

GP STRATEGIES CORP
Form 10-Q
August 07, 2008
[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 June 30, 2008

or

Transition Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 1-7234

GP STRATEGIES CORPORATION

(Exact name of Registrant as specified in its charter)

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Delaware
(State of Incorporation)

13-1926739
(I.R.S. Employer Identification No.)

6095 Marshalee Drive, Suite 300, Elkridge, MD
(Address of principal executive offices)

21075
(Zip Code)

(410) 379-3600

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, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

Indicate the number of shares outstanding of each of issuer's classes of common stock as of July 31, 2008:

Class	Outstanding
Common Stock, par value \$.01 per share	16,628,110 shares

Table of Contents

GP STRATEGIES CORPORATION AND SUBSIDIARIES

TABLE OF CONTENTS

Part I. Financial Information

Item 1. Financial Statements (Unaudited)

<u>Condensed Consolidated Balance Sheets</u> <u>June 30, 2008 and December 31, 2007</u>	1
<u>Condensed Consolidated Statements of Operations</u> <u>Three Months and Six Months Ended June 30, 2008 and 2007</u>	2
<u>Condensed Consolidated Statements of Cash Flows</u> <u>Six Months Ended June 30, 2008 and 2007</u>	3
<u>Notes to Condensed Consolidated Financial Statements</u>	4

<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
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<u>Item 3. Quantitative and Qualitative Disclosure About Market Risk</u>	27
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<u>Item 4. Controls and Procedures</u>	27
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Part II. Other Information

<u>Item 1.</u>	<u>Legal Proceedings</u>	28
<u>Item 1A.</u>	<u>Risk Factors</u>	28
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	28
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	28
<u>Item 4.</u>	<u>Submission of Matters to a Vote of Security Holders</u>	28
<u>Item 5.</u>	<u>Other Information</u>	28
<u>Item 6.</u>	<u>Exhibits</u>	29
<u>Signatures</u>		30

Table of Contents**Part I. Financial Information****Item 1. Financial Statements****GP STRATEGIES CORPORATION AND SUBSIDIARIES**

Condensed Consolidated Balance Sheets

(In thousands, except per share amounts)

	June 30, 2008 (Unaudited)	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,229	\$ 3,868
Accounts and other receivables, less allowance for doubtful accounts of \$737 in 2008 and \$865 in 2007	53,797	46,897
Inventories, net	773	577
Costs and estimated earnings in excess of billings on uncompleted contracts	10,890	13,995
Prepaid expenses and other current assets	7,412	8,208
Total current assets	77,101	73,545
Property, plant and equipment	10,107	8,758
Accumulated depreciation	(6,837)	(5,915)
Property, plant and equipment, net	3,270	2,843
Goodwill	63,950	61,748
Intangible assets, net	6,280	6,340
Other assets	2,658	2,969
	\$ 153,259	\$ 147,445
Liabilities and Stockholders Equity		
Current liabilities:		
Short-term borrowings	\$ 7,607	\$ 2,953
Current maturities of long-term debt	2,295	7,986
Accounts payable and accrued expenses	35,957	32,855
Billings in excess of costs and estimated earnings on uncompleted contracts	10,425	11,671
Total current liabilities	56,284	55,465
Deferred tax liabilities	490	491
Other noncurrent liabilities	1,542	1,107
Total liabilities	58,316	57,063
Stockholders equity:		
Common stock, par value \$0.01 per share	178	178
Additional paid-in capital	156,578	156,422
Accumulated deficit	(50,140)	(55,972)
Treasury stock at cost	(11,391)	(9,785)
Accumulated other comprehensive loss	(282)	(461)
Total stockholders equity	94,943	90,382
	\$ 153,259	\$ 147,445

See accompanying notes to condensed consolidated financial statements.

Table of Contents**GP STRATEGIES CORPORATION AND SUBSIDIARIES**

Condensed Consolidated Statements of Operations

(Unaudited)

(In thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Revenue	\$ 72,026	\$ 63,658	\$ 138,945	\$ 117,201
Cost of revenue	61,694	54,354	118,856	99,855
Gross profit	10,332	9,304	20,089	17,346
Selling, general and administrative expenses	5,247	4,989	10,050	9,608
Operating income	5,085	4,315	10,039	7,738
Interest expense	246	387	483	659
Other income	252	143	403	514
Income before income tax expense	5,091	4,071	9,959	7,593
Income tax expense	2,108	1,724	4,127	3,192
Net income	\$ 2,983	\$ 2,347	\$ 5,832	\$ 4,401
Basic weighted average shares outstanding	16,606	16,584	16,664	16,447
Diluted weighted average shares outstanding	16,766	17,180	16,843	17,072
Per common share data:				
Basic earnings per share	\$ 0.18	\$ 0.14	\$ 0.35	\$ 0.27
Diluted earnings per share	\$ 0.18	\$ 0.14	\$ 0.35	\$ 0.26

See accompanying notes to condensed consolidated financial statements.

Table of Contents**GP STRATEGIES CORPORATION AND SUBSIDIARIES**

Condensed Consolidated Statements of Cash Flows

Six months ended June 30, 2008 and 2007

(Unaudited, in thousands)

	2008	2007
Cash flows from operating activities:		
Net income	\$ 5,832	\$ 4,401
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,832	1,998
Deferred income taxes	2,887	2,511
Non-cash compensation expense	1,341	856
Gain on early extinguishment of debt	(125)	
Changes in other operating items, net of effect of acquisitions:		
Accounts and other receivables	(6,499)	(11,676)
Inventories	(196)	(31)
Costs and estimated earnings in excess of billings on uncompleted contracts	3,213	(9,030)
Prepaid expenses and other current assets	(1,490)	(1,415)
Accounts payable and accrued expenses	2,778	4,067
Billings in excess of costs and estimated earnings on uncompleted contracts	(1,612)	(157)
Other	169	160
Net cash provided by (used in) operating activities	8,130	(8,316)
Cash flows from investing activities:		
Additions to property, plant and equipment	(1,751)	(702)
Acquisitions, net of cash acquired	(1,090)	(9,014)
Payment of contingent consideration for Sandy acquisition	(2,500)	
Capitalized software development costs		(583)
Net cash used in investing activities	(5,341)	(10,299)
Cash flows from financing activities:		
Net proceeds from short-term borrowings	4,654	9,102
Repayment of long-term debt	(5,126)	
Change in negative cash book balances	1,312	2,756
Repurchases of common stock in the open market	(3,317)	(1,366)
Proceeds from issuance of common stock	51	1,338
Repayment of note receivable from shareholder		124
Payments on obligations under capital leases	(17)	(61)
Net cash provided by (used in) financing activities	(2,443)	11,893
Effect of exchange rate changes on cash and cash equivalents	15	9
Net increase (decrease) in cash and cash equivalents	361	(6,713)
Cash and cash equivalents at beginning of period	3,868	8,660
Cash and cash equivalents at end of period	\$ 4,229	\$ 1,947
Non-cash financing and investing activities:		
Reduction in carrying value of Gabelli Notes upon exercise of warrants	\$ 577	\$