

These financial statements should be read in conjunction with the Company's consolidated financial statements for the

year ended December 31, 1995 which contain a summary of the Company's accounting principles and other information. The results of operations for any interim period should not necessarily be considered indicative of the results of operations for a full year.

2. Inventories:

Inventories are stated at the lower of cost or market with cost determined using the FIFO (first in, first out) method. The components of inventories consisted of the following:

	Sept. 30, 1996 -----	Dec. 31, 1995 -----
Raw materials	\$ 8,978,030	\$ 5,645,958
Work in progress	3,548,955	1,975,308
Finished goods	4,481,710	4,217,179
Customer Tooling	12,815,182	10,225,508
	-----	-----
	\$29,823,877	\$22,063,953
	=====	=====

3. Earnings Per Share:

Earnings per share amounts for the three and nine month periods ended September 30, 1996 and 1995 are computed by using net income divided by the weighted average number of shares of common and common equivalent shares outstanding during the period under the treasury stock method.

The weighted average number of shares used in computing earnings per share are 332,105 and 336,709 for the three months ended September 30, 1996 and 1995, respectively, and 332,355 and 336,709 for the nine months ended September 30, 1996 and 1995, respectively.

The Company is closely-held and, accordingly, there is no public market for the Company's common stock. For purposes of computing the incremental common equivalent shares outstanding under the treasury stock method, the Company utilized management's estimate of fair value of the Company's Common Stock.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL POSITION

Accounts Receivable increased by \$11.5 million when comparing balances at September 30, 1996 and December 31, 1995. \$5.3 million is due to increased parts shipments during the third quarter of 1996 when compared to the fourth quarter of 1995. Additionally, the acquisition of the United Kingdom operations resulted in an increase to Accounts Receivable of \$6.2 million.

The increase in inventory of \$7.8 million from December 31, 1995 to September 30, 1996 was due principally to the acquisition of the United Kingdom operations and the increase in the Customer Tooling inventory related to the design and build of tooling for future programs.

Property, plant and equipment increased due to the acquisition of the United Kingdom operations and purchases of additional capital items at other operating locations, net of the increase in the depreciation reserve for the nine month period.

Accrued liabilities increased when comparing September 30, 1996 to December 31, 1995 largely due to the liabilities assumed with the United Kingdom acquisition.

Long-term debt increased primarily as a result of the acquisition of assets.

Available borrowings under the working capital line of credit were \$3.7 million at September 30, 1996. The Company believes its existing sources of liquidity are adequate to meet its operating requirements in fiscal 1996.

RESULTS OF OPERATIONS

Below is a summary of period-to-period changes in the principal items of the condensed statements of operations. This is followed by a discussion and analysis of significant factors affecting the Company's earnings for the period.

Comparison of Results of Operations
Increase(Decrease) (Dollars in Thousands)

	Three Months Ended Sept. 30, 1996 vs. Sept. 30, 1995		Nine Months Ended Sept. 30, 1996 vs. Sept. 30, 1995	
	----- -----		----- -----	
Net sales	\$14,869	39%	\$18,381	13%
Cost of sales	11,477	36%	14,970	14%
Selling, general, and administrative expenses	218	6%	11	-
Amortization expenses	1	-	3	-
Interest Expense, net	113	3%	245	2%
Net income	\$3,060	237%	\$3,151	75%

MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Three months ended September 30, 1996 compared to three months ended September 30, 1995. Net sales for the three month period ended September 30, 1996 were \$52.9 million; an increase of approximately \$14.9 million or 39% over the same period last year. The increase was primarily attributable to a \$17.8 million or 59.5% increase in the sale of injection molded parts (\$7.6 million of which was due to the United Kingdom acquisition) net of a \$2.9 million decrease in tooling revenues. The non United Kingdom increase in part sales of \$10.2 million resulted from increases in the related vehicle production by the Company's customers as well as increased sales related to newly launched vehicle programs during the early part of 1996.

Gross profit increased \$3.4 million in the third quarter of 1996 compared to the third quarter of 1995 as a result of the aforementioned

sales increase.

Selling, general and administrative expenses increased \$.2 million in the third quarter of 1996 as compared to the same period last year. The increase is primarily due to costs incurred in the United Kingdom operations.

Operating income increased by \$3.1 million as a result of the foregoing.

Interest expense increased because of higher average debt outstanding offset by slightly lower interest rates.

Nine months ended September 30, 1996 compared to nine months ended September 30, 1995. Net sales for the nine month period ended September 30, 1996 increased \$18.4 million or 13.4% over the same period last year. The increase was primarily attributable to a \$21.4 million or 18.4% increase in the sale of injection molded parts offset by a \$3.0 million decline in tooling revenues.

Gross profit increased by \$3.4 million in the first nine months of 1996 compared to the same period in 1995 as a result of the aforementioned sales increase.

Operating income increased by \$3.4 million as a result of the foregoing.

Interest expense increased for the reasons discussed in the three month comparison above.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibit

27 Financial Data Schedule (EDGAR
Version only)

(b) Reports on Form 8-k

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KEY PLASTICS, INC.

By: /S/ E. R. Autry

E.R. Autry
Vice President, Finance &
Procurement
(Principal Financial
Officer)

And: /S/ Bruce A. Weber

Bruce A. Weber
Corporate Controller
(Principal Accounting
Officer)

Dated: November 12, 1996

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