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Core Molding back in hunt for acquisitions, CEO

by Jeff Sheban in Columbus, Ohio, and Sam Weisberg in New York

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Core Molding Technologies (NYSE Amex: CMT), a Columbus, Ohio-based producer of molded products for trucking and other industries, sees an improved balance sheet supporting acquisitions, CEO Kevin Barnett said.

"We're getting a little bit more active on the acquisition front," said Barnett, speaking last week at the InvestOhio Equities Conference in Columbus. "We're positioned, and we're looking".

Core Molding's market cap has more than tripled since 2009 to USD 67m as the company achieved record revenue of USD 162m in 2012, he said. Barnett also revealed that Core Molding recently won USD 30m in new business from **Volvo** trucks. Other major customers include **Navistar** and **Paccar**.

Core Molding is the nation's leading supplier of heavy truck components including hoods, deflectors and fender extensions, and also manufactures wave-runner watercraft hulls and automotive parts. Barnett said the age of the nation's heavy truck fleet is at historic highs, which bodes well for growth over the next two years. Heavy truck sales are expected to increase 14% industrywide in 2014, he added.

The company is generating USD 18m to USD 20m annually in EBITDA and has an existing credit facility with USD 18m in untapped funds. Core Molding has USD 6.6m in debt and USD 16.5m in working capital, he added. The credit agreement is with **KeyBank National Association**, according to Core Molding's most recent 10-K statement.

Speaking on the sidelines of the conference, Barnett told *Mergermarket* that acquisitions could be funded with the cash flow of Core Molding and the target company, and with stock and borrowings as needed. The sweet spot for acquisitions is companies with revenue of USD 20m to USD 100m, or slightly higher, Barnett said.

Good acquisition candidates would bring the company new manufacturing processes and broaden its customer base, he added. Core Molding has production facilities in Ohio, South Carolina and Matamoros, Mexico.

As for timing of acquisitions, Barnett said it's something "we are always looking at, (but) I don't think we're in a position to say we have to do an acquisition this year or next year." Internal teams do most of the groundwork to identify targets, he added.

"We certainly are aware of our potential targets, and we would contact them. Our industry is not huge," he added, though he declined to name targets. *Mergermarket* previously reported that competitors include **Continental Structural Plastics** of Troy, Michigan; **Magna** of Aurora, Ontario; and **Molded Fiber Glass Companies** of Ashtabula, Ohio.

Core Molding "regularly looks at pitches" but isn't working exclusively with an investment bank, Barnett said.

Small-cap Canadian group **Sigma Industries**, with USD 60.7m in FY13 revenue; **Decoma Composites**, part of Canada-based Magna subsidiary **Decoma International**; and Continental Structural Plastics are logical targets for Core Molding, said investor Jason Rivera, owner of the stock analysis site ValueInvestingJourney.com. These groups have at least some business related to heavy- and medium-duty trucks, and would expand Core Molding's Canadian and Midwestern presence, he added.

He stressed, however, that while Core Molding has proven to be successful at small acquisitions, it may be better for the company to be conservative and take on new customers through organic growth. Core Molding

could be more of a target than buyer right now, specifically for a group like Magna, which has recently moved into the heavy- and medium-truck part area, Rivera said.

Furthermore, as all of the targets mentioned are involved with industries outside truck parts -- Sigma, for instance, also focuses on construction, agricultural, military and recreational vehicles--it may not be wise for Core Molding to diversify beyond its specialties, he added.

As for being a takeover candidate, Barnett said he's not positioning the company for sale. "We're not pursuing the sale of the company. We think there are opportunities for us to grow".