

PROLIANCE INTERNATIONAL, INC.  
Form 10-Q  
August 14, 2007

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2007

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-13894

PROLIANCE INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction  
of incorporation or organization)  
100 Gando Drive, New Haven, Connecticut 06513

34-1807383  
(I.R.S. Employer  
Identification No.)

(Address of principal executive offices, including zip code)

(203) 401-6450

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

(Check one): Large Accelerated Filer      Accelerated Filer      Non-Accelerated Filer

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of common stock, \$.01 par value, outstanding as of August 1, 2007 was 15,585,570.

Exhibit Index is on page 23 of this report.

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INDEX

	Page
PART I. FINANCIAL INFORMATION	
Item 1.	Financial Statements
	<u>Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2007 and 2006</u>
	1
	<u>Condensed Consolidated Balance Sheets at June 30, 2007 and December 31, 2006</u>
	2
	<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2007 and 2006</u>
	3
	<u>Notes to Condensed Consolidated Financial Statements</u>
	4
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	14
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	22
<u>Item 4T.</u>	<u>Controls and Procedures</u>
	22
PART II. OTHER INFORMATION	
<u>Item 4.</u>	<u>Submission of Matters to a Vote of Security Holders</u>
	23
<u>Item 6.</u>	<u>Exhibits</u>
	23
<u>Signatures</u>	24

ii

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

PROLIANCE INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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(Unaudited) (in thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net sales	\$ 102,414	\$ 112,110	\$ 194,352	\$ 203,446
Cost of sales	81,162	83,074	155,742	153,462
Gross margin	21,252	29,036	38,610	49,984
Selling, general and administrative expenses	19,906	24,376	40,495	47,308
Arbitration earn-out decision	3,174	—	3,174	—
Restructuring charges	1,053	134	1,328	654
Operating (loss) income	(2,881)	4,526	(6,387)	2,022
Interest expense	2,922	2,691	5,603	4,944
(Loss) income before taxes	(5,803)	1,835	(11,990)	(2,922)
Income tax provision	431	793	576	1,095
Net (loss) income	\$ (6,234)	\$ 1,042	\$ (12,566)	\$ (4,017)
Basic (loss) income per common share	\$ (0.48)	\$ 0.07	\$ (0.90)	\$ (0.27)
Diluted (loss) income per common share	\$ (0.48)	\$ 0.07	\$ (0.90)	\$ (0.27)
Weighted average common shares – basic	15,269	15,256	15,264	15,256
– diluted	15,269	15,838	15,264	15,256

The accompanying notes are an integral part of these statements.

1

PROLIANCE INTERNATIONAL, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)	June 30, 2007 (unaudited)	December 31, 2006
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,704	\$ 3,135
Accounts receivable (less allowances of \$4,566 and \$5,543)	66,452	58,209
Inventories	116,044	118,912
Other current assets	6,962	7,498
Total current assets	193,162	187,754
Property, plant and equipment	48,609	47,697
Accumulated depreciation and amortization	(26,565)	(23,821)
Net property, plant and equipment	22,044	23,876
Other assets	9,795	12,732
Total assets	\$ 225,001	\$ 224,362
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term debt and current portion of long-term debt	\$ 61,609	\$ 53,545

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Accounts payable	57,849	58,114
Accrued liabilities	26,981	28,355
Total current liabilities	146,439	140,014
Long-term liabilities:		
Long-term debt	7,297	1,657
Other long-term liabilities	6,622	8,218
Total long-term liabilities	13,919	9,875
Commitments and contingent liabilities		
Stockholders' equity:		
Preferred stock, \$.01 par value: authorized 2,500,000 shares; issued and outstanding as follows:		
Series A junior participating preferred stock, \$.01 par value: authorized 200,000 shares; issued and outstanding – none at June 30, 2007 and December 31, 2006	—	—
Series B convertible preferred stock, \$.01 par value: authorized 30,000 shares; issued and outstanding; – 12,781 shares at June 30, 2007 and December 31, 2006 (liquidation preference \$4,453 at June 30, 2007 and \$1,278 at December 31, 2006)	—	—
Common Stock, \$.01 par value: authorized 47,500,000 shares; 15,627,506 shares issued at June 30, 2007; 15,339,892 shares issued at December 31, 2006; 15,585,570 shares outstanding at June 30, 2007; 15,297,956 shares outstanding at December 31, 2006	155	153
Paid-in capital	109,099	105,772
Accumulated deficit	(43,699)	(29,967)
Accumulated other comprehensive loss	(897)	(1,470)
Treasury stock, at cost, 41,936 shares at June 30, 2007 and December 31, 2006	(15)	(15)
Total stockholders' equity	64,643	74,473
Total liabilities and stockholders' equity	\$ 225,001	\$ 224,362
The accompanying notes are an integral part of these statements.		

2

PROLIANCE INTERNATIONAL, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited) (in thousands)	Six Months Ended June 30,	
	2007	2006
Cash flows from operating activities:		
Net loss	\$ (12,566)	\$ (4,017)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,775	2,707
(Benefit from) provision for uncollectible accounts receivable	(516)	1,192

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Non-cash restructuring charges	—	189
Non-cash stock compensation costs	130	126
Non-cash arbitration earn-out decision charge	3,174	—
Gain on sale of buildings	(886)	(138)
Deferred income tax	136	—
Changes in operating assets and liabilities:		
Accounts receivable		