Owens Realty Mortgage, Inc.
Form 10-Q
November 08, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2016

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 000-54957

OWENS REALTY MORTGAGE, INC.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	46-0778087
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

2221 Olympic Boulevard	
Walnut Creek, California	94595
(Address of Principal Executive Offices)	(Zip Code)

(925) 935-3840
Registrant's Telephone Number, Including Area Code

NOT APPLICABLE
(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 [X] 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 (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

1

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. (Check One):

Large accelerated filer [ ]	Accelerated filer [X]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of November 4, 2016
Common Stock, $.01 par value	10,247,477 shares

2

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

		Page
Item 1.	Financial Statements	
	Consolidated Financial Statements (Unaudited):	
	Consolidated Balance Sheets as of September 30, 2016 and December 31, 2015	4
	Consolidated Statements of Income for the three and nine months ended September 30, 2016 and 2015	5
	Consolidated Statements of Stockholders' Equity for the nine months ended September 30, 2016 and 2015	6
	Consolidated Statements of Cash Flows for the nine months ended September 30, 2016 and 2015	7
	Notes to Consolidated Financial Statements	9
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	38
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	61
Item 4.	Controls and Procedures	63

PART II – OTHER INFORMATION

Item 1.	Legal Proceedings	64
Item 1A.	Risk Factors	64
Item 6.	Exhibits	64

Part I. FINANCIAL INFORMATION
Item 1. Financial Statements

OWENS REALTY MORTGAGE, INC.
Consolidated Balance Sheets
(UNAUDITED)

	September 30, 2016	December 31, 2015
ASSETS		
Cash and cash equivalents	$10,702,632	$1,255,842
Restricted cash	6,500,000	7,225,371
Loans, net of allowance for loan losses of $1,741,955 in 2016 and $1,842,446 in 2015	111,732,895	104,901,361
Interest and other receivables	2,117,376	1,764,918
Other assets, net of accumulated depreciation and amortization of $318,013 in 2016 and $275,277 in 2015	935,529	741,001
Deferred financing costs, net of accumulated amortization of $305,007 in 2016 and $323,325 in 2015	180,329	126,308
Deferred tax assets, net	7,629,683	—
Investment in limited liability company	2,187,146	2,141,032
Real estate held for sale	73,581,787	100,191,166
Real estate held for investment, net of accumulated depreciation of $2,870,054 in 2016 and $2,915,596 in 2015	37,315,319	53,647,246
Total assets	$252,882,696	$271,994,245
LIABILITIES AND EQUITY		
LIABILITIES:		
Dividends payable	$819,798	$2,133,455
Due to Manager	321,451	408,643
Accounts payable and accrued liabilities	4,918,575	3,359,294
Deferred gain on sale of real estate	209,662	209,662
Lines of credit payable	—	20,915,500
Notes and loans payable on real estate	28,474,266	45,458,844
Total liabilities	34,743,752	72,485,398
Commitments and Contingencies (Note 14)		
EQUITY:		
Stockholders' equity:		
Preferred stock, $.01 par value per share, 5,000,000 shares authorized, no shares issued and outstanding at September 30, 2016 and December 31,2015	—	—
Common stock, $.01 par value per share, 50,000,000 shares authorized, 11,198,119 shares issued, 10,247,477 shares outstanding at September 30, 2016 and December 31, 2015	111,981	111,981
Additional paid-in capital	182,437,522	182,437,522
Treasury stock, at cost – 950,642 shares at September 30, 2016 and December 31, 2015	(12,852,058)	(12,852,058)
Retained earnings	48,408,815	25,282,553
Total stockholders' equity	218,106,260	194,979,998
Non-controlling interests	32,684	4,528,849
Total equity	218,138,944	199,508,847
Total liabilities and equity	$252,882,696	$271,994,245

The accompanying notes are an integral part of these consolidated financial statements.

OWENS REALTY MORTGAGE, INC.
Consolidated Statements of Income
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues:				
Interest income on loans	$2,256,816	$1,372,739	$6,495,836	$6,697,476
Rental and other income from real estate properties	2,191,357	2,996,873	6,782,758	9,983,138
Income from investment in limited liability company	45,804	44,605	133,114	130,483
Total revenues	4,493,977	4,414,217	13,411,708	16,811,097
Expenses:				
Management fees to Manager	808,247	513,292	2,398,911	1,410,293
Servicing fees to Manager	73,477	46,663	218,083	128,208
General and administrative expense	338,696	292,531	1,242,040	951,579
Rental and other expenses on real estate properties	2,045,722	2,070,680	5,885,029	6,420,490
Depreciation and amortization	305,105	526,178	958,025	1,712,136
Interest expense	960,861	354,163	2,649,616	1,413,109
Bad debt expense from uncollectible rent	—	150,402	—	150,537
(Recovery of) provision for loan losses	(38,966)	44,316	347,029	472,359
Impairment losses on real estate properties	1,094,071	—	3,204,221	1,256,434
Total expenses	5,587,213	3,998,225	16,902,954	13,915,145
Operating (loss) income	(1,093,236)	415,992	(3,491,246)	2,895,952
Gain on sales of real estate, net	20,195,367	—	25,034,182	15,031,299
Net income before income tax benefit	19,102,131	415,992	21,542,936	17,927,251
Income tax benefit	260,848	—	7,629,683	—
Net income	19,362,979	415,992	29,172,619	17,927,251
Less: Net income attributable to non-controlling interests	(3,630,318)	(31,671)	(3,586,963)	(2,630,434)
Net income attributable to common stockholders	$15,732,661	$384,321	$25,585,656	$15,296,817
Per common share data:				
Basic and diluted earnings per common share	$1.54	$0.04	$2.50	$1.43
Basic and diluted weighted average number of common shares outstanding	10,247,477	10,538,735	10,247,477	10,690,736
Dividends declared per share of common stock	$0.08	$0.08	$0.24	$0.33

The accompanying notes are an integral part of these consolidated financial statements.

OWENS REALTY MORTGAGE, INC.
Consolidated Statements of Stockholders' Equity
Nine Months Ended September 30, 2016 and 2015
(UNAUDITED)

	Common Stock		Additional Paid-in	Treasury Stock
	Shares	Amount	Capital	Shares
Balances, December 31, 2014	11,198,119	$111,981	$182,437,522	(430,118
Net income	—	—	—	

Reaction Injection Molding ("RIM") - This is a process whereby a composit
injection of a two-component thermoset resin system utilizing dicyclopentad
technology. DCPD technology involves injecting a liquid compound into ma
molds to form the part. In this process the mold is prepared, closed and the
injected into the tool then cured. Additional finishing is required when the p
coat painting. The RIM process is an alternative to other closed mold proce
parts that require a high level of impact resistance.

Open Molded Products

The Company produces reinforced plastic products using both the hand lay-
of open molding at our Batavia, Ohio and Matamoros, Mexico locations. Pa
pounds to several hundred pounds with surface quality tailored for the end u

Hand Lay-Up - This process utilizes a shell mold, typically the cavity, wher
chopped strand or continuous strand glass mat, is introduced into the cavity.
the cloth and rolled out to achieve a uniform wet-out from the glass and to r
The part is then allowed to cure and is removed from the mold. After remov
undergoes trimming to achieve the shape desired. Parts used for cosmetic pu
gel coat applied to the mold surface prior to the lay-up to improve the surfac
part. Parts produced from this process have a smooth outer surface and an u
interior surface. These fiberglass-reinforced products are typically non-cosm
structural reinforcements that are sold externally or used internally as compo
assemblies.

Spray-Up - This process utilizes the same type of shell mold as hand-lay-up,
glass cloth to produce the composite part, a chopper/spray system is employ
resin feed the chopper/spray gun. The resin coated, chopped glass is sprayed
desired thickness. The resin coated glass in the mold is then rolled out to ens
and to remove any trapped air. The part is then allowed to cure, is removed
then trimmed to the desired shape. Parts used for cosmetic purposes typicall
to the mold surface prior to the resin-coated glass being sprayed into the mo
quality of the finished part. Parts produced from this process have a smooth
unfinished or rough interior surface.

Assembly, Machining, and Paint Products

Many of the products molded by the Company are assembled, machined, an
topcoat painted to result in a completed product used by the Company's cust

The Company has demonstrated manufacturing flexibility that accommodat
hand assembly and machining work, to high volume, highly automated asse
systems. Robotics are used as deemed productive for material
handling, machining, and adhesive applications. In addition to conventional
water-jet cutting technology is also used where appropriate. The Company a
and batch ovens in its facilities. The Company generally contracts with outs
volume applications that require top coat paint.

RAW MATERIALS

The principal raw materials used in the Company's processes are unsaturate
polyethylene, polypropylene and dicyclopentadiene resins; fiberglass; and fi
raw materials include adhesives for assembly of molded components, in-mo
prime paint for preparation of cosmetic surfaces, and hardware (primarily m
of the raw materials used by the Company are crude oil based, natural gas b
components, and therefore, the costs of certain raw materials can be affecte
these underlying commodities. Due to fluctuating commodity prices, suppli
to enter into long-term contracts. The Company generally has supplier alter
material, and regularly evaluates its supplier base for certain supplies, repai
to improve its overall purchasing position.

BACKLOG

The Company relies on production schedules provided by its customers to p
production. These schedules are normally provided on a weekly basis and ty
for approximately four weeks. Some customers update these

Table of Contents

schedules daily for changes in demand, allowing them to run their inventorie
The ordered backlog of four weeks of expected shipments was approximatel
which the Company shipped during the first month of 2019) and $13.2 milli
and 2017, respectively.

CAPACITY CONSTRAINTS

Capacity utilization is measured based on standard cycle times and a standar
range from five days per week, three-shifts per day to seven days per week,
depending on the facility and molding process. During times when demand
day, three-shift capacity, the Company will work weekends to create additio
provide capacity utilization percentages greater than 100%. During 2018, th
various methods from overtime to a weekend manpower crew to support the
requirements.

The approximate SMC production line capacity utilization was 77% and 54
December 31, 2018 and 2017, respectively.

The Company measures facility capacity in terms of its large molding presse
for the Columbus, Ohio, Gaffney, South Carolina, Winona, Minnesota and t
Matamoros, Mexico facility. The Company owned 27 large molding presses
December 31, 2018. The combined approximate large press capacity utilizat
facilities was 91% and 63% for the years ended December 31, 2018 and 201
increased utilization mainly resulted from increase demand from customers
marine markets.

The Company measures facility capacity in terms of its large molding presse
for the Cobourg, Canada facility. The Company owned 8 large molding pres
December 31, 2018. The combined approximate large press capacity utilizat
52% for the year ended December 31, 2018.

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT

Capital expenditures totaled approximately $5.8 million, $4.3 million and $2
and 2016 respectively. These capital expenditures primarily consisted of bui
improvements and additional production equipment to manufacture parts.

The Company continuously engages in product development. Research and
focus on developing new material formulations, new structural composite pr
capabilities and processes, and improving existing products and manufacturi
Company does not maintain a separate research and development organizati
production equipment, as necessary, to support these efforts and cooperates
suppliers in research and development efforts. Likewise, manpower to direct
and development is integrated with the existing manufacturing, engineering,
organizations. Management of the Company has estimated that costs related
development were approximately $1,032,000, $848,000 and $965,000 in 20
respectively.

ENVIRONMENTAL COMPLIANCE

The Company's manufacturing operations are subject to federal, state, and lo
and regulations, which impose limitations on the discharge of hazardous and
pollutants into the air and waterways. The Company has established and im
the treatment, storage, and disposal of hazardous waste. The Company's poli
business with due regard for the preservation and protection of the environm
environmental waste management process involves the regular auditing of h
accumulation points, hazardous waste activities, authorized treatment, and st
facilities. As part of the Company's environmental policy, all manufacturing
on waste management and other environmental issues.

The Company holds various environmental operating permits for its product
Mexico, and Canada as required by U.S., Mexican and Canadian state and fe
Company has substantially complied with all requirements of these operatin

EMPLOYEES

As of December 31, 2018, the Company employed a total of 2,190 employe
employees in its United States operations, 1,033 employees in its Mexico op
employees in its Canada operation. Of these 2,190 employees, 372 employe
Columbus, Ohio facility are covered by a collective bargaining agreement w
Association of Machinists and Aerospace Workers ("IAM"), which extends
employees at the Company's

9

Table of Contents

Matamoros, Mexico facility are covered by a collective bargaining agreeme
Jorneleros y Obreros, which extends to December 31, 2019; 221 employees
Cobourg, Canada facility are covered by a collective bargaining agreement
Commercial Workers Canada ("UFCW"), which extends to November 1, 20
the Company's Escobedo, Mexico facility are covered by a collective bargai
Sindicato de trabajadores de la industria metalica y del comercio del estado
Presidente Benito Juarez Garcia C.T.M., which extends to February 2020.

PATENTS, TRADE NAMES, AND TRADEMARKS

The Company will evaluate, apply for, and maintain patents, trade names, a
believes that such patents, trade names, and trademarks are reasonably requi
its products. The Company has increased its activity related to trademark p
including the federal registration of the trademarks N-sulGuard®, Featherlit
FeatherliteXL®, Econolite®, and Hydrilite®. However, the Company does
single patent, trade name, or trademark or related group of such rights is ma
business or its ability to compete.

SEASONALITY & BUSINESS CYCLE

The Company's business is affected annually by the production schedules of
the Company's customers typically shut down their operations on an annual
to several weeks during the Company's third quarter. Certain customers also
their operations during the last week of December. As a result, demand for t
typically decreases during the third and fourth quarters. Demand for mediu
marine, automotive, and commercial products also fluctuates on an economi
basis, causing a corresponding fluctuation for demand of the Company's pro

AVAILABLE INFORMATION

We maintain a website at www.coremt.com. Annual reports on Form 10-K,
Form 10-Q, current reports on Form 8-K, all amendments to those reports, a
about us are available free of charge through this website as soon as reasona
reports are electronically filed with the SEC. These materials are also availa
website at www.sec.gov.

Table of Contents

ITEM 1A. RISK FACTORS

The following risk factors describe various risks that may affect our busines
and operations. References to "we," "us," and "our" in this "Risk Factors" s
Technologies and its subsidiaries, unless otherwise specified or unless the c

Our business has concentration risks associated with significant customers.

Sales to four customers constituted approximately 65% of our 2018 total sal
accounted for more than 10% of our total sales for this period. The loss of a
sales to any of our significant customers could have a material adverse effec
of operations, and financial condition.

Accounts receivable balances with four customers accounted for 64% of acc
December 31, 2018. The Company performs ongoing credit evaluations of i
condition and maintains reserves for potential bad debt losses. If the financi
these customers were to deteriorate, impacting their ability to pay their recei
not be adequate which could have a material adverse effect on our business,
financial condition.

We are continuing to engage in efforts intended to strengthen and expand ou
significant customers, as well as provide support for our entire customer bas
our position with customers through direct and active contact through our sa
and operational personnel. We cannot make any assurances that we will mai
customer relationships, whether these customers will continue to do busines
the past or whether we will be able to supply these customers or any of our c
levels.

Our business is affected by the cyclical and overall nature of the industries a
serve.

The North American heavy and medium-duty truck industries are highly cyc
approximately 56% of our product sales were in these industries. These indu
fluctuate in response to factors that are beyond our control, such as general e
interest rates, federal and state regulations (including engine emissions regu
regulations, and other taxes), consumer spending, fuel costs, and our custom
production rates. Our manufacturing operations have a significant fixed cost
Accordingly, during periods of changing demands, including an increase or
demand, the profitability of our operations may change proportionately mor
operations. In addition, our operations are typically seasonal as a result of re
maintenance shutdowns, which typically vary from year to year based on pr
occur in the third and fourth quarter of each calendar year. This seasonality
net sales and profitability during the third and fourth fiscal quarters of each
in overall economic conditions or in the markets that we serve, or significan
customers in their inventory levels or future production rates, could result in
our products and could have a material adverse effect on our business, resul
financial condition.

Price increases in raw materials and availability of raw materials could adve
results and financial condition.

We purchase resins and fiberglass for use in production as well as hardware
for product assembly. The prices for purchased materials are affected by the
stocks such as crude oil, natural gas, and downstream components, as well a
versus demand. We attempt to reduce our exposure to increases by working
evaluating new suppliers, improving material efficiencies, and when necessa
adjustments to customers. If we are unsuccessful in developing ways to miti
increases we may not be able to improve productivity or realize savings fron
programs sufficiently to help offset the impact of these increased raw materi
higher raw material costs could result in declining margins and operating res

Cost reduction and quality improvement initiatives by original equipment m
a material adverse effect on our business, results of operations, or financial c

We are primarily a components supplier to the heavy and medium-duty truck
characterized by a small number of original equipment manufacturers ("OEM
considerable pressure on components suppliers to reduce costs, improve qua
additional design and engineering capabilities. Given the fragmented nature
OEMs continue to demand and receive price reductions and measurable incr
their use of competitive selection processes, rating programs, and various ot
may be unable to generate sufficient production cost savings in the future to
reductions. OEMs may also seek to save costs by purchasing components fr
geographically closer to their production facilities or relocating production t
cost structures and

11

Table of Contents

purchasing components from suppliers with lower production costs. These d
require us to shift production between our facilities, move production lines b
open new facilities to remain competitive. Shifting production, moving prod
new locations could result in significant costs required for capital investmen
operating costs. Additionally, OEMs have generally required component sup
design engineering input at earlier stages of the product development proces
have, in some cases, been absorbed by the suppliers. To the extent that the C
the quality standards or demands of quality improvement initiatives sought b
match the quality of suppliers of comparable products, OEMs may choose to
alternative suppliers, and as a result the Company may lose existing or new
Future price reductions, increased quality standards, and additional engineer
by OEMs may reduce our profitability and have a material adverse effect on
operations, or financial condition.

We may be subject to product liability claims, recalls or warranty claims, wh
material adverse effect on our business, results of operations, or financial co

As a components supplier to OEMs, we face a business risk of exposure to p
the event that our products malfunction and result in personal injury or death
could result in significant losses as a result of expenses incurred in defendin
damages. In addition, we may be required to participate in recalls involving
any prove to be defective, or we may voluntarily initiate a recall or make pa
claims in order to maintain positive customer relationships. While we do ma
insurance, it may not be sufficient to cover all product liability claims, and a
liability claim brought against us could have a material adverse effect on our
Further, we warrant the quality of our products under limited warranties, and
to risk of warranty claims in the event that our products do not conform to o
specifications. Such warranty claims may result in costly product recalls, sig
damage to our reputation, all of which would adversely affect our results of

We operate in highly competitive markets, and if we are unable to effectivel
negatively impact future operating results, sales, and earnings.

The markets in which we operate are highly competitive. We compete with a
manufacturers that produce and sell similar products. Our products primarily
capability, product quality, cost, and delivery. Some of our competitors have
resources, research and development facilities, design engineering, manufac
capabilities. If we are unable to develop new and innovative products, divers
materials, and processes we utilize and increase operational enhancements, w
competitors or lose the ability to achieve competitive advantages. In the high
which we operate, this may negatively impact our ability to retain existing c
customers, and if that occurs, it may negatively impact future operating resu

We may be subject to additional shipping expense or late fees if we are not a
customers' on-time demand for our products.

We must continue to meet our customers' demand for on-time delivery of ou
could result in our inability to meet customer demands include a failure by o
suppliers to supply us with the raw materials and other resources that we nee

effectively and an unforeseen spike in demand for our products, which woul
constraints, among other factors. If this occurs, we may be required to incur
expenses to ensure on-time delivery or otherwise be required to pay late fees
material adverse effect on our business, results of operations, or financial co

If we fail to attract and retain key personnel our business could be harmed.

Our success largely depends on the efforts and abilities of our key personnel
and industry contacts significantly benefit us. The inability to retain key pers
material adverse effect on our business, results of operations, or financial co
success will also depend in part upon our continuing ability to attract and ret
personnel.

Work stoppages or other labor issues at our facilities or at our customers' fac
affect our operations.

As of December 31, 2018, unions at our Columbus, Ohio, Matamoros, Mexi
Escobedo, Mexico facilities represented approximately 68% of our entire wo
are subject to the risk of work stoppages and other labor-relations matters. T
Ohio, Matamoros and Escobedo, Mexico, and Cobourg, Canada union contr
August 10, 2019, December 31, 2019, February 2020 and November 1, 202
prolonged work stoppage or

strike at either our Columbus, Ohio, Matamoros, Mexico, Cobourg, Canada
unionized facilities could have a material adverse effect on our business, res
financial condition. Any failure by us to reach a new agreement upon expira
contracts may have a material adverse effect on our business, results of oper
condition.

In addition, if any of our customers or suppliers experience a material work
may halt or limit the purchase of our products or that supplier may interrupt
production components. This could cause us to shut down production faciliti
products, which could have a material adverse effect on our business, results
financial condition.

Changes in the legal, regulatory, and social responses to climate change, inc
effect on energy prices, could adversely affect our business and reduce our p

It is possible that various proposed legislative or regulatory initiatives relate
such as cap-and-trade systems, increased limits on emissions of greenhouse
standards, or other measures, could in the future have a material impact on u
markets we serve, thereby resulting in a material adverse effect on our finan
of operation. For example, customers in the transportation (automotive and t
required to incur greater costs in order to comply with such initiatives, whicl
impact on their profitability or viability. This could in turn lead to further ch
the transportation industry that could reduce demand for our products. We a
to manufacture our products, with our operating costs being subject to increa
During periods of higher energy costs we may not be able to recover our ope
through production efficiencies and price increases. While we may hedge ou
prices via future energy purchase contracts, increases in energy prices for an
result of new initiatives related to climate change) will increase our operatin
our profitability.

Our foreign operations in Mexico and Canada subject us to risks that could r
business.

We operate a manufacturing facilities in Matamoros and Escobedo, Mexico
As a result, a significant portion of our business and operations is subject to
economic conditions, tax systems, consumer preferences, social conditions,
conditions, and political conditions inherent in Mexico and Canada, includin
and policies that govern foreign investment, as well as changes in United Sta
relating to foreign trade and investment. Changes in laws and regulations rel
investment may have an adverse effect on our results of operations, financia
flows.

Fluctuations in foreign currency exchange rates could adversely affect our re
flow, liquidity, or financial condition.

Because of our international operations, we are exposed to risk associated w
foreign currencies, which may adversely affect our business. Historically, ou
earnings, cash flow, and financial condition have been subjected to fluctuatio
rates. Our primary exchange rate exposure is with the Canadian dollar and th

the U.S. dollar. While we actively manage the exposure of our foreign curre
overall financial risk management policy, we believe we may experience los
currency exchange rate fluctuations, and such losses could adversely affect c
flow, liquidity, or financial condition.

Our business is subject to risks associated with manufacturing equipment an

We convert raw materials into molded products through a manufacturing pro
facility. While we maintain insurance covering our manufacturing and produ
including business interruption insurance, a catastrophic loss of the use of al
facilities due to accident, fire, explosion, or natural disaster, whether short o
material adverse effect on our business, results of operations, or financial co

Unexpected failures of our equipment and machinery may result in producti
and significant repair costs, as well as injuries to our employees. Any interru
capability may require us to make large capital expenditures to remedy the s
have a negative impact on our profitability and cash flows. Our business inte
not be sufficient to offset the lost revenues or increased costs that we may ex
disruption of our operations. Because we supply our products to OEMs, a te
business disruption could result in a permanent loss of customers. If this wer
sales levels and therefore our profitability could be materially adversely affe

Table of Contents

Our business is subject to risks associated with new business awards. In ord
from new business, we must accurately estimate product costs as part of the
implement effective and efficient manufacturing processes.

The success of our business relies on our ability to produce products which
performance, and price expectations of our customers. Our ability to recogni
dependent upon accurately identifying the costs associated with the manufa
and executing the manufacturing process in a cost effective manner. There c
all costs will be accurately identified during the Company's quoting process
of manufacturing efficiency will be achieved. As a result we may not realize
operating results related to new business awards.

Our insurance coverage may be inadequate to protect against the potential h
business.

We maintain property, business interruption, stop loss for healthcare and wo
director and officer, product liability, and casualty insurance coverage, but s
provide adequate coverage against potential claims, including losses resultin
terrorist acts, or product liability claims relating to products we manufacture
conditions in the insurance industry, premiums and deductibles for some of
have been increasing and may continue to increase in the future. In some ins
insurance may become available only for reduced amounts of coverage, if at
can be no assurance that our insurers would not challenge coverage for certa
incur a significant liability for which we were not fully insured or that our in
have a material adverse effect on our financial position.

We face various risks arising from our recent acquisition of Horizon Plastics
growth opportunities and other benefits from the acquisition of Horizon Plas
successfully integrate the Horizon Plastics business with our existing busine
adversely affect our financial condition and results of operations.

We may fail to realize growth opportunities and other benefits from the acq
Plastics, which we acquired on January 16, 2018. We have no prior experien
manufacturing operations in Canada, and we may not be as successful in op
business in Canada as we have been in the United States and elsewhere. We
continue existing, or to develop new vendor and customer relationships, and
Canada. Further, our operations in Canada are subject to the various risks an
our United States and Mexican operations are subject.

Our ability to successfully integrate Horizon Plastics is subject to risks, incl
difficulties in completing integration and incurring higher than expected cos
integration efforts, our management's attention and our resources could be d
business concerns. The integration process is underway and we expect integ
throughout 2019. However, if integration difficulties arise, the diversion of a
may be increased. Horizon Plastics' production facilities are located in Cana
products to customers in the United States, Canada, and Mexico. While a ma
Plastics' sales are denominated in the United States Dollar, the entity is subj
associated with certain operating costs in Canada and Mexico. Additionally,
operations are subject to the risk of changes in economic conditions, tax syst

preferences, social conditions, safety and security conditions, and political c
Canada and Mexico. Any of these may adversely affect our financial conditi
operations.

In addition to Horizon Plastics, we have made acquisitions and may make ac
We may not realize the operating results that we anticipate from these acqui
acquisitions we may make in the future, and we may experience difficulties
acquired businesses or may inherit significant liabilities related to such busi

We explore opportunities to acquire businesses that we believe are related to
from time to time, some of which may be material to us. We expect such acc
operating results consistent with our other operations; however, we cannot p
assumption will prove correct with respect to any acquisition.

Any acquisitions, including the recent acquisition of Horizon Plastics, may p
challenges for our management due to the increased time and resources requ
management, employees, information systems, accounting controls, personn
functions of the acquired business with those of ours and to manage the com
going forward basis. The diversion of management's attention and any delay
encountered in connection with the integration of these businesses could adv
business, results of operations, and liquidity, and the benefits we anticipate r

14

Table of Contents

Expected future sales from business awards may not materialize. We may no
operating results that we anticipate from new business awards, and we may
meeting the production demands of new business awards.

We will continue to pursue, and may be awarded, new business from existin
Company may make capital investments, which may be material to the Com
the expected production requirements of existing or new customers related t
and to support the potential production demands which may result from con
anticipated impact on the Company's sales and operating results related to th
various reasons, may not materialize. Any delays or production difficulties e
connection with these business awards, and any change in customer demand
our business, results of operations, and liquidity, and the benefits we anticip
materialize.

If we are unable to meet future capital requirements, our business may be ad

As we grow our business, we may have to incur significant capital expenditu
capital investments to, among other things, build new or upgrade our faciliti
facilities and equipment, and enhance our production processes. We cannot
have, or be able to obtain, adequate funds to make all necessary capital expe
or that the amount of future capital expenditures will not be materially in ex
current expenditures. If we are unable to make necessary capital expenditure
capability to support our customer demands, which in turn could reduce our
and impair our ability to satisfy our customers' expectations. In addition, eve
sufficient resources, these investments may not generate net sales that excee
any net sales at all, or result in any commercially acceptable products.

Our failure to comply with our debt covenants could have a material advers
financial condition, or results of operations.

Our debt agreements contain certain covenants. A breach of any of these co
default under the applicable agreement. If a default were to occur, we would
that default, attempt to reset the covenant, or refinance the instrument and a
If we were unable to obtain this relief, the default could result in the acceler
related to that debt obligation. If a default were to occur, we may not be abl
borrow sufficient funds to refinance them. Any of these events, if they occur
adversely affect our results of operations, financial condition, and cash flow

We may not achieve expected efficiencies related to the proximity of our cu
facilities to our manufacturing facilities, or with respect to existing or future
plans.

Certain facilities are located in close proximity to our customers in order to
customers' and our own costs. If any of our customers were to move or if ne
that may impact our ability to remain competitive. Additionally, our compet
facility that is closer to our customers' facilities which may provide them wi
advantage. Any of these events might require us to move closer to our custo
facilities, or shift production between our current facilities to meet our custo
additional cost and expense.

Our products may be rendered obsolete or less attractive if there are changes
regulatory requirements, or competitive processes.

Changes in technology, regulatory requirements, and competitive processes
products obsolete or less attractive. Future chemical regulations may restrict
manufacture products, cause us to incur substantial expenditures to comply
to liability for adverse environmental or health effects linked to the manufac
Failure to comply with future regulations may subject us to penalties or othe
Our ability to anticipate changes in these areas will be a significant factor in
competitive. If we are unable to identify or compensate for any one of these
material adverse effect on our business, results of operations, or financial co

Our stock price can be volatile.

Our stock price can fluctuate widely in response to a variety of factors. Fact
anticipated variations in our quarterly operating results, our relatively small
securities analysts' estimates of our future earnings, and the loss of major cu
business developments relating to us or our competitors, and other factors, i
in this “Risk Factors” section. Our common stock also has a low average da
limits a

15

Table of Contents

person's ability to quickly accumulate or quickly divest themselves of large l
addition, a low average trading volume can lead to significant price swings e
few number of shares are being traded.

We are subject to environmental, occupational health and safety rules and re
require us to make substantial expenditures or expose us to financial or othe
substantial damages, penalties, fines, civil or criminal sanctions, and remedi
adversely affect our results.

Our operations, facilities, and personnel are subject to extensive and evolvin
pertaining to air emissions, wastewater discharges, the handling and disposa
materials and wastes, health and safety, the investigation and remediation of
protection of the environment and natural resources. It is difficult to predict
and developments of environmental and health and safety laws and regulatio
future results and cash flows. Continued compliance could result in significa
expenditures and operating costs. In addition, we may be exposed to obligat
time to time in administrative or legal proceedings relating to environmental
other regulatory matters, and may incur financial and other obligations relati

Certain senior management employees have entered into potentially costly s
with us if terminated by the employee for good reason.
We have entered into executive employment agreements with executive offi
significant severance payments in the event such employee's employment w
the employee for good reason (as defined in the employment agreement). Go
or more of the following occurring within one year of a change in control: (i
base salary, (ii) a material diminution in the executive's position and/or dutie
of the employment agreement by the person or other entity then controlling t
disavowal of the employment agreement by the person or other entity then c
A change in control occurs when (a) one person (as defined in the employme
than one person acting as a group, acquires ownership of stock of the Compa
the stock held by such person or group, constitutes more than 50% of the tot
total voting power of the stock of the Company, (b) a majority of the membe
Board of Directors (the "Board") are replaced during any twelve-month peri
appointment or election is not endorsed by a majority of the Board before th
election, or (c) the sale of all or substantially all of the Company's assets. Th
make it costly for the employment of certain of our senior management emp
and such costs may also discourage potential acquisition proposals, which m
stock price.
Economic conditions and disruptions in the financial markets could have an
business, financial condition, and results of operations.

Disruptions in the financial markets could have a material adverse effect on
financial condition if our ability to borrow money from our existing lenders
Disruptions in the financial markets may also have a material adverse impac
cost of credit in the future. Our ability to pay our debt or refinance our oblig
future performance, which could be affected by, among other things, prevail
Disruptions in the financial markets may also have an adverse effect on the U
economies, which would have a negative impact on demand for our product
of credit markets may have an adverse impact on our customers' ability to fi

trucks or our suppliers' ability to provide us with raw materials, either of wh
affect our business and results of operations.

Our provision for income tax, adverse tax audits, or changes in tax policy co
effect on our business, financial condition, and results of operations.

We are subject to income taxes in the United States and Mexico and, beginn
provision for income taxes and cash flow related to taxes may be negatively
changes in the mix of earnings taxable in jurisdictions with different statuto
tax laws and accounting principles, (3) changes in the valuation of our defer
liabilities, (4) discovery of new information during the course of tax return p
in nondeductible expenses, or (6) difficulties in repatriating earnings held ab
manner.

Tax audits may also negatively impact our business, financial condition, and
We are subject to continued examination of our income tax returns, and tax
with our tax positions and assess additional tax. We regularly evaluate the li
outcomes resulting from these examinations to determine the adequacy of ou
taxes. There can be no assurance that the outcomes from examinations will
impact on our future financial condition and operating results.

16

Table of Contents

Our ability to maintain effective internal control over financial reporting ma
us to accurately report our financial results or prevent fraud, and this could c
statements to become materially misleading and adversely affect the trading
stock.

We require effective internal control over financial reporting in order to prov
with respect to our financial reports and to effectively prevent fraud. Interna
reporting may not prevent or detect misstatements because of its inherent lin
possibility of human error, the circumvention or overriding of controls, or fr
effective internal controls can provide only reasonable assurance with respec
fair presentation of financial statements. If we cannot provide reasonable ass
our financial statements and effectively prevent fraud, our financial statemen
materially misleading, which could adversely affect the trading price of our

If we are not able to maintain the adequacy of our internal control over finan
any failure to implement required new or improved controls or if we experie
implementation, our business, financial condition, and operating results coul
material weakness could affect investor confidence in the accuracy and com
statements. As a result, our ability to obtain any additional financing, or add
favorable terms, could be materially and adversely affected. This, in turn, co
adversely affect our business, financial condition, and the market value of ou
incur additional costs to improve our internal control systems and procedure
perceptions of the Company among customers, suppliers, lenders, investors,
others could also be adversely affected. We cannot assure that any material v
in the future due to our failure to implement and maintain adequate internal c
reporting.

Security breaches and other disruptions could compromise our information a
which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data, in
property, our proprietary business information and that of our customers, su
partners, and personally identifiable information of our employees, in our da
networks. The secure maintenance of this information is critical to our opera
security measures, our information technology and infrastructure may be vu
hackers or breached due to employee error, malfeasance, or other disruption
compromise our networks and the information stored there could be accesse
lost, or stolen. Any such access, disclosure, or other loss of information coul
or proceedings, liability under laws that protect the privacy of personal infor
penalties, disruption of our operations, damage to our reputation, and cause a
our products, which could adversely affect our business, revenues, and comp

Our manufacturing capacity, labor force, and operations may not be appropr
demand and may materially adversely affect our gross margins and operatin

When market demand increases, we must have available manufacturing capa
our labor force to meet increases in customer demand. We have continued to
ramp up in overall demand in the heavy-duty truck market, along with the la
programs. Given the current high demand levels, the Company has experien

constraints and difficulty hiring, training and retaining labor in a tightening l
resulted in increased manufacturing inefficiencies and the inability to consis
delivery and quality requirements, including for several of the Company's m
Additional expenses that we have realized in 2018 as a result of these ineffic
hiring, training, wages, overtime, non-local third party contract labor, includ
lodging, scrap, rework, expedited premium shipping, returns, customer charg
maintenance.

If we continue to experience manufacturing inefficiencies, we may continue
expenses as described above and may reduce demand through the possible te
move of business (which may include major customers' business) to other m
would adversely affect our gross margins and operating results.

Ongoing difficulty in hiring, training, and retaining skilled labor could resul
overruns, an inability to satisfy customer demands, and otherwise adversely

We depend on skilled labor in the manufacturing of our products. Given the
levels in 2018, we have experienced difficulty hiring, training, and retaining
labor market, which has resulted in increased manufacturing inefficiencies a
consistently meet customer delivery and quality requirements, including for
major customers. Recent difficulties in securing skilled labor have resulted
training costs, increased overtime to meet demand, increased wage rates to a
operators, the use of non-local third

Table of Contents

party contract labor, and higher scrap and rework costs due to inexperienced
of such difficulties in securing labor could result in increased cost, an inabili
demands, and an inability to maintain or increase production rates which wo
business.

In the event we engage in any restructuring of our manufacturing operations
efficiencies, such actions may be disruptive to our business and may not resu
savings.

Management continuously evaluates our facilities and operations in an effor
more efficient. During 2018, we have continued to experience asset capacity
difficulty hiring, training, and retaining labor in a tightening labor market, w
increased manufacturing inefficiencies and the inability to consistently meet
quality requirements, including for several of the Company's major custome
continues to evaluate our facilities and operations in an effort to make our bu
well as whether to move certain customers' business in order to minimize pr
may incur additional costs, asset impairments, and restructuring charges in c
to operations, that to the extent incurred in the future could adversely affect
cash flows. Such actions may be disruptive to our business. Furthermore, we
savings that we expect to realize as a result of such actions.

We incurred an impairment charge as of December 31, 2018 that eliminated
of our goodwill associated with our traditional business reporting unit; in the
required to incur additional impairment charges on a portion or all of the car
goodwill or other intangible assets associated with our reporting units, which
our financial condition and results of operations.

Each year, and more frequently on an interim basis if appropriate, we are rec
350, "Intangibles--Goodwill and Other," to assess the carrying value of our i
assets and goodwill to determine whether the carrying value of those assets i
assessment and determination involves significant judgments to estimate the
reporting units, including estimating future cash flows, near term and long te
determining appropriate discount rates, among other assumptions. As part o
impairment assessment at December 31, 2018, we concluded that the carryin
associated with our traditional business reporting unit was greater than fair v
goodwill impairment charge of $2,403,000, representing all of the goodwill
business reporting unit. See Note 2. Summary of Significant Accounting Po
7. Goodwill and Intangibles, within the notes to our accompanying consolid
for further discussion regarding goodwill impairment. The Company conclu
assigned to the HPI reporting unit was not impaired as of December 31, 201
23% above the carrying value. The Company will continue to evaluate the H
goodwill on an annual basis as required by ASC Topic 350. If operating earn
below forecasted operating earnings, we would perform an interim or annual
analysis. Should that analysis conclude that the reporting unit's fair value we
value a goodwill impairment charge would be necessary. Any such charges c
adversely affect our financial results in the periods in which they are recorde

We have substantial debt and may incur substantial additional debt, which co
financial health, reduce our profitability, limit our ability to obtain financing

certain business opportunities and reduce the value of your investment.

As of December 31, 2018, we had an aggregate principal amount of $58.4 m
debt. In fiscal year 2018, we incurred $2.4 million of interest expense, net of
rate swaps, related to this debt.
The amount of our debt or such other obligations could have important cons
our common stock, including, but not limited to: a substantial portion of our
operations must be dedicated to the payment of principal and interest on our
reducing the funds available to us for other purposes; our ability to obtain ad
working capital, capital expenditures, acquisitions, debt service requirement
purposes and other purposes may be impaired in the future; we are exposed
interest rates because a portion of our borrowings is at variable rates of inter
competitive disadvantage compared to our competitors with less debt or with
more favorable interest rates and that, as a result, may be better positioned to
downturns; our ability to refinance indebtedness may be limited or the assoc
our ability to engage in acquisitions without raising additional equity or obta
financing may be impaired in the future; it may be more difficult for us to sa
our creditors, resulting in possible defaults on and acceleration of such indeb
more vulnerable to general adverse economic and industry conditions; and o
changing market conditions and our ability to withstand competitive pressur
we may be prevented from making capital investments that are necessary or
operations in general, growth strategy and efforts to improve operating marg

18

Table of Contents

If our cash flow and capital resources are insufficient to fund our debt servic
forced to reduce or delay capital expenditures, sell assets, seek to obtain add
refinance our debt. We cannot make assurances that we will be able to refina
acceptable to us, or at all. In the future, our cash flow and capital resources r
payments of interest on and principal of our debt, and such alternative measu
successful and may not permit us to meet our scheduled debt service obligat
We cannot make assurances that we will be able to refinance any of our inde
additional financing, particularly because of our high levels of debt and the d
restrictions imposed by the agreements governing our debt, as well as prevai
We could face substantial liquidity problems and might be required to dispo
operations to meet our debt service and other obligations. Subject to certain
Loans and Revolving Loans, which we have defined in "Note 9. Debt and Lo
financial statements, restrict our ability to dispose of assets and how we use
such dispositions. We cannot make assurances that we will be able to consu
or if we do, what the timing of the dispositions will be or whether the procee
adequate to meet our debt service obligations, when due.

Cybersecurity attacks may threaten our confidential information, disrupt ope
harm to our reputation and adversely impact our business and financial perfo
Cybersecurity attacks across industries, including ours, are increasing in sop
and may range from uncoordinated individual attempts to measures targeted
attacks include but are not limited to, malicious software or viruses, attempts
access to, or otherwise disrupt, our information systems, attempts to gain un
business, proprietary or other confidential information, and other electronic
could lead to disruptions in critical systems, unauthorized release of confide
protected information and corruption of data. Cybersecurity failures may be
error, malfeasance, system errors or vulnerabilities, including vulnerabilities
suppliers, and their products. We have been subject to cybersecurity attacks
information known to date, past attacks have not had a material impact on ou
results of operations. We may experience such attacks in the future, potentia
or sophistication.
Failures of our IT systems as a result of cybersecurity attacks or other disrup
breach of critical operational or financial controls and lead to a disruption of
commercial activities or financial processes. Cybersecurity attacks or other d
significant customers and/or suppliers could also lead to a disruption of our c
activities. Despite our attempts to implement safeguards on our systems and
there is no assurance that such actions will be sufficient to prevent cyberatta
that manipulate or improperly use our systems or networks, compromise con
protected information, destroy or corrupt data, or otherwise disrupt our opera
such events could have a material adverse effect on our business financial co
operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company owned four production facilities as of December 31, 2018 tha
Columbus, Ohio; Gaffney, South Carolina; Winona, Minnesota; and Matam
production facilities in Batavia, Ohio; Cobourg, Canada; and Escobedo, Me
center in Brownsville, Texas.

The Columbus, Ohio plant is located at 800 Manor Park Drive on approxima
The Company acquired the property at 800 Manor Park Drive in 1996 as a r
Purchase Agreement with Navistar. The Company added approximately 6,0
Columbus plant during 2014 in connection with its SMC capacity expansion
square feet of available floor space at the Columbus, Ohio plant is comprise

	Approximate Square Feet
Manufacturing/Warehouse	322,000
Office	16,000
Total	338,000

19

Table of Contents

The Gaffney, South Carolina plant, which was opened in 1998, is located at
Meadow Creek Industrial Park on approximately 21 acres of land. The Com
approximately 28,800 square feet to the Gaffney plant during 2016. The app
feet of available floor space at the Gaffney, South Carolina plant is comprise

	Approximate Square Feet
Manufacturing/Warehouse	134,800
Office	5,000
Total	139,800

The Winona, Minnesota plant which was acquired in 2015 is located at 1700
facility consists of approximately 87,000 square feet on approximately 7 acr
following:

	Approximate Square Feet
Manufacturing/Warehouse	81,000
Office	6,000
Total	87,000

The Matamoros, Mexico plant which was opened in 2009 is located at Guill
Camarena y Thomas Alva Edison Manzana, Matamoros, Tamaulipas, Mexic
of approximately 478,000 square feet on approximately 22 acres comprised

	Approximate Square Feet
Manufacturing/Warehouse	463,000
Office	15,000
Total	478,000

The Columbus, Ohio; Gaffney, South Carolina; Winona, Minnesota; and Ma
properties are subject to liens and security interests as a result of the properti
Company as collateral for its debt as described in Note 9 of the "Notes to Co
Statements" in Part II, Item 8 of this Annual Report on Form 10-K.

The Company leases a production plant in Batavia, Ohio located at 4174 Ha
approximately 9 acres of land. The current 7-year operating lease agreement
The approximate 108,000 square feet of available floor space at the Batavia,
of the following:

	Approximate Square Feet
Manufacturing/Warehouse	104,000
Office	4,000
Total	108,000

The Company leases a production plant in Cobourg, Canada located at 3 We
approximately 10 acres of land. The current lease agreement expires in June
the option to extend the lease up to 10 years. The approximate 247,000 squa
space at the Cobourg, Canada plant is comprised of the following:

	Approximate Square Feet

Manufacturing/Warehouse	241,000
Office	6,000
Total	247,000

The Company leases a production plant in Escobedo, Mexico located at Ave
Parque Industrial VYNMSA Escobedo, C.P. 66053, Escobedo, Nuevo Leon
approximately 3 acres of land. The current lease agreement expires in

20

Table of Contents

March 2021. The approximate 61,000 square feet of available floor space at
plant is comprised of the following:

	Approximate Square Feet
Manufacturing/Warehouse	59,000
Office	2,000
Total	61,000

The Company leases a warehouse and distribution center in Brownsville, Te
Cheers Street on approximately 2 acres of land. The current lease agreement
with an option to extend the lease for 36 months. The approximate 42,000 sq
floor space at the Brownsville, Texas location is comprised of the following

	Approximate Square Feet
Warehouse/Distribution	39,000
Office	3,000
Total	42,000

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company is involved in litigation incidental to the co
The Company is presently not involved in any legal proceedings which in th
management are likely to have a material adverse effect on the Company's c
position or results of operations.

ITEM 4. MINE SAFETY DISCLOSURE

None.

Table of Contents

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATE
MATTERS, AND ISSUER PURCHASE OF EQUITY SECURITIES

The Company's common stock is traded on the NYSE American LLC under

The table below sets forth the high and low sale prices of the Company for e
within the two most recent fiscal years for which such stock was traded.

Core Molding Technologies, Inc.		High	Low
Fourth Quarter	2018	$8.60	$6.37
Third Quarter	2018	15.32	6.58
Second Quarter	2018	18.09	13.53
First Quarter	2018	22.36	16.47
Fourth Quarter	2017	$23.85	$19.74
Third Quarter	2017	24.50	18.85
Second Quarter	2017	22.83	16.38
First Quarter	2017	18.19	14.42

The Company's common stock was held by 351 holders of record on March

The Company ended the $0.05 per share quarterly dividend after the May 20
Company made payments of $792,000 and $786,000 for cash dividends duri
respectively. The Company made no payments for cash dividends in 2016.

Equity Compensation Plan Information

The following table shows certain information concerning our common stoc
connection with our equity compensation plans as of December 31, 2018:

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options or Vesting of Restricted Grants	Weighted Average Exercise Price of Outstanding Options or Restricted Grants	Numb Shares Remai Availa for Future Issuan
Equity compensation plans approved by stockholders	349,885	$ 10.62	1,078,

There were no stock repurchases during the three months ended December 3

22

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data is derived from the audited consolidate
the Company. The information set forth below should be read in conjunctior
Discussion and Analysis of Financial Condition and Results of Operations,"
statements and related notes included elsewhere in this Annual Report on Fo

(In thousands, except per share data)	Years Ended December 31, 2018	2017	2016
Operating Data:			
Product sales	$256,217	$148,623	$146,624
Tooling sales	13,268	13,050	28,258
Net sales	269,485	161,673	174,882
Gross margin	27,141	24,631	27,906
Operating income	(3,100)	7,941	11,527
Net income	(4,782)	5,459	7,411
Earnings Per Share Data:			
Net income per common share:			
Basic	$(0.62)	$0.71	$0.97
Diluted	$(0.62)	$0.70	$0.97
Balance Sheet Data:			
Total assets	$201,198	$138.578	$133,455
Working capital	40,111	40,369	38,590
Long-term debt	55,159	3,750	6,750
Stockholders' equity	98,929	101,893	96,766
Return on beginning equity	(5)%	6%	8%
Book value per share	$12.72	$13.21	$12.67

23

Table of Contents

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANC
AND
RESULTS OF OPERATIONS

Certain statements under this caption of this Annual Report on Form 10-K c
forward-looking statements within the meaning of the federal securities laws
forward-looking statements are those focused upon future plans, objectives o
opposed to historical items and include statements of anticipated events or tr
and beliefs relating to matters not historical in nature. Such forward-looking
known and unknown risks and are subject to uncertainties and factors relatin
Technologies' operations and business environment, all of which are difficul
which are beyond Core Molding Technologies' control. Words such as "may
"should," "anticipate," "predict," "potential," "continue," "expect," "intend,"
"confident" and similar expressions are used to identify these forward-lookin
uncertainties and factors could cause Core Molding Technologies' actual res
from those matters expressed in or implied by such forward-looking stateme

Core Molding Technologies believes that the following factors, among other
performance and cause actual results to differ materially from those express
forward-looking statements made in this Annual Report on Form 10-K: busi
plastics, transportation, marine and commercial product industries (including
for truck production); federal and state regulations (including engine emissio
economic, social, regulatory (including foreign trade policy) and political en
countries in which Core Molding Technologies operates; safety and security
and Canada; dependence upon certain major customers as the primary sourc
Technologies' sales revenues; efforts of Core Molding Technologies to expa
ability to develop new and innovative products and to diversify markets, ma
increase operational enhancements; the actions of competitors, customers, an
Core Molding Technologies' suppliers to perform their obligations; the avai
inflationary pressures; new technologies; regulatory matters; labor relations;
Core Molding Technologies to attract and retain key personnel; the Compan
identify, evaluate and manage potential acquisitions and to benefit from and
completed acquisitions, including the recent acquisition of Horizon Plastics;
integration of Horizon Plastics may be more difficult, time-consuming or co
expected revenue synergies and cost savings from acquisition of Horizon Pla
realized within the expected timeframe; revenues following the acquisition o
be lower than expected; customer and employee relationships and business o
disrupted by the acquisition of Horizon Plastics; federal, state and local envi
regulations; the availability of capital; the ability of Core Molding Technolo
delivery to customers, which may require additional shipping expenses to en
otherwise result in late fees; risk of cancellation or rescheduling of orders; m
pursue new products or businesses which involve additional costs, risks or c
inadequate insurance coverage to protect against potential hazards; equipme
product liability and warranty claims; and other risks identified from time to
Technologies' other public documents on file with the Securities and Exchan
including those described in Item 1A of this Annual Report on Form 10-K.

DESCRIPTION OF THE COMPANY

Core Molding Technologies is a manufacturer of sheet molding compound (
thermoset and thermoplastic products. The Company specializes in large-for
a wide range of fiberglass processes, including compression molding of SM
thermoplastics ("GMT"), bulk molding compounds ("BMC"), and direct lon
("D-LFT"); spray-up, hand-lay-up, and resin transfer molding ("RTM"). Ad
offers structural foam and structural injection molding ("SIM") and reaction
("RIM"), utilizing dicyclopentadiene technology. Core Molding Technologi
of markets, including the medium and heavy-duty truck, marine, automotive
construction, and other commercial products. Product sales to medium and h
accounted for 56% of the Company's sales for the year ended December 31,
years ended December 31, 2017 and 2016, respectively. The demand for Co
products is affected by economic conditions in the United States, Mexico, a
Technologies' manufacturing operations have a significant fixed cost comp
periods of changing demand, the profitability of Core Molding Technologie
proportionately more than revenues from operations.

In 1996, Core Molding Technologies acquired substantially all of the assets
liabilities of Columbus Plastics, a wholly owned operating unit of Navistar's
division since its formation in late 1980. Columbus Plastics, located in Colu
compounder and compression molder of SMC. In 1998, Core Molding Tech
operations at its second facility in Gaffney, South Carolina, and in 2001, Co
added a production facility in Matamoros, Mexico by acquiring certain asse
Corporation. As a result of this acquisition, Core Molding

Table of Contents

Technologies expanded its fiberglass molding capabilities to include the spra
mold processes and RTM closed molding. In 2004, Core Molding Technolo
substantially all the operating assets of Keystone Restyling Products, Inc., a
manufacturer and distributor of fiberglass reinforced products for the autom
industry. In 2005, Core Molding Technologies acquired certain assets of the
Division of Diversified Glass, Inc., a Batavia, Ohio-based, privately held ma
distributor of fiberglass reinforced plastic components supplied primarily to
market. In 2009, the Company completed construction of a new production
Mexico that replaced its leased facility. In March 2015, the Company acqui
assets of CPI Binani, Inc., a wholly owned subsidiary of Binani Industries L
Winona, Minnesota ("CPI"), which expanded the Company's process capabi
and diversified the customer base. In January 2018, the Company acquired s
of Horizon Plastics, which has manufacturing operations in Cobourg, Ontari
This acquisition expanded the Company's customer base, geographic footpri
capabilities to include structural foam and structural web molding.

BUSINESS OVERVIEW

General

The Company’s business and operating results are directly affected by chan
demand, operational costs and performance and leverage of our fixed cost a
administrative ("SG&A") infrastructure.

Product sales fluctuate in response to several factors including many that ar
control, such as general economic conditions, interest rates, government reg
spending, labor availability, and our customers’ production rates and invent
consist of demand from customers in many different markets with different
seasonality. The North American truck market, which is highly cyclical, acc
of the Company’s product revenue for the years ended December 31, 2018 a

Operating performance is dependent on the Company’s ability to manage ch
items such as raw materials, labor, and overhead operating costs. Performan
manufacturing efficiencies, including items such as on time delivery, quality
Market factors of supply and demand can impact operating costs. In periods
decreases in customer demand, the Company is required to ramp operations
quickly which may impact manufacturing efficiencies more than in periods

Operating performance is also dependent on the Company’s ability to effect
customer programs, which are typically extremely complex in nature. The st
new program is the result of a process of developing new molds and assemb
testing, manufacturing process design, development and testing, along with
hiring employees. Meeting the targeted levels of manufacturing efficiency f
occurs over time as the Company gains experience with new tools and proce
new program launch period, start-up costs and inefficiencies can affect oper

Results of 2018 Overview

Core Molding Technologies recorded a net loss in 2018 of $4,782,000, or $(
diluted share, compared with net income of $5,459,000, or $0.71 per basic a
share in 2017. Product sales in 2018 increased 72% from 2017, and operatin

New sales from the acquisition of Horizon Plastics and higher demand from
were the primary drivers of the sales increase, while the decrease in operatin
due to increased manufacturing inefficiencies at several of the Company's fa
impairment charge, and higher operating and SG&A costs.
As discussed above in Part I, Item 1, “Business,” on January 16, 2018 the Co
substantially all of the assets and assumed certain liabilities of Horizon Plast
approximately $63,005,000 in cash. Horizon Plastics is a custom low-pressu
molder, which utilizes both structural foam and structural web process techn
two manufacturing facilities located in Cobourg, Canada and Escobedo, Me
funded through a combination of available cash on hand and borrowings und
Restated Credit Agreement entered into with KeyBank National Association
below under “Liquidity and Capital Resources.” The integration process for
underway and management expects integration of business and financial sys
throughout 2019.

Looking forward, the Company anticipates that 2019 product sales levels wi
to 2018, due to higher demand from heavy duty truck customers and additio
programs. Heavy duty truck customers as well as industry analysts are forec
8 truck sales of approximately 5% in 2019 compared to 2018.

25

Table of Contents

2018 compared to 2017
Net sales for 2018 totaled $269,485,000, which was an increase from the $1
2017. Included in total sales were tooling project sales of $13,268,000 for 20
2017. Tooling project sales result primarily from customer approval and acc
assembly equipment specific to their products as well as other non-productio
are sporadic in nature and fluctuate in regard to scope and related revenue o
basis. Total product sales for 2018, excluding tooling project sales, totaled $
representing a 72% increase from the $148,623,000 reported for 2017. The i
is primarily the result of new sales from the acquisition of Horizon Plastics t
higher demand from truck customers of $44,991,000.

Gross margin was approximately 10.1% of sales in 2018 and 15.2% in 2017
decrease, as a percent of sales, was due to unfavorable product mix and proc
8.1%, net changes in selling price and material costs of 1.1% and unfavorab
offset by higher leverage of fixed costs of 2.5% and favorable impact of 2.0
Plastic acquisition.

Selling, general and administrative expense ("SG&A") totaled $27,838,000
$16,690,000 in 2017. The increase in SG&A expense primarily resulted fro
SG&A costs of $3,681,000 related to Horizon Plastics, higher professional a
$2,292,000, higher intangible amortization of $1,819,000, higher labor and b
one-time severance costs of $858,000 and one-time acquisition fees of $693

Goodwill impairment totaled $2,403,000 in 2018, based on the Company's a
impairment assessment for the Core Traditional reporting unit, see Note 2, S
Accounting Policies, for further details.

Net interest expense totaled $2,394,000 for the year ended December 31, 20
interest expense of $245,000 for the year ended December 31, 2017. The inc
was primarily due to a higher average outstanding debt balance in 2018.

Income tax expense was approximately 12% of total income before income
2017. The change in effective income tax rate primary relates to the net effe
lower statutory rate tax jurisdictions being offset by taxable income in highe
jurisdictions.

Net loss for 2018 was $4,782,000 or $(0.62) per basic and diluted share, co
of $5,459,000 or $0.71 per basic and $0.70 per diluted share for 2017.

Comprehensive loss totaled $4,735,000 in 2018, compared to comprehensiv
in 2017. The decrease was primarily related to lower net income of $10,241
hedging derivatives of $418,000 offset by a change in net actuarial adjustme
post-retirement benefit obligations. In 2018, the Company recorded a net act
compared to an actuarial loss of $417,000 in 2017. The 2018 gain and the 2
due to a change in discount rate.
2017 compared to 2016
Net sales for 2017 and 2016 totaled $161,673,000 and $174,882,000, respec
sales were tooling project sales of $13,050,000 and $28,258,000 for 2017 an
These sales are sporadic in nature and fluctuate in regard to scope and relate

period-to-period basis. Product sales, excluding tooling project sales, for 201
$148,623,000 compared to $146,624,000 for 2016. In 2017, product sales w
by a change in demand from customers in the heavy truck and marine marke
partially offset by a change in demand from customers in the automotive ma

Gross margin was approximately 15.2% of sales for 2017, compared with 16
margin decrease, as a percent of sales, was due to unfavorable net changes in
material costs of 1.3% and lower leverage of fixed costs of 0.4%. These dec
favorable product mix and production efficiencies of 0.6% and favorable for
effects of 0.3%.

Selling, general and administrative expense ("SG&A") was $16,690,000 for
$16,379,000 for 2016. The increase in SG&A expense primarily resulted fro
and outside services of $880,000 of which $596,000 is associated with the fe
Horizon Plastics acquisition, and higher labor and benefit expenses of $441,
lower profit sharing expense of $1,203,000.

Net interest expense totaled $245,000 for 2017, compared to net interest exp
2016. The decrease in interest expense was primarily due to a lower average
balance in 2017.

26

Table of Contents

Income tax expense was approximately 30% of total income before income
in 2017 and 34% in 2016. The decrease primary resulted from net benefits f
associated with provisions for the impact of The Tax Cut and Jobs Act of $1
from vesting of restricted stock for $126,000.

Net income for 2017 was $5,459,000 or $0.71 per basic and $0.70 per dilute
with net income of $7,411,000 or $0.97 per basic and diluted share for 2016

Comprehensive Income totaled $4,953,000 in 2017, compared to $7,180,00
was primarily related to lower net income of $1,952,000 and a change in net
$737,000 for other post-retirement benefit obligations. In 2017 the Company
loss of $417,000, which was primarily driven by a change in discount rate, c
actuarial gain of $320,000 in 2016, which was primarily associated with a c
mortality.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

The Company’s primary sources of funds have been cash generated from op
borrowings from third parties. Primary cash requirements are for operating e
expenditures, repayments of debt, and acquisitions.

Cash used in operating activities totaled $6,528,000 for the year ended Dece
of $4,782,000 negatively impacted operating cash flows. Non-cash deductio
amortization, and goodwill impairment charge included in net income amou
$2,403,000, respectively. Increased working capital resulted in cash used in
$13,312,000. Changes in working capital primarily related to increases in ac
inventory, due to an increase in sales volume.

Cash used in investing activities totaled $68,806,000 for the year ended Dec
primarily related to the acquisition of Horizon Plastics totaling $63,005,000.
invested $5,801,000 related to purchases of property, plant and equipment fo
equipment improvements, and capacity expansion at the Company’s product
Company anticipates spending approximately $12,000,000 during 2019 on p
equipment purchases for all of the Company's operations. The Company ant
operations and its revolving line of credit to finance this capital investment.
purchase commitments for capital expenditures in progress were approxima

Cash provided by financing activities totaled $50,445,000 for the year ende
Cash activity primarily consisted of new term loan borrowings of $45,000,0
revolving loans of $17,375,000, offset by the payoff of a previous term loan
scheduled repayments of principal on outstanding term loans of $3,375,000,
dividends of $792,000 and payment of deferred loan costs of $763,000.

At December 31, 2018, the Company had cash on hand of $1,891,000 and a
of credit of $22,625,000. If a material adverse change in the financial positi
should occur, or if actual sales or expenses are substantially different than w
the Company's liquidity and ability to obtain further financing to fund futur

requirements could be negatively impacted.

Debt and Credit Facilities
On January 16, 2018, the Company entered into an A/R Credit Agreement w
Association as administrative agent and various financial institutions party t
"Lenders"). Pursuant to the terms of the A/R Credit Agreement (i) the Comp
revolving loans in the aggregate principal amount of up to $40,000,000 (the
from the Lenders and term loans in the aggregate principal amount of up to
Lenders, (ii) the Company's wholly-owned subsidiary, Horizon Plastics Inte
"Subsidiary") may borrow revolving loans in an aggregate principal amount
$10,000,000 from the Lenders (which revolving loans shall reduce the avail
Revolving Loans to the Company on a dollar-for-dollar basis) and term loan
principal amount of up to $13,000,000 from the Lenders, (iii) the Company
Credit Commitment of $250,000, of which $160,000 has been issued and (iv
the outstanding term loan balance of $6,750,000. The Credit Agreement is s
each U.S. and Canadian subsidiary of the Company, and by a lien on substa
and future assets of the Company and its U.S. and Canadian subsidiaries, ex
stock issued by Corecomposites de Mexico, S. de R.L. de C.V. has been ple
Concurrent with the closing of the A/R Credit Agreement the Company bor
$32,000,000 term loan and $2,000,000 from the US Revolving loan and the
$13,000,000 term loan and $2,500,000 from revolving loans to provide $49,
the acquisition of Horizon Plastics.

27

Table of Contents

On March 14, 2019, the Company entered into the first amendment (“First A
Credit Agreement with the Lenders. Pursuant to the terms of the First Amen
Lenders agreed to modify certain terms of the A/R Credit Agreement. These
(1) implementation of an availability block on the U.S. Revolving Loans red
$40,000,000 to $32,500,000, (2) modification to the definition of EBITDA t
one-time expenses, (3) waiver of non-compliance with the leverage covenan
2018 and modification of the leverage ratio definition and covenant to elimi
leverage ratio until December 31, 2019, (4) waiver of non-compliance with t
as of December 31, 2018 and modification of the fixed charge coverage ratio
requirement, (5) implementation of a capital expenditure spend limit of $7,5
six months of 2019 and $12,500,000 for the full year 2019, (6) an increase o
margin spread for existing term and revolving loans, and (7) an increase in t
any unused U.S. Revolving Loans.

Bank Covenants

The Company is required to meet certain financial covenants included in the
Agreement with respect to leverage ratios, fixed charge ratios, and capital ex
other customary affirmative and negative covenants. As of December 31, 20
not in compliance with its financial covenants associated with the loans mad
Agreement, but on March 14, 2019 entered into the First Amendment to the
which waived the non-compliance as of December 31, 2018 and established
While management believes it will be able to meet its future covenants as es
Amendment, the ability to meet these covenants relies on certain operational
improvements consistent with our planned turn around and expected timetab
improvements not materialize in the time frame planned, it could impact our
covenants.

Shelf Registration

On November 14, 2017 the Company filed a universal shelf Registration Sta
“Registration Statement”) with the SEC in accordance with the Securities Ac
which became effective on November 20, 2017. The Registration Statement
stock, preferred stock, debt securities, warrants, depositary shares, rights, un
of the foregoing, for a maximum aggregate offering price of up to $50 millio
from time to time. The terms of any securities offered under the Registration
use of proceeds will be established at the times of the offerings and will be d
supplements filed with the SEC at the times of the offerings. The Registratio
year term.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET TRANS

The Company has the following minimum commitments under contractual o
purchase obligations, as defined by the SEC. A “purchase obligation” is defi
purchase goods or services that is enforceable and legally binding on the Co
all significant terms, including: fixed or minimum quantities to be purchased
variable price provisions; and the approximate timing of the transaction. Oth
are defined as long-term liabilities that are reflected on the Company’s balan
accounting principles generally accepted in the United States. Based on this
below includes only those contracts which include fixed or minimum obliga
normal purchases, which are made in the ordinary course of business.

The following table provides aggregated information about the maturities of
and other long-term liabilities as of December 31, 2018:

	2019	2020	2021	2022	2 a
Long-term debt	$3,375,000	$4,500,000	$5,625,000	$5,625,000	$
Interest[(A)]	3,337,000	2,020,000	1,778,000	1,510,000	–
Operating lease obligations	1,579,000	1,387,000	1,128,000	1,055,000	1
Contractual commitments for capital expenditures[(B)]	3,461,000	—	—	—	–
Post retirement benefits	1,157,000	440,000	471,000	487,000	5
Total	$12,909,000	$8,347,000	$9,002,000	$8,677,000	$

(A) Variable interest rates were as of December 31, 2018.

(B) Includes $871,000 recorded on the balance sheet in accounts payable at D

28

Table of Contents

As of December 31, 2018, the Company had no significant off-balance shee
CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results
Company's consolidated financial statements, which have been prepared in
accounting principles generally accepted in the United States. The preparatio
financial statements requires management to make estimates and assumption
amounts of assets and liabilities and the disclosure of contingent assets and l
the consolidated financial statements and the reported amounts of revenues a
reporting period. On an on-going basis, management evaluates its estimates
those related to accounts receivable, inventories, goodwill and other long-liv
post retirement benefits, and income taxes. Management bases its estimates
historical experience and on various other factors that are believed to be reas
circumstances, the results of which form the basis for making judgments abo
assets and liabilities that are not readily apparent from other sources. Actual
these estimates under different assumptions or conditions.

Management believes the following critical accounting policies, among othe
significant judgments and estimates used in the preparation of its consolidat

Accounts Receivable Allowances

Management maintains allowances for doubtful accounts for estimated losse
inability of its customers to make required payments. If the financial conditi
customers were to deteriorate, resulting in an impairment of their ability to m
additional allowances may be required. The Company has determined that a
doubtful accounts is needed at December 31, 2018 and no allowance was ne
2017. Management also records estimates for customer returns and deductio
customers, and for price adjustments. Should customer returns and deductio
adjustments fluctuate from the estimated amounts, additional allowances ma
Company had an allowance for estimated chargebacks of $2,344,000 at Dec
$857,000 at December 31, 2017. There have been no material changes in the
calculations.

Inventories

Inventories, which include material, labor and manufacturing overhead, are
cost or net realizable value. The inventories are accounted for using the first
(FIFO) method of determining inventory costs. Inventory quantities on-hand
and where necessary, provisions for excess and obsolete inventory are recor
and anticipated usage. The Company has recorded an allowance for slow mo
inventory of $957,000 at December 31, 2018 and $624,000 at December 31,

Long-Lived Assets

Long-lived assets consist primarily of property, plant and equipment and fin
Company acquired substantially all of the assets of Horizon Plastics on Janu
resulted in approximately $16,770,000 of finite-lived intangibles and $12,99
and equipment, all of which were recorded at fair value. The recoverability
evaluated by an analysis of operating results and consideration of other signi
in the business environment. The Company evaluates, whether impairment e
assets on the basis of undiscounted expected future cash flows from operatio

was no impairment of the Company's long-lived assets for the years ended D
and 2016.

Goodwill

The purchase consideration of acquired businesses have been allocated to th
acquired based on the estimated fair values on the respective acquisition dat
values, the excess purchase consideration over the fair value of the net asset
to goodwill. The Company accounts for goodwill in accordance with FASB
350, Intangibles - Goodwill and Other. FASB ASC Topic 350 prohibits the
and requires these assets be reviewed for impairment at each reporting unit.
Horizon Plastics acquisition on January 16, 2018 and the status of its integr
established two reporting units, Core Traditional and Horizon Plastics.

The annual impairment tests of goodwill may be completed through qualitat
however the Company may elect to bypass the qualitative assessment and p
quantitative impairment test for any reporting unit in any period. The Comp
qualitative assessment for any reporting unit in any subsequent period.
Under a qualitative and quantitative approach, the impairment test for good
assessment of whether it is more-likely-than-not that a reporting unit’s fair v
carrying amount. As part of the qualitative assessment, the Company consid
circumstances that affect the fair value or carrying amount of the Company.
circumstances could include macroeconomic conditions, industry and mark
overall financial

29

Table of Contents

performance, reporting unit specific events and capital markets pricing. The
weight on the events and circumstances that most affect the Company's fair
amount. These factors are all considered by management in reaching its con
perform step one of the impairment test. If the Company elects to bypass the
for any reporting unit, or if a qualitative assessment indicates it is more-likel
estimated carrying value of a reporting unit exceeds its fair value, the Comp
quantitative approach.

As part of the quantitative assessment, the Company determines fair values
using a combination of the market approach and the income approach. The
valuation methodology based upon the relevance and availability of the data
valuation. If multiple valuation methodologies are used, the results are weig
Valuations using the market approach are derived from metrics of publicly t
historically completed transactions of comparable businesses. Under the inc
is determined based on the present value of estimated future cash flows, disc
risk-adjusted rate. We use our internal forecasts to estimate future cash flow
of long-term future growth rates based on our most recent views of the long-
reporting unit. Determining the fair value of a reporting unit requires judgm
of significant estimates and assumptions. The Company based its fair value
that it believes are reasonable, but are uncertain and subject to changes in m

The Company's annual impairment assessment at December 31, 2018 consi
analysis for both reporting units. It concluded that the carrying value of Cor
than the fair value, which resulted in a goodwill impairment charge of $2,40
the goodwill related to the Core Traditional reporting unit. The analysis of t
reporting unit, Horizon Plastics, indicated no goodwill impairment charge a
estimated fair value over the carrying value of its invested capital was appro
book value of its net assets.

There was no impairment of the Company's goodwill for the years ended De
2016.

Self-Insurance

The Company is self-insured with respect to its Columbus and Batavia, Ohi
Carolina; Winona, Minnesota; and Brownsville, Texas medical, dental, and
Columbus and Batavia, Ohio workers' compensation claims, all of which ar
insurance thresholds. The Company has recorded an estimated liability for s
dental and vision claims incurred but not reported and worker's compensati
reported at December 31, 2018 and December 31, 2017 of $960,000 and $8

Post Retirement Benefits

Management records an accrual for post retirement costs associated with the
sponsored by the Company for certain employees. Should actual results diff
used to determine the reserves, additional provisions may be required. In pa
future healthcare costs above the assumptions could have an adverse effect
operations. The effect of a change in healthcare costs is described in Note 1
Consolidated Financial Statements. Core Molding Technologies had a liabil
healthcare benefits based on actuarially computed estimates of $8,076,000 a
$9,050,000 at December 31, 2017.

Revenue Recognition

The Company historically has recognized revenue from two streams, produc
revenue. Product revenue is earned from the manufacture and sale of sheet n
thermoset and thermoplastic products. Revenue from product sales is genera
products are shipped, as the Company transfers control to the customer and i
upon shipment. In limited circumstances, the Company recognizes revenue f
products are produced and the customer takes control at our production facil

Tooling revenue is earned from manufacturing multiple tools, molds and ass
of a tooling program for a customer. Given that the Company is providing a
producing highly interdependent component parts of the tooling program, ea
consists of a single performance obligation to provide the customer the capa
product. Based on the arrangement with the customer, the Company recogni
point in time or over time. When the Company does not have an enforceable
Company recognizes tooling revenue at a point in time. In such cases, the Co
revenue upon customer acceptance, which is when the customer has legal tit
Company historically recognized all tooling revenue at a point in time, upon
before the adoption of ASU 2014-09.

Certain tooling programs include an enforceable right to payment. In those c
recognizes revenue over time based on the extent of progress towards compl
obligation. The Company uses a cost-to-cost measure of progress for such co
depicts the transfer of value to the customer and also correlates with the amo
which the entity expects to be entitled in exchange for transferring the prom
the customer.

Table of Contents

Under the cost-to-cost measure of progress, progress towards completion is
ratio of costs incurred to date to the total estimated costs at completion of th
obligation. Revenues are recorded proportionally as costs are incurred.

Income Taxes

Management assesses the need for a valuation allowance to reduce its deferr
amount that it believes is more likely than not to be realized. The Company
taxable income in assessing the need for a valuation allowance and has not r
allowance due to anticipating it being more likely than not that the Company
benefits.

An analysis is performed to determine the amount of the deferred tax asset t
analysis is based upon the premise that deferred tax benefits will be realized
of future taxable income. Management reviews all available evidence, both
assess the long-term earnings potential of the Company using a number of a
financial results in economic cycles at various industry volume conditions.
are the Company's relationships with its major customers, and any recent cu
efforts. The projected availability of taxable income to realize the tax benefi
temporary differences before expiration of these benefits are also considered
that, with the combination of available tax planning strategies and the maint
relationships with its key customers, earnings are achievable in order to real
asset.

Management recognizes the financial statement effects of a tax position whe
not the position will be sustained upon examination.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued A
Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (To
the revenue recognition requirements in ASC 605, Revenue Recognition. AS
the principle that revenue is recognized to depict the transfer of goods or ser
amount that reflects the consideration to which the entity expects to be entitl
goods or services. ASC Topic 606 also requires additional disclosure about
timing and uncertainty of revenue and cash flows arising from customer con
significant judgments and changes in judgments and assets recognized from
or fulfill a contract. The effective date for ASC Topic 606, as updated by AS
first quarter of fiscal year 2018. ASU 2014-09 affects the timing of certain r
transactions primarily resulting from the earlier recognition of the Company
The Company adopted this update as required through a cumulative adjustm
contract assets of $1,069,000 on January 1, 2018. The transitional practical e
contract modifications has been applied and the Company has not retrospect
that were modified prior to January 1, 2018. Therefore, the comparative info
adjusted and continues to be reported under Topic 605. See Note 2, Summar
Accounting Policies, for the Company's policy on Revenue Recognition and
Accounting Policies, for further discussion on the effect of the adoption of A
Company's Consolidated Financial Statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842).
organizations to recognize lease assets and lease liabilities on the balance sh

information about leasing arrangements. This ASU is effective for annual re
beginning on or after December 15, 2018, and interim periods within those a
application is permitted for all entities as of the beginning of an interim or an

In accordance with ASU 2016-02, we plan to elect not to recognize lease ass
for leases with a term of twelve months or less. The ASU requires a modifie
method, or a transition method option under ASU 2018-11, with the option t
practical expedients that permits the Company to: a.) not reassess whether ex
contracts contain leases, b.) not reassess lease classification for existing or e
consider whether previously capitalized initial direct costs would be appropr
standard. We expect to elect the 'package of practical expedients', which pe
under the new standard our prior conclusions about lease identification, leas
direct costs. We do not expect to elect the use-of hindsight.

The Company is finalizing its assessment of the impact of this pronounceme
and anticipates it will impact the presentation of our lease assets and liabiliti
disclosures related to the recognition of lease assets and liabilities that are no
Consolidated Balance Sheets under existing accounting guidance. The adop
will have a significant impact on our consolidated balance sheet, but is not e
significant impact on our consolidated statement of income or statement of c
adopt this new accounting standard on its effective date of January 1, 2019 a
beginning on the effective date. We anticipate the dollar impact of recording
consolidated balance sheet to be within a range of $6,000,000 to $7,000,000

Table of Contents

In January 2017, FASB issued ASU No. 2017-04, Intangible - Goodwill and
Simplifying the Test for Goodwill Impairment. The amendments in this upd
step of the goodwill impairment test that require a hypothetical purchase pri
requires that, if a reporting unit's carrying value exceeds its fair value, an im
be recognized for the excess amount, not to exceed the carrying amount of g
adopted this ASU during the fourth quarter of 2018. See Note 2, Summary o
Policies, for discussion of our 2018 goodwill impairment charge.

In March 2017, FASB issued ASU No. 2017-07, Compensation - Retiremen
Improving the Presentation of Net Periodic Pension Cost and Net Periodic P
Cost ("ASU 2017-07"). The amendments in this update require that an empl
service cost component from the other components of net periodic cost (ben
component in the same line item as other compensation costs arising from se
employees during the period. The other components of net periodic cost (ben
presented in the statement of operations separately from the service cost com
operating earnings. The amendment also allows for the service cost compon
(benefit) to be eligible for capitalization when applicable. The guidance was
Company on January 1, 2018 and interim periods within that reporting perio
presentation of the components of net periodic cost (benefit) was applied ret
limiting the capitalization of net periodic cost (benefit) in assets to the servic
applied prospectively. The Company adopted this standard update as require
the impact of adoption resulted in a reclassification of all components of net
operating earnings to other income in the amount of $48,000, $49,000 and $
ended December 31, 2018, 2017 and 2016, respectively.

In August 2018, the SEC adopted the final rule under SEC Release No. 33-1
and Simplification, amending certain disclosure requirements that were redu
overlapping, outdated or superseded. In addition, the amendments expanded
requirements on the analysis of stockholders' equity for interim financial sta
amendments, an analysis of changes in each caption of stockholders' equity
sheet must be provided in a note or separate statement. The analysis should
of the beginning balance to the ending balance of each period for which a sta
comprehensive income is required to be filed. This final rule was effective o
The adoption of SEC Release No. 33-10532 does not result in a material cha
disclosures.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABO

Core Molding Technologies' primary market risk results from changes in the
used in its manufacturing operations. Core Molding Technologies is also exp
interest rates and foreign currency fluctuations associated with the Mexican
Dollar. Core Molding Technologies does not hold any material market risk s
trading purposes.

Core Molding Technologies has the following three items that are sensitive t
December 31, 2018: (1) Revolving Loans and the Term Loan under the Cred
bears a variable interest rate; (2) foreign currency purchases in which the Co
Mexican Pesos or Canadian Dollars with United States dollars to meet certai
due to operations at the facilities located in Mexico or Canada; and (3) raw m

which Core Molding Technologies purchases various resins and fiberglass f
prices and availability of these materials are affected by the prices of crude c
as processing capacity versus demand.

Assuming a hypothetical 10% change in short-term interest rates, interest pa
Revolving Loan and Term Loan would impact the interest paid by the Comp
on these loans is based upon LIBOR; however, it would not have a material
taxes.

Assuming a hypothetical 10% decrease in the United States dollar to Mexica
Dollar exchange rates, the Company would be impacted by an increase in op
would have an adverse effect on operating margins. To mitigate risk associa
exchange, the Company from time to time will enter into forward contracts t
amount of U.S. dollars for a fixed amount of Mexican Pesos or Canadian Do
to fund future Mexican Peso or Canadian Dollar cash flows, see Note 14.

Assuming a hypothetical 10% increase in commodity prices, Core Molding
impacted by an increase in raw material costs, which would have an adverse
margins.

32

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING F

Shareholders and the Board of Directors of Core Molding Technologies, Inc
Columbus, Ohio

Opinions on the Financial Statements and Internal Control over Financial Re

We have audited the accompanying consolidated balance sheets of Core Mo
and Subsidiaries (the "Company") as of December 31, 2018 and 2017, the re
statements of income (loss), comprehensive income (loss), stockholders' equ
each of the years in the three-year period ended December 31, 2018, and the
Schedule II (collectively referred to as the "financial statements"). We also h
Company's internal control over financial reporting as of December 31, 201
established in Internal Control - Integrated Framework: (2013) issued by the
Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in al
financial position of the Company as of December 31, 2018 and 2017, and th
operations and their cash flows for each of the years in the three-year period
2018 in conformity with accounting principles generally accepted in the Uni
Also in our opinion, the Company maintained, in all material respects, effect
financial reporting as of December 31, 2018, based on criteria established in
Integrated Framework: (2013) issued by COSO.

Basis for Opinions

The Company's management is responsible for these financial statements, fo
internal control over financial reporting, and for its assessment of the effecti
over financial reporting, included in the accompanying Management's Repo
Over Financial Reporting. Our responsibility is to express an opinion on the
statements and an opinion on the Company's internal control over financial r
audits. We are a public accounting firm registered with the Public Company
Board (United States) ("PCAOB") and are required to be independent with r
accordance with the U.S. federal securities laws and the applicable rules and
Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. T
that we plan and perform the audits to obtain reasonable assurance about wh
statements are free of material misstatement, whether due to error or fraud, a
internal control over financial reporting was maintained in all material respe

Our audits of the financial statements included performing procedures to ass
misstatement of the financial statements, whether due to error or fraud, and p
that respond to those risks. Such procedures included examining, on a test ba
the amounts and disclosures in the financial statements. Our audits also inclu
accounting principles used and significant estimates made by management, a
overall presentation of the financial statements. Our audit of internal control

included obtaining an understanding of internal control over financial report
that a material weakness exists, and testing and evaluating the design and op
internal control based on the assessed risk. As permitted, the Company has e
of Horizon Plastics International Inc. acquired during 2018, which is describ
consolidated financial statements, from the scope of management's report or
financial reporting. As such, it has also been excluded from the scope of our
over financial reporting. Our audits also included performing such other pro
necessary in the circumstances. We believe that our audits provide a reasona
opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed t
assurance regarding the reliability of financial reporting and the preparation
for external purposes in accordance with generally accepted accounting prin
internal control over financial reporting includes those policies and procedur
maintenance of records that, in reasonable detail, accurately and fairly reflec
dispositions of the assets of the company; (2) provide reasonable assurance t
recorded as necessary to permit preparation of financial statements in accord
accepted accounting principles, and that receipts and expenditures of the con
only in accordance with authorizations of management and directors of the c
reasonable assurance regarding prevention or timely detection of unauthoriz
disposition of the company's assets that could have a material effect on the f

33

Table of Contents

Because of its inherent limitations, internal control over financial reporting r
misstatements. Also, projections of any evaluation of effectiveness to future
risk that controls may become inadequate because of changes in conditions,
compliance with the policies or procedures may deteriorate.

/s/ Crowe LLP

We have served as the Company's auditor since 2009.

Columbus, Ohio
March 18, 2019

Table of Contents

Core Molding Technologies, Inc. and Subsidiaries
Consolidated Statements of Income (Loss)

	Years Ended December 31,	
	2018	2017
Net sales:		
Products	$256,217,000	$148,623,000
Tooling	13,268,000	13,050,000
Total net sales	269,485,000	161,673,000
Total cost of sales	242,344,000	137,042,000
Gross margin	27,141,000	24,631,000
Selling, general and administrative expense	27,838,000	16,690,000
Goodwill impairment	2,403,000	—
Total expenses	30,241,000	16,690,000
Operating income (loss)	(3,100,000)	7,941,000
Other income and expense		
Net periodic post-retirement benefit	(48,000)	(49,000)
Net interest expense	2,394,000	245,000
Total other income and expense	2,346,000	196,000
Income (Loss) before income taxes	(5,446,000)	7,745,000
Income Taxes:		
Current	1,048,000	2,630,000
Deferred	(1,712,000)	(344,000)
Total income taxes	(664,000)	2,286,000
Net income (loss)	$(4,782,000)	$5,459,000
Net income (loss) per common share:		
Basic	$(0.62)	$0.71
Diluted	$(0.62)	$0.70
Weighted average shares outstanding:		
Basic	7,750,000	7,690,000
Diluted	7,750,000	7,747,000

See notes to consolidated financial statements.

Table of Contents

Core Molding Technologies, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)

	Years Ended December 31,		
	2018	2017	2016
Net income (loss)	$(4,782,000)	$5,459,000	$7,41
Other comprehensive income:			
Foreign currency hedging derivatives:			
Unrealized hedge gain (loss)	(452,000)	5,000	(303,0
Income tax benefit (expense)	87,000	(2,000)	103,0
Interest rate hedging derivatives:			
Unrealized hedge gain (loss)	(65,000)	—	5,000
Income tax benefit (expense)	15,000	—	(2,000
Post retirement benefit plan adjustments:			
Net actuarial (loss) gain	1,081,000	(268,000)	474,0
Prior service costs	(496,000)	(496,000)	(496,0
Income tax benefit (expense)	(123,000)	255,000	(12,00
Comprehensive income (loss)	$(4,735,000)	$4,953,000	$7,18

See notes to consolidated financial statements.

36

Table of Contents

Core Molding Technologies, Inc. and Subsidiaries
Consolidated Balance Sheets

	Decer 2018
Assets:	
Current assets:	
Cash and cash equivalents	$1,89
Accounts receivable, net	45,46
Inventories:	
Finished goods	6,453
Work in process	2,034
Raw materials and components	17,27
Total inventories, net	25,76
Contract assets	3,915
Foreign sales tax receivable	1,789
Prepaid expenses and other current assets	1,474
Total current assets	80,30
Property, plant and equipment, net	80,65
Deferred tax asset	1,153
Goodwill	21,47
Intangibles, net	15,41
Other non-current assets	2,197
Total Assets	$201,
Liabilities and Stockholders' Equity:	
Liabilities:	
Current liabilities:	
Current portion of long-term debt	$3,23
Accounts payable	25,45
Contract liabilities	1,686
Current portion of post retirement benefits liability	1,157
Accrued liabilities:	
Compensation and related benefits	5,154
Other	3,514
Total current liabilities	40,19
Long-term debt	37,78
Revolving debt	17,37
Deferred tax liability	—
Post retirement benefits liability	6,919
Total Liabilities	102,2
Commitments and Contingencies	—
Stockholders' Equity:	
Preferred stock — $0.01 par value, authorized shares - 10,000,000; no shares outstanding at December 31, 2018 and December 31, 2017	—
	78,00

Common stock — $0.01 par value, authorized shares - 20,000,000; outstanding shares: 7,776,164 at December 31, 2018 and 7,711,277 at December 31, 2017	
Paid-in capital	33,20
Accumulated other comprehensive income, net of income taxes	2,117
Treasury stock — at cost, 3,790,308 shares at December 31, 2018 and 3,773,128 shares at December 31, 2017	(28,40
Retained earnings	91,92
Total Stockholders’ Equity	98,92
Total Liabilities and Stockholders’ Equity	$201,

See notes to consolidated financial statements.

37

Table of Contents

Core Molding Technologies, Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity

	Common Stock Outstanding		Paid-In Capital	Accumulated Other Comprehensive Income	Treasury Stock
	Shares	Amount			
Balance at January 1, 2016	7,596,500	$76,000	$29,147,000	$2,645,000	$(27,647,0
Net income					
Change in post retirement benefits, net of tax of $12,000				(34,000)	
Change in interest rate swaps, net of tax of $2,000				3,000	
Unrealized foreign currency hedge (loss), net of tax of $103,000				(200,000)	
Excess tax benefit — equity transactions			(16,000)		
Purchase of treasury stock	(10,590)				(134,000
Restricted stock vested	49,183				
Share-based compensation			1,003,000		
Balance at December 31, 2016	7,635,093	$76,000	$30,134,000	$2,414,000	$(27,781,0
Net income					
Cash Dividends Paid					
Change in post retirement benefits, net of tax of $255,000				(509,000)	

Unrealized foreign currency hedge (loss), net of tax of $2,000				3,000	
Adoption of Accounting Standards Update 2018-02				162,000	
Purchase of treasury stock	(19,533)				(372,000
Restricted stock vested	95,717	1,000			
Share-based compensation			1,331,000		
Balance at December 31, 2017	7,711,277	$77,000	$31,465,000	$2,070,000	$(28,153,0
Impact of change in accounting policy					
Balance at January 1, 2018	7,711,277	$77,000	$31,465,000	$2,070,000	$(28,153,0
Net loss					
Cash Dividends Paid					
Change in post retirement benefits, net of tax of $123,000				462,000	
Unrealized foreign currency hedge gain, net of tax of $87,000				(365,000)	
Change in interest rate swaps, net of tax of $15,000				(50,000)	
Purchase of treasury stock	(17,180)				(250,000
Restricted stock vested	82,067	1,000			

Share-based compensation			1,743,000		
Balance at December 31, 2018	7,776,164	$78,000	$33,208,000	$2,117,000	$(28,403,00

See notes to consolidated financial statements.

38

Table of Contents

Core Molding Technologies, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	Years Ended	
	2018	201
Cash flows from operating activities:		
Net income (loss)	$(4,782,000)	$5,
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	9,384,000	6,2
Deferred income taxes	(1,739,000)	(59
Goodwill impairment	2,403,000	—
Mark-to-market of interest rate swap	159,000	—
Share-based compensation	1,743,000	1,3
(Gain) loss on foreign currency	5,000	8,0
Change in operating assets and liabilities, net of effects of acquisition:		
Accounts receivable	(17,945,000)	(29
Inventories	(5,783,000)	(2,
Income taxes receivable	—	—
Prepaid and other assets	(528,000)	(2,
Accounts payable	7,822,000	5,3
Accrued and other liabilities	3,122,000	(4,
Post retirement benefits liability	(389,000)	(38
Net cash (used in) provided by operating activities	(6,528,000)	6,9
Cash flows from investing activities:		
Purchase of property, plant and equipment	(5,801,000)	(4,
Purchase of assets of Horizon Plastics	(63,005,000)	—
Net cash used in investing activities	(68,806,000)	(4,
Cash flows from financing activities:		
Gross borrowings on revolving loans	133,848,000	—
Gross repayment on revolving loans	(116,473,000)	—
Proceeds from term loan	45,000,000	—
Payment of principal of term loan	(10,125,000)	(3,
Payment of deferred loan costs	(763,000)	—
Excess tax payable from equity incentive plans	—	—
Payments related to the purchase of treasury stock	(250,000)	(37
Cash dividends paid	(792,000)	(78
Net cash (used in) provided by financing activities	50,445,000	(4,
Net change in cash and cash equivalents	(24,889,000)	(1,
Cash and cash equivalents at beginning of year	26,780,000	28,
Cash and cash equivalents at end of year	$1,891,000	$26

Cash paid for:

Interest (net of amounts capitalized)	$2,261,000	$24
Income taxes	$1,033,000	$2,
Non Cash:		
Fixed asset purchases in accounts payable	$871,000	$27

See notes to consolidated financial statements.

39

Table of Contents

Core Molding Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

1. Basis of Presentation

Core Molding Technologies and its subsidiaries operate in the composites m
products known as "structural composites." Structural composites are combi
sometimes reinforcing fibers (typically glass or carbon) that are molded to sl
Technologies is a manufacturer of sheet molding compound ("SMC") and m
thermoplastic products. The Company specializes in large-format moldings
of fiberglass processes, including compression molding of SMC, glass mat t
bulk molding compounds ("BMC") and direct long-fiber thermoplastics ("D
hand-lay-up, and resin transfer molding ("RTM"). Additionally, the Compar
and structural injection molding ("SIM") and reaction injection molding ("R
dicyclopentadiene technology. As of December 31, 2018, Core Molding Tec
seven production facilities located in Columbus, Ohio; Batavia, Ohio; Gaffn
Winona, Minnesota; Matamoros and Escobedo, Mexico; and Cobourg, Cana
structural composite products.

The Company operates in one business segment as a manufacturer of SMC a
thermoplastic and thermoset structural composite products. The Company pr
and molded products for varied markets, including medium and heavy-duty
marine, construction and other commercial markets.

2. Summary of Significant Accounting Policies

Principles of Consolidation - The accompanying consolidated financial state
accounts of all subsidiaries after elimination of all intercompany accounts, tr

Use of Estimates - The preparation of financial statements in conformity wit
generally accepted in the United States of America requires management to
assumptions that affect the reported amounts of assets and liabilities, disclos
and liabilities, and reported amounts of revenues and expenses during the re
Significant estimates relate to allowances for doubtful accounts, inventory re
reserves related to healthcare and workers compensation, deferred taxes, pos
progress billings for tooling, goodwill and long-lived assets. Actual results c
estimates.

Revenue Recognition - The Company historically has recognized revenue fr
revenue and tooling revenue. Product revenue is earned from the manufactur
molding compound and thermoset and thermoplastic products. Revenue fron
generally recognized as products are shipped, as the Company transfers cont
is entitled to payment upon shipment. In limited circumstances, the Compan
from product sales when products are produced and the customer takes contr
facility.

Tooling revenue is earned from manufacturing multiple tools, molds and ass
of a tooling program for a customer. Given that the Company is providing a
producing highly interdependent component parts of the tooling program, ea

consists of a single performance obligation to provide the customer the capa
product. Based on the arrangement with the customer, the Company recogni
point in time or over time. When the Company does not have an enforceable
Company recognizes tooling revenue at a point in time. In such cases, the Co
revenue upon customer acceptance, which is when the customer has legal tit
Company historically recognized all tooling revenue at a point in time, upon
before the adoption of ASU 2014-09.

Certain tooling programs include an enforceable right to payment. In those c
recognizes revenue over time based on the extent of progress towards compl
obligation. The Company uses a cost-to-cost measure of progress for such co
depicts the transfer of value to the customer and also correlates with the amo
which the entity expects to be entitled in exchange for transferring the prom
the customer.

Under the cost-to-cost measure of progress, progress towards completion is
ratio of costs incurred to date to the total estimated costs at completion of th
obligation. Revenues are recorded proportionally as costs are incurred.

Cash and Cash Equivalents - The Company considers all highly liquid inves
original maturity of three months or less to be cash equivalents. Cash is held
The Company had cash on hand of $1,891,000 at December 31, 2018 and $2
December 31, 2017.

40

Table of Contents

Accounts Receivable Allowances - Management maintains allowances for d
estimated losses resulting from the inability of its customers to make require
financial condition of the Company's customers were to deteriorate, resultin
their ability to make payments, additional allowances may be required. The
that a $25,000 allowance for doubtful accounts is needed at December 31, 2
was needed at December 31, 2017. Management also records estimates for c
deductions, discounts offered to customers, and for price adjustments. Shoul
deductions, discounts, and price adjustments fluctuate from the estimated an
allowances may be required. The Company had an allowance for estimated
$2,344,000 at December 31, 2018 and $857,000 at December 31, 2017. The
changes in the methodology of these calculations.

Inventories - Inventories, which include material, labor and manufacturing o
the lower of cost or net realizable value. The inventories are accounted for u
(FIFO) method of determining inventory costs. Inventory quantities on-hand
and where necessary, provisions for excess and obsolete inventory are record
and anticipated usage. The Company has recorded an allowance for slow mo
inventory of $957,000 at December 31, 2018 and $624,000 at December 31,

Contract Assets/Liabilities - Contract assets and liabilities represent the net
billings, vendor payments and revenue recognized for tooling programs. For
net revenue recognized and vendor payments exceed customer billings, the C
contract asset. For tooling programs where net customer billings exceed reve
vendor payments, the Company recognizes a contract liability. Customer pa
contract and can range from progress payments based on work performed or
the contract is completed. Contract assets are generally classified as current.
December 31, 2018, the Company recognized no impairments on contract as
are also generally classified as current. For the year ended December 31, 20
recognized revenue of $449,000 related to contract liabilities.

Property, Plant, and Equipment - Property, plant, and equipment are recorde
provided on a straight-line method over the estimated useful lives of the asse
of long lived assets is evaluated annually to determine if adjustment to the
the unamortized balance is warranted.

Ranges of estimated useful lives for computing depreciation are as follows:

Land improvements	20 years
Buildings and improvements	20 - 40 years
Machinery and equipment	3 - 15 years
Tools, dies and patterns	3 - 5 years

Depreciation expense was $7,361,000, $6,190,000 and $6,217,000 for the ye
2018, 2017 and 2016, respectively.

Long-Lived Assets - Long-lived assets consist primarily of property, plant a
finite-lived intangibles. The Company acquired substantially all of the assets
January 16, 2018, which resulted in approximately $16,770,000 of finite-live
$12,994,000 of property, plant and equipment, all of which were recorded at

recoverability of long-lived assets is evaluated by an analysis of operating re
of other significant events or changes in the business environment. The Com
impairment exists for long-lived assets on the basis of undiscounted expecte
operations before interest. There was no impairment of the Company's long-
ended December 31, 2018, 2017 and 2016.

Goodwill - The purchase consideration of acquired businesses have been all
liabilities acquired based on the estimated fair values on the respective acqui
these values, the excess purchase consideration over the fair value of the net
allocated to goodwill. The Company accounts for goodwill in accordance wi
350, Intangibles - Goodwill and Other. FASB ASC Topic 350 prohibits the a
and requires these assets be reviewed for impairment at each reporting unit.
Horizon Plastics acquisition on January 16, 2018 and the status of its integra
established two reporting units, Core Traditional and Horizon Plastics.

The annual impairment tests of goodwill may be completed through qualitat
however the Company may elect to bypass the qualitative assessment and pr
quantitative impairment test for any reporting unit in any period. The Compa
qualitative assessment for any reporting unit in any subsequent period.

41

Table of Contents

Under a qualitative and quantitative approach, the impairment test for goodv
assessment of whether it is more-likely-than-not that a reporting unit's fair v
carrying amount. As part of the qualitative assessment, the Company consid
circumstances that affect the fair value or carrying amount of the Company.
circumstances could include macroeconomic conditions, industry and marke
overall financial performance, reporting unit specific events and capital mar
Company places more weight on the events and circumstances that most aff
value or carrying amount. These factors are all considered by management i
about whether to perform step one of the impairment test. If the Company el
qualitative assessment for any reporting unit, or if a qualitative assessment i
more-likely-than-not that the estimated carrying value of a reporting unit ex
Company proceeds to a quantitative approach.
As part of the quantitative assessment, the Company determines fair values
using a combination of the market approach and the income approach. The C
valuation methodology based upon the relevance and availability of the data
valuation. If multiple valuation methodologies are used, the results are weig
Valuations using the market approach are derived from metrics of publicly t
historically completed transactions of comparable businesses. Under the inc
is determined based on the present value of estimated future cash flows, disc
risk-adjusted rate. We use our internal forecasts to estimate future cash flow
of long-term future growth rates based on our most recent views of the long-
reporting unit. Determining the fair value of a reporting unit requires judgm
of significant estimates and assumptions. The Company based its fair value
that it believes are reasonable, but are uncertain and subject to changes in m
The Company's annual impairment assessment at December 31, 2018 consi
analysis for both reporting units. It concluded that the carrying value of Cor
than the fair value, which resulted in a goodwill impairment charge of $2,40
the goodwill related to the Core Traditional reporting unit. The analysis of th
reporting unit, Horizon Plastics, indicated no goodwill impairment charge as
estimated fair value over the carrying value of its invested capital was appro
book value of its net assets.
There was no impairment of the Company's goodwill for the years ended De
2016.

Income Taxes - The Company records deferred income taxes for differences
reporting basis and income tax basis of assets and liabilities. A detailed brea
11.

Self-Insurance - The Company is self-insured with respect to its Columbus a
Gaffney, South Carolina; Winona, Minnesota; and Brownsville, Texas medi
claims and Columbus and Batavia, Ohio workers' compensation claims, all
stop-loss insurance thresholds. The Company has recorded an estimated liab
medical, dental and vision claims incurred but not reported and worker's co
incurred but not reported at December 31, 2018 and December 31, 2017 of $
respectively.

Post Retirement Benefits - Management records an accrual for post retireme
the health care plan sponsored by the Company for certain employees. Shou
from the assumptions used to determine the reserves, additional provisions r

particular, increases in future healthcare costs above the assumptions could l
the Company's operations. The effect of a change in healthcare costs is descr
Notes to Consolidated Financial Statements. Core Molding Technologies ha
retirement healthcare benefits based on actuarially computed estimates of $8
December 31, 2018 and $9,050,000 at December 31, 2017.

Fair Value of Financial Instruments - The Company's financial instruments c
revolving loans, interest rate swaps, foreign currency hedges, accounts recei
payable. The carrying amount of these financial instruments approximated th
detail is located in Note 14.

Concentration Risks - The Company has concentration risk related to signifi
and accounts receivable with certain customers. The Company had four maj
2018, Navistar, Volvo, PACCAR, and UFP. Major customers are defined as
year sales individually consist of more than ten percent of total sales during
reporting period in the current year. Sales to four major customers comprise
total sales in 2018, 2017 and 2016, respectively (see Note 4). Concentrations
balances with four customers accounted for 64% and 74% of accounts recei
2018 and 2017, respectively. The Company performs ongoing credit evaluat
financial condition. The Company maintains reserves for potential bad debt
losses have been historically within the Company's expectations. Sales to ce
manufacturing and service locations in Mexico and Canada totaled 32%, 36
for 2018, 2017 and 2016, respectively.

Table of Contents

As of December 31, 2018, the Company employed a total of 2,190 employe
886 employees in its United States operations, 1,033 employees in its Mexic
employees in its Canadian operation. Of these 2,190 employees, 372 are cov
bargaining agreement with the International Association of Machinists and A
("IAM"), which extends to August 10, 2019, and 876 are covered by a colle
with Sindicato de Jorneleros y Obreros, which extends to December 31, 201
employees at the Company's Cobourg, Canada facility are covered by a coll
agreement with United Food & Commercial Workers Canada ("UFCW"), w
November 1, 2021; and 26 employees at the Company's Escobedo, Mexico f
collective bargaining agreement with Sindicato de trabajadores de la industr
comercio del estado de Nuevo Leon Presidente Benito Juarez Garcia C.T.M
February 2020.

Earnings Per Common Share - Basic earnings per common share is compute
average number of common shares outstanding during the period. Diluted ea
share are computed similarly but include the effect of the assumed exercise
and vesting of restricted stock under the treasury stock method. A detailed c
per share is located in Note 3.

Research and Development - Research and development activities focus on
formulations, new products, new production capabilities and processes, and
products and manufacturing processes. The Company does not maintain a se
development organization or facility, but uses its production equipment, as r
these efforts and cooperates with its customers and its suppliers in research a
Likewise, manpower to direct and advance research and development is inte
manufacturing, engineering, production, and quality organizations. Research
which are expensed as incurred, totaled approximately $1,032,000, $848,00
2017 and 2016.

Foreign Currency Adjustments - The functional currency for the Mexican an
the United States dollar. All foreign currency asset and liability amounts are
States dollars at end-of-period exchange rates. Income statement accounts ar
weighted monthly average rates. Gains and losses resulting from translation
financial statements into United States dollars and gains and losses resulting
transactions are included in current results of operations. Net foreign curren
transaction activity is included in selling, general and administrative expens
in a gain of $88,000, $30,000 and $89,000 in 2018, 2017 and 2016, respecti

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued A
Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (To
the revenue recognition requirements in ASC 605, Revenue Recognition. AS
the principle that revenue is recognized to depict the transfer of goods or ser
amount that reflects the consideration to which the entity expects to be entitl
goods or services. ASC Topic 606 also requires additional disclosure about t
timing and uncertainty of revenue and cash flows arising from customer con
significant judgments and changes in judgments and assets recognized from
or fulfill a contract. The effective date for ASC Topic 606, as updated by AS

first quarter of fiscal year 2018. ASU 2014-09 affects the timing of certain r
transactions primarily resulting from the earlier recognition of the Company
The Company adopted this update as required through a cumulative adjustm
contract assets of $1,069,000 on January 1, 2018. The transitional practical e
contract modifications has been applied and the Company has not retrospect
that were modified prior to January 1, 2018. Therefore, the comparative info
adjusted and continues to be reported under Topic 605. See Note 16, Chang
Policies, for further discussion on the effect of the adoption of ASC Topic 6
Consolidated Financial Statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842).
organizations to recognize lease assets and lease liabilities on the balance sh
information about leasing arrangements. This ASU is effective for annual re
beginning on or after December 15, 2018, and interim periods within those a
application is permitted for all entities as of the beginning of an interim or a

In accordance with ASU 2016-02, we plan to elect not to recognize lease as
for leases with a term of twelve months or less. The ASU requires a modifie
method, or a transition method option under ASU 2018-11, with the option t
practical expedients that permits the Company to: a.) not reassess whether e
contracts contain leases, b.) not reassess lease classification for existing or e
consider whether previously capitalized initial direct costs would be approp
standard. We expect to elect the ‘package of practical expedients’, which pe
under the new standard our prior conclusions about lease identification, leas
direct costs. We do not expect to elect the use-of hindsight.

Table of Contents

The Company is finalizing its assessment of the impact of this pronounceme
and anticipates it will impact the presentation of our lease assets and liabiliti
disclosures related to the recognition of lease assets and liabilities that are no
Consolidated Balance Sheets under existing accounting guidance. The adop
will have a significant impact on our consolidated balance sheet, but is not e
significant impact on our consolidated statement of income or statement of c
adopt this new accounting standard on its effective date of January 1, 2019 a
beginning on the effective date. We anticipate the dollar impact of recording
consolidated balance sheet to be within a range of $6,000,000 to $7,000,000

In January 2017, FASB issued ASU No. 2017-01, Intangible - Goodwill and
Simplifying the Test for Goodwill Impairment. The amendments in this upd
step of the goodwill impairment test that require a hypothetical purchase pri
requires that, if a reporting unit's carrying value exceeds its fair value, an im
be recognized for the excess amount, not to exceed the carrying amount of g
adopted this ASU during the fourth quarter of 2018. See Note 2, Summary o
Policies, for discussion of our 2018 goodwill impairment charge.

In March 2017, FASB issued ASU No. 2017-07, Compensation - Retiremen
Improving the Presentation of Net Periodic Pension Cost and Net Periodic P
Cost ("ASU 2017-07"). The amendments in this update require that an empl
service cost component from the other components of net periodic cost (ben
component in the same line item as other compensation costs arising from se
employees during the period. The other components of net periodic cost (be
presented in the statement of operations separately from the service cost com
operating earnings. The amendment also allows for the service cost compon
(benefit) to be eligible for capitalization when applicable. The guidance was
Company on January 1, 2018 and interim periods within that reporting perio
presentation of the components of net periodic cost (benefit) was applied ret
limiting the capitalization of net periodic cost (benefit) in assets to the servic
applied prospectively. The Company adopted this standard update as require
the impact of adoption resulted in a reclassification of all components of net
operating earnings to other income in the amount of $48,000, $49,000 and $
ended December 31, 2018, 2017 and 2016, respectively.

In August 2018, the SEC adopted the final rule under SEC Release No. 33-1
and Simplification, amending certain disclosure requirements that were redu
overlapping, outdated or superseded. In addition, the amendments expanded
requirements on the analysis of stockholders' equity for interim financial sta
amendments, an analysis of changes in each caption of stockholders' equity
sheet must be provided in a note or separate statement. The analysis should
of the beginning balance to the ending balance of each period for which a st
comprehensive income is required to be filed. This final rule was effective o
The adoption of SEC Release No. 33-10532 does not result in a material cha
disclosures.

3. Net Income (Loss) per Common Share

Net income (loss) per common share is computed based on the weighted ave
shares outstanding during the period. Diluted net income (loss) per common
similarly but includes the effect of the assumed exercise of dilutive stock op
under the treasury stock method.

The computation of basic and diluted net income (loss) per common share is

	December 31 2018
Net income (loss)	$(4,782,000)
Weighted average common shares outstanding — basic	7,750,000
Effect of dilutive securities	—
Weighted average common and potentially issuable common shares outstanding — diluted	7,750,000
Basic net income (loss) per common share	$(0.62)
Diluted net income (loss) per common share	$(0.62)

Table of Contents

4. Major Customers

The Company had four major customers during 2018, Navistar, Volvo, PAC
customers are defined as customers whose current year sales individually co
percent of total sales during any annual or interim reporting period in the cu
significant portion of sales to Navistar, Volvo, PACCAR, or UFP would hav
effect on the business of the Company.

The following table presents sales revenue for the above-mentioned custome
December 31:

	2018	2017	2016
Navistar product sales	$52,347,000	$39,609,000	$39,756,000
Navistar tooling sales	2,806,000	159,000	1,994,000
Total Navistar sales	55,153,000	39,768,000	41,750,000
Volvo product sales	46,063,000	27,627,000	29,520,000
Volvo tooling sales	97,000	8,089,000	20,450,000
Total Volvo sales	46,160,000	35,716,000	49,970,000
PACCAR product sales	38,027,000	26,481,000	24,235,000
PACCAR tooling sales	6,425,000	2,932,000	3,481,000
Total PACCAR sales	44,452,000	29,413,000	27,716,000
UFP product sales	27,906,000	—	—
UFP tooling sales	240,000	—	—
Total UFP sales	28,146,000	—	—
Other product sales	91,874,000	54,906,000	53,113,000
Other tooling sales	3,700,000	1,870,000	2,333,000
Total other sales	95,574,000	56,776,000	55,446,000
Total product sales	256,217,000	148,623,000	146,624,000
Total tooling sales	13,268,000	13,050,000	28,258,000
Total sales	$269,485,000	$161,673,000	$174,882,000

5. Foreign Operations

Primarily all of the Company's product is sold to U.S. based customers in U.
table provides information related to sales by country, based on the ship to l
production facilities, for the years ended December 31:

	2018	2017	2016
United States	$181,207,000	$103,513,000	$119,018,000
Mexico	74,029,000	52,496,000	51,389,000
Canada	12,494,000	5,664,000	4,475,000
Other	1,755,000	—	—
Total	$269,485,000	$161,673,000	$174,882,000

The following table provides information related to the location of property,
net, as of December 31:

	2018	2017
United States	$37,778,000	$40,594,000
Mexico	34,155,000	28,037,000
Canada	8,724,000	—
Total	$80,657,000	$68,631,000

Table of Contents

6. Property, Plant, and Equipment

Property, plant, and equipment consisted of the following at December 31:

	2018	2017
Land and land improvements	$6,009,000	$6,009,000
Buildings	43,042,000	42,769,000
Machinery and equipment	108,661,000	92,218,000
Tools, dies, and patterns	1,419,000	808,000
Additions in progress	5,014,000	3,045,000
Total	164,145,000	144,849,000
Less accumulated depreciation	(83,488,000)	(76,218,000)
Property, plant, and equipment - net	$80,657,000	$68,631,000

Additions in progress at December 31, 2018 and 2017 relate to building imp
equipment purchases that were not yet completed and placed in service at ye
2018, commitments for capital expenditures in progress were $3,461,000 an
recorded on the balance sheet in accounts payable. At December 31, 2017, c
expenditures in progress were $1,071,000, and included $278,000 recorded
accounts payable.

7. Horizon Plastics Acquisition

On January 16, 2018, 1137925 B.C Ltd., subsequently renamed Horizon Pla
wholly owned subsidiary of the Company, entered into an Asset Purchase A
"Agreement") with Horizon Plastics International Inc., 1541689 Ontario Inc
and Horizon Plastics de Mexico, S.A. de C.V. (collectively "Horizon Plastic
of the Agreement the Company acquired substantially all of the assets and a
liabilities of Horizon Plastics for a cash purchase of $62,457,000. The purch
working capital adjustments resulting in an increase in the purchase price of

The acquisition was funded through a combination of cash on hand and borr
Amended and Restated Credit Agreement ("A/R Credit Agreement"), furthe
entered into with KeyBank National Association as administrative agent and
institutions on January 16, 2018.

The purpose of the acquisition was to increase the Company's structural com
capabilities to include structural foam and structural web molding, expand it
and diversify the Company's customer base.

Consideration was allocated to assets acquired and liabilities assumed based
the acquisition date as follows:

Accounts Receivable	$7,677,000
Inventory	6,523,000
Other Current Assets	832,000
Property and Equipment	12,994,000
Intangibles	16,770,000
Goodwill	21,476,000
Accounts Payable	(3,181,000)
Other Current Liabilities	(86,000)

$63,005,000

The purchase price included consideration for strategic benefits, including a
operational infrastructure and synergistic revenue opportunities, which resul
goodwill. The goodwill is deductible for income tax purposes.

The company incurred $1,289,000 and $596,000 of expense in 2018 and 201
associated with the acquisition, which is recorded in selling, general and adn

46

Table of Contents

The amount allocated to intangible assets has been attributed to the followin
amortized over the useful lives of each individual asset identified on a straig

Acquired Intangible Assets	Estimated Fair Value	Estimated Useful Life (Years)
Non-competition Agreement	$1,810,000	5
Trademarks	1,610,000	10
Developed Technology	4,420,000	7
Customer Relationships	8,930,000	12
Total	$16,770,000	

Pro Forma Information

The unaudited pro forma information for the combined results of the Compa
if the 2018 acquisitions had taken place on January 1, 2017. The unaudited p
not necessarily indicative of the results that we would have achieved had the
taken place on January 1, 2017 and the unaudited pro forma information doe
indicative of future financial operating results.

	Pro forma for the year ended December 31,	
	2018	2017
Net revenue	$272,153,000	$222,015,000
Net income (loss)	(3,788,000)	8,121,000
Net income (loss) per common share:		
Basic	$(0.49)	$1.06
Diluted	$(0.49)	$1.05

The unaudited pro forma net income includes the following adjustments that
recorded had the 2018 acquisition taken place on January 1, 2017.

	Pro forma for the year ended December 31,	
	2018	2017
Depreciation expense	$55,000	$50,000
Amortization expense	78,000	1,876,000
Interest (income) expense	(208,000)	1,705,000
Non-recurring transaction costs	(1,289,000)	(596,000)
Income tax expense (benefit)	253,000	(880,000)

8. Goodwill and Intangibles

Goodwill activity for the year ended December 31, 2018 consisted of the fol

Balance at December 31, 2017	$2,403,000
Additions	21,476,000
Impairment	(2,403,000)
Balance at December 31, 2018	$21,476,000

The Company's annual impairment assessment at December 31, 2018 consis
analysis for both the Core Traditional and Horizon Plastics reporting units. I

carrying value of Core Traditional was greater than the fair value, which res
impairment charge of $2,403,000. The analysis of the Company's other repo
Plastics, indicated no goodwill impairment charge as the excess of the estim
carrying value of its invested capital was approximately 23% of the book va

47

Table of Contents

Intangible assets at December 31, 2018 were comprised of the following:

Definite-lived Intangible Assets	Amortization Period	Gross Carrying Amount	Accum Amorti
Trade Name	25 Years	$250,000	$(37,0
Trademarks	10 Years	1,610,000	(86,00
Non-competition Agreement	5 Years	1,810,000	(360,0
Developed Technology	7 Years	4,420,000	(605,0
Customer Relationships	10-12 Years	9,330,000	(919,0
Total		$17,420,000	$(2,00

Intangible assets at December 31, 2017 were comprised of the following:

Definite-lived Intangible Assets	Amortization Period	Gross Carrying Amount	Accumula Amortizat
Trade Name	25 Years	$250,000	$ (27,000
Customer Relationships	10 Years	400,000	(110,000
Total		$650,000	$ (137,000

The aggregate intangible asset amortization expense was $1,869,000 for the
31, 2018 and amortization expense is expected to be $1,948,000 each year t
December 31, 2022 and $1,587,000 for the year ended December 31, 2023 .
$50,000 amortization expense for the years ended December 31, 2017 and 2

9. Debt and Leases

Long-term debt consists of the following at:

	Dec 201
Term loans payable, interest at a variable rate (4.34% at December 31, 2018) with monthly payments of interest and quarterly payments of principal through January 2023.	$41
Term loan payable to Key Bank, interest at a variable rate (3.36% at December 31, 2017)	—
Revolving loans, interest at a variable rate (4.39% at December 31, 2018)	17,3
Total	59,0
Less deferred loan costs	(61
Less current portion	(3,2
Long-term debt	$55

Credit Agreement
On January 16, 2018, the Company entered into an A/R Credit Agreement w
Association as administrative agent and various financial institutions party t
"Lenders"). Pursuant to the terms of the A/R Credit Agreement (i) the Comp
revolving loans in the aggregate principal amount of up to $40,000,000 (the
from the Lenders and term loans in the aggregate principal amount of up to $

Lenders, (ii) the Company's wholly-owned subsidiary, Horizon Plastics Inte
"Subsidiary") may borrow revolving loans in an aggregate principal amount
$10,000,000 from the Lenders (which revolving loans shall reduce the avail
Revolving Loans to the Company on a dollar-for-dollar basis) and term loan
principal amount of up to $13,000,000 from the Lenders, (iii) the Company
Credit Commitment of $250,000, of which $160,000 has been issued and (iv
the outstanding term loan balance of $6,750,000. The Credit Agreement is s
each U.S. and Canadian subsidiary of the Company, and by a lien on substa
and future assets of the Company and its U.S. and Canadian subsidiaries, ex
stock issued by Corecomposites de Mexico, S. de R.L. de C.V. has been ple

48

Concurrent with the closing of the A/R Credit Agreement the Company borr
$32,000,000 term loan and $2,000,000 from the US Revolving loan and the
$13,000,000 term loan and $2,500,000 from revolving loans to provide $49,
the acquisition of Horizon Plastics.

On March 14, 2019, the Company entered into the first amendment ("First A
Credit Agreement with the Lenders. Pursuant to the terms of the First Amen
Lenders agreed to modify certain terms of the A/R Credit Agreement. These
(1) implementation of an availability block on the U.S. Revolving Loans red
$40,000,000 to $32,500,000, (2) modification to the definition of EBITDA t
one-time expenses, (3) waiver of non-compliance with the leverage covenan
2018 and modification of the leverage ratio definition and covenant to elimi
leverage ratio until December 31, 2019, (4) waiver of non-compliance with t
as of December 31, 2018 and modification of the fixed charge coverage ratio
requirement, (5) implementation of a capital expenditure spend limit of $7,5
six months of 2019 and $12,500,000 for the full year 2019, (6) an increase o
margin spread for existing term and revolving loans, and (7) an increase in t
any unused U.S. Revolving Loans.

Term Loans

The $45,000,000 Term Loans were used to finance the acquisition of Horizo
commitment has fixed quarterly principal payments payable over a five-year
made pursuant to these loans bear interest, payable monthly at 30 day LIBO
margin spread from 175 to 225 based on the Company's leverage ratio and w
as of December 31, 2018. Effective March 14, 2019, upon entering into the
margin spread was changed to a range from 175 to 400 basis points based or
ratio. As of March 14, 2019, the applicable spread was set at 275 basis point

A $15,500,000 Term Loan was used to finance the acquisition of CPI in 201
fixed monthly principal payments payable over a five-year period. Borrowin
loan had interest, payable monthly at 30 day LIBOR plus 180 basis points. T
outstanding balance of $6,750,000 upon closing of the A/R Credit Agreemen

Revolving Loans

The Company has available $40,000,000, which was reduced to $32,500,00
2019 upon entering into the First Amendment, of variable rate revolving loa
which $17,375,000 is outstanding as of December 31, 2018. These revolvin
mature in January 2023, and are classified as long term on the balance sheet
the revolving loans bear interest, payable monthly at 30 day LIBOR plus a b
from 175 to 225 based on the Company's leverage ratio and was set at 200 b
December 31, 2018. Effective March 14, 2019, upon entering into the First
spread was changed to a range from 175 to 400 basis points based on the Co
As of March 14, 2019, the applicable spread was set at 275 basis points.

Annual maturities of long-term debt are as follows:

2019	$3,375,000
2020	4,500,000
2021	5,625,000
2022	5,625,000

2023 and Thereafter	22,500,000
Total	$41,625,000

Interest Rate Swaps

The Company entered into two interest rate swap agreements that became ef
and continue through January 2023, one of which was designated as a cash f
$25,000,000 of the $32,000,000 term loan to the Company mentioned above
as a cash flow hedge for $10,000,000 of the $13,000,000 term loan to the Su
above. Under these agreements, the Company pays a fixed rate of 2.49% to t
receives 30 day LIBOR for both cash flow hedges. The fair value of the inte
liability of $65,000 at December 31, 2018. While the Company is exposed to
interest rate swaps in the event of non-performance by the counter party to th
believes that such non-performance is unlikely to occur given the financial r
party.

Bank Covenants

The Company is required to meet certain financial covenants included in the
Agreement with respect to leverage ratios, fixed charge ratios, and capital ex
other customary affirmative and negative covenants. As

49

Table of Contents

of December 31, 2018, the Company was not in compliance with its financia
with the loans made under the A/R Credit Agreement, but on March 14, 201
Amendment to the A/R Credit Agreement which waived the non-complianc
2018 and established new covenant levels. While management believes it wi
future covenants as established in the First Amendment, the ability to meet t
certain operational and financial improvements consistent with our planned
timetable. Should these improvements not materialize in the time frame plan
ability to meet future covenants.

Leases
The Company has entered into an operating lease agreement through July 20
facility located in Batavia, Ohio. Additionally, the Company leases a wareho
center in Brownsville, Texas, which expires in October 2022, with an option
36 months.

Concurrent with the acquisition of Horizon Plastics, the Company entered in
for manufacturing facilities located in Cobourg, Canada and Escobedo, Mex
agreement for the Canada facility expires in June 2019 and the Company ha
lease up to 10 years, which the Company intends to utilize. The current lease
Mexican facility expires in March 2021.

Total rental expense was $2,640,000, $825,000 and $808,000 for 2018, 201
Included in rental expense are both operating lease payments and rental cost
equipment during the normal course of business under nonbinding terms. Fu
operating lease payments are as follows:

2019	$1,579,000
2020	1,387,000
2021	1,128,000
2022	1,055,000
2023 and Thereafter	1,425,000
Total minimum lease payments	$6,574,000

10. Stock Based Compensation

The Company has a Long Term Equity Incentive Plan (the "2006 Plan"), as
stockholders in May 2006. The 2006 Plan allows for grants to directors and
non-qualified stock options, incentive stock options, stock appreciation right
performance shares, performance units and other incentive awards ("Stock A
aggregate of 3,000,000 awards, each representing a right to buy a share of C
Technologies common stock. Stock Awards can be granted under the 2006 P
of December 31, 2025, or the date the maximum number of available award
have been granted. The number of shares remaining available for future issu

Restricted stock granted under the 2006 Plan typically require the individual
maintain certain common stock ownership thresholds and vest over three yea
the participants' sixty-fifth birthday, death, disability or change in control.

Core Molding Technologies follows the provisions of FASB ASC 718 requi
cost relating to share-based payment transactions be recognized in the financ

is measured at the grant date, based on the calculated fair value of the award
expense over the employee's requisite service period (generally the vesting p
award).

Restricted Stock

The Company grants shares of its common stock to certain directors, officer
the form of unvested stock ("Restricted Stock"). These awards are recorded
Molding Technologies' common stock on the date of issuance and amortize
expense over the applicable vesting period.

Table of Contents

The following summarizes the status of Restricted Stock and changes durin
December 31:

	2018		2017		2016
	Number of Shares	Wtd. Avg. Grant Date Fair Value	Number of Shares	Wtd. Avg. Grant Date Fair Value	Number of Shares
Unvested - beginning of year	141,095	$16.79	158,261	$14.55	112,907
Granted	315,429	11.32	84,643	19.17	122,963
Vested	(82,067)	16.57	(95,717)	15.25	(49,183)
Forfeited	(24,572)	16.91	(6,092)	17.93	(28,426)
Unvested - end of year	349,885	$10.62	141,095	$16.79	158,261

At December 31, 2018 and 2017, there was $2,598,000 and $1,601,000, resp
unrecognized compensation expense related to Restricted Stock granted und
cost is expected to be recognized over the weighted-average period of 1.7 ye
expense related to restricted stock grants for the years ended December 31, 2
$1,774,000, $1,331,000 and $1,003,000, respectively, and is recorded as sell
administrative expense.

During first quarter 2017, the Company adopted Accounting Standards Upd
Compensation - Stock Compensation. The new standard provided for chang
compensation, including excess tax benefits and tax deficiencies related to s
awards to be recognized in income tax expense in the reporting period in wh
benefits and tax deficiencies before this update were recorded as an increase
paid in capital. Tax benefits and deficiencies for the years ended December 3
were a deficiency of $33,000, a benefit of $126,000 and a deficiency of $16,

During 2018, 2017 and 2016, employees surrendered 17,180, 19,533 and 10
of the Company's common stock to satisfy income tax withholding obligatio
vesting of restricted stock.

11. Income Taxes

Components of the provision for income taxes are as follows:

	2018	2017	2016
Current:			
Federal - US	$11,000	$1,993,000	$3,408,000
Foreign	1,023,000	613,000	—
State and local	14,000	24,000	2,000
	1,048,000	2,630,000	3,410,000
Deferred:			
Federal	(1,355,000)	(407,000)	490,000
Foreign	(289,000)	52,000	(86,000)
State and local	(68,000)	11,000	22,000
	(1,712,000)	(344,000)	426,000
Provision (benefit) for income taxes	$(664,000)	$2,286,000	$3,836,000

Table of Contents

A reconciliation of the income tax provision based on the federal statutory i
Company's income tax provision for the years ended December 31 is as foll

	2018	2017
Provision at US federal statutory rate	$(1,145,000)	$2,634,000
Adjustments for US tax law changes	—	(185,000
Excess tax liability (benefit) — equity transactions	33,000	(126,000
Effect of foreign taxes	213,000	(58,000
Adoption of ASC 606	236,000	—
State and local tax expense	(54,000)	35,000
Other	53,000	(14,000
Provision (benefit) for income taxes	$(664,000)	$2,286,000

The Tax Cuts and Jobs Act ("the "Act") was enacted on December 22, 2017
federal corporate income tax rate from 35% to 21%, requires companies to p
tax on earnings of certain foreign subsidiaries that were previously tax defe
certain foreign sourced earnings, provides for acceleration of business asset
the amount of executive pay that may qualify as a tax deduction, among oth
740 required the recognition of the effects of tax law changes in 2017. How
complexities of the new tax legislation, the SEC issued SAB 118 which allo
of provisional amounts during a measurement period.

During 2017, the Company recorded a net benefit charge related to the re-m
deferred tax balance of $484,000. Additionally, the Company recorded a pr
to the transition tax, net of estimated foreign tax credits, of $299,000. The C
finalized the analysis and filed the 2017 United States income tax return. Th
one-time transition tax was materially consistent with the provisional amou
31, 2017.

During first quarter 2017, the Company adopted Accounting Standards Upd
Compensation - Stock Compensation. The new standard provided for chang
compensation, including recording excess tax benefits and tax deficiencies r
payment awards in income tax expense in the reporting period in which they
and deficiencies for the years ended December 31, 2018 and 2017 were a de
benefit of $126,000, respectively. Tax benefits and tax deficiencies before th
in additional paid in capital. For the year ended December 31, 2016, the Co
deficiency of $16,000.

In October 2016, the Internal Revenue Service entered into a unilateral agre
Taxpayer Division of Mexico's Servicio de Administracion Tributaria (SAT
Track methodology to resolve all pending Advanced Pricing Agreements (A
industry. The Company's Mexican subsidiary filed an APA and qualifies for
methodology.

The Company performs an analysis to evaluate the balance of deferred tax a
realized. The analysis is based on the premise that the deferred tax benefits
the generation of future taxable income. Based on the analysis, the Compan
valuation allowance on the deferred tax assets as of December 31, 2018 and

Deferred tax assets consist of the following at December 31:

	2018	2017
Current asset (liability):		
Net operating loss carryforwards	$456,000	$—
Interest limitation carryforwards	394,000	—
Accrued liabilities	568,000	608,000
Accounts receivable	521,000	156,000
Inventory	525,000	371,000
Other, net	(446,000)	(292,000)
Total current asset	2,018,000	843,000
Non-current asset (liability):		
Property, plant, and equipment	(3,941,000)	(3,345,000)
Post retirement benefits	1,848,000	2,060,000
Goodwill and finite-lived assets, net	994,000	(78,000)
Other, net	234,000	125,000
Total non-current liability	(865,000)	(1,238,000)
Total deferred tax asset (liability) - net	$1,153,000	$(395,000)

Table of Contents

At December 31, 2018. the Company had estimated net operating loss carry
limitation carryforwards in the U.S. federal jurisdiction of $2,072,000 and $
Both carryforwards do not expire.

At December 31, 2018 and 2017 the Company had no liability for unrecogni
guidance relating to tax uncertainties. The Company does not anticipate that
benefits will significantly change within the next twelve months.

The Company files income tax returns in the U.S. federal jurisdiction, Mexic
state and local jurisdictions. The Company is not subject to U.S. federal and
examinations by tax authorities for the years before 2015, not subject to Mex
examinations by Mexican authorities for the years before 2013 and not subje
tax examinations by Canadian authorities for the years before 2018.

12. Post Retirement Benefits

The Company provides post retirement benefits to certain of its United State
employees, including contributions to a multi-employer defined benefit pens
life insurance benefits, and contributions to several defined retirement contri

The Company contributes to a multi-employer defined benefit pension plan
represented by the International Association of Machinists and Aerospace W
Company's Columbus, Ohio production facility. The Company does not adn
contributions are determined in accordance with provisions of the collective
The risks of participating in this multi-employer plan are different from a sin
following aspects:

- Assets contributed to the multi-employer plan by one employer may benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded oblig be borne by the remaining participating employers.
- If the Company chooses to stop participating in its multi-employer p be required to pay the plan an amount based on the underfunded sta to as a withdrawal liability.

The Company's participation in the multi-employer defined benefit pension
December 31, 2018 and 2017 is outlined in the table below. The most recent
("PPA") zone status available in 2018 and 2017 is for the plan's year-end at
December 31, 2016, respectively. The zone status is based on information th
from the plan and is certified by the plan's actuary. Among other factors, pla
generally less than 65% funded, plans in the yellow zone are less than 80% f
green zone are at least 80% funded. The "FIP/RP Status Pending/Implement
whether a financial improvement plan ("FIP") or a rehabilitation plan ("RP")
been implemented.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/ Implemented	Contributions of the Company	
		2018	2017		2018	2017

IAM National Pension Fund / National Pension Plan (A)	51-6031295 - 002	Green as of 12/31/17	Green as of 12/31/16	No	$760,000	$647,
			Total Contributions:		$760,000	$647,

(A) The plan re-certified its zone status after using the amortization provision
Company's contributions to the plan did not represent more than 5% of total
as indicated in the plan's most recently available annual report for the plan y
2017. Under the terms of the collective-bargaining agreement, the Company
contributions to the plan for each hour worked up to a maximum of 40 hours
the following rates: $1.45 per hour from August 8, 2016 through August 6, 2
from August 7, 2017 through August 5, 2018; $1.55 per hour from August 6
10, 2019.

Prior to the acquisition of Columbus Plastics, certain of the Company's empl
or were eligible to participate, in Navistar's post retirement health and life in
This plan provides healthcare and life insurance benefits for certain employe
along with their spouses and certain dependents and requires cost sharing be
Navistar and the participants, in the form of premiums, co-payments, and de
and Navistar share the cost of benefits for these employees, using a formula
based upon the respective portion of time
that the employee was an active service participant after the acquisition of C
period of active service prior to the acquisition of Columbus Plastics.

The Company also sponsors a post retirement health and life insurance bene
retirees of its Columbus, Ohio production facility. In August 2010, as part of
collective-bargaining agreement, the post retirement health and life insuranc
and future represented employees who were not retired were eliminated in e
cash payment. Individuals who retired prior to August 2010 remain eligible
and life insurance benefits.

The elimination of post retirement health and life insurance benefits describ
reduction of the Company's post retirement benefits liability of approximate
This reduction in post retirement benefits liability was treated as a negative p
being amortized as a reduction to net periodic benefit cost over approximate
actuarial life expectancy of the remaining participants in the plan at the time
negative plan amendment resulted in net periodic benefit cost reductions of a
in 2018, 2017 and 2016, and will result in net periodic benefit cost reduction
$496,000 in 2019 and each year thereafter during the amortization period.

The funded status of the Company's post retirement health and life insurance
December 31, 2018 and 2017 and reconciliation with the amounts recognize
balance sheets are provided below.

	Post Retir
	2018
Change in benefit obligation:	
Benefit obligation at January 1	$9,050,00

Interest cost	277,000
Unrecognized loss (gain)	(910,000
Benefits paid, net	(341,000
Benefit obligation at December 31	$8,076,00
Plan Assets	—

Amounts recorded in accumulated other comprehensive income:

Prior service credit	$(6,106,0
Net loss	2,652,000
Total	$(3,454,0

Weighted-average assumptions as of December 31:

Discount rate used to determine benefit obligation and net periodic benefit cost	4.0

The components of expense for all of the Company's post retirement benefit December 31:

	2018		2017		2016
Pension expense:					
Multi-employer plan	$760,000		$647,000		$710,000
Defined contribution plans	1,059,000		752,000		766,000
Total pension expense	1,819,000		1,399,000		1,476,000
Health and life insurance:					
Interest cost	277,000		298,000		323,000
Amortization of prior service costs	(496,000	)	(496,000	)	(496,000
Amortization of net loss	171,000		149,000		155,000
Net periodic benefit cost	(48,000	)	(49,000	)	(18,000
Total post retirement benefits expense	$1,771,000		$1,350,000		$1,458,00

The Company accounts for post retirement benefits under FASB ASC 715, v recognition of the funded status of a defined benefit pension or post retireme consolidated balance sheets. For the year ended December 31, 2018, the

53

Table of Contents

Company recognized a net actuarial gain of $910,000 and for the year ended
recognized a net actuarial loss of $417,000, both of which were recorded in
comprehensive income.

Amounts not yet recognized as a component of net periodic benefit costs at
2017 were a net credit of $3,454,000 and $2,869,000, respectively. The amo
comprehensive income expected to be recognized as components of net peri
during 2019 consists of a prior service credit of $496,000 and a net loss of $
2019 interest expense related to post retirement healthcare is expected to be
retirement healthcare net gain of approximately $94,000 in 2019. The Comp
in 2019 to be consistent with estimated future benefit payments as shown in

The weighted average rate of increase in the per capita cost of covered healt
projected to be 6.2%. The rate is projected to decrease gradually to 5.0% by
remain at that level thereafter. The comparable assumptions for the prior yea
respectively.

The effect of changing the health care cost trend rate by one-percentage poi
as follows:

	1-Percentage Point Increase	1-Perce Point Decrea
Effect on total of service and interest cost components	$ 43,000	$ (36,0
Effect on post retirement benefit obligation	$ 962,000	$ (824,

The estimated future benefit payments of the health care plan for the next te

Year	Postretirement Health Care Benefits Plan
2019	$ 1,157,000
2020	440,000
2021	471,000
2022	487,000
2023	505,000
2024-2028	2,376,000

13. Commitments and Contingencies

From time to time, the Company is involved in litigation incidental to the co
However, the Company is presently not involved in any legal proceedings w
management are likely to have a material adverse effect on the Company's c
position or results of operations.

14. Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or pa
in a transaction between market participants as of the measurement date. Fai
using the fair value hierarchy and related valuation methodologies as define

literature. This guidance provides a fair value framework that requires the ca
and liabilities into three levels based upon the assumptions (inputs) used to p
liabilities. Level 1 provides the most reliable measure of fair value, whereas
requires significant management judgment.

The three levels are defined as follows:

Level 1 - Quoted prices in active markets for identical assets and liabilities.

Level 2 - Quoted prices for similar instruments in active markets, quoted prices
instruments in markets that are not active and model-derived valuatio
significant inputs are observable in active markets.

Level 3 - Significant unobservable inputs reflecting management's own assum
used in pricing the asset or liability.

54

Table of Contents

The Company's financial instruments consist of cash and cash equivalents, a
accounts payable, debt, interest rate swaps and foreign currency derivatives.
equivalents, accounts receivable and accounts payable carrying values as of
December 31, 2017 approximate fair value due to the short-term maturities o
instruments. The carrying amounts of long-term debt and the revolving line
fair value as of December 31, 2018 and December 31, 2017 due to the short
underlying variable rate LIBOR agreements. The Company had Level 2 fair
at December 31, 2018 and December 31, 2017 relating to the Company's int
foreign currency derivatives.

Derivative and hedging activities
Foreign currency derivatives

The Company conducted business in foreign countries and paid certain expe
currencies; therefore, the Company was exposed to foreign currency exchan
Dollar and foreign currencies, which could impact the Company's operating
To mitigate risk associated with foreign currency exchange, the Company en
contracts to exchange a fixed amount of U.S. Dollars for a fixed amount of f
will be used to fund future foreign currency cash flows. At inception, all for
formally documented as cash flow hedges and are measured at fair value eac

Derivatives are formally assessed both at inception and at least quarterly the
derivatives used in hedging transactions are highly effective in offsetting ch
the hedged item. If it is determined that a derivative ceases to be a highly eff
anticipated transaction is no longer probable of occurring, hedge accounting
future mark-to-market adjustments are recognized in earnings. The effective
reported in other comprehensive income and the ineffective portion is report
impacts of these contracts were largely offset by gains and losses resulting f
changes in exchange rates on transactions denominated in the foreign curren
2018, the Company had no ineffective portion related to the cash flow hedge

Interest Rate Swaps

The Company entered into interest rate swap contracts to fix the interest rate
amount of $35,000,000 thereby reducing exposure to interest rate changes. T
fixed rate of 2.49% to the counterparty and receives 30 day LIBOR for both
inception, all interest rate swaps were formally documented as cash flow hed
fair value each reporting period. See Note 9, "Debt and Leases", for addition

Financial statements impacts
The following tables detail amounts related to our derivatives designated as
of December 31, 2018:

	Fair Values of Derivatives Instruments		
	Asset Derivatives		Liab
	Balance Sheet Location	Fair Value	Bala Shee Loca
Foreign exchange contracts	Prepaid expense other current assets	—	Acc liab

			othe
Notional contract values		—	
Interest rate swaps	Other non-current assets	—	Oth non liab
Notional swap values		—	

As of December 31, 2018, the Company had foreign exchange contracts rela and the Canadian Dollar with exchange rates ranging from 19.52 to 20.47 ar respectively.

Table of Contents

The following tables detail amounts related to our derivatives designated as
of December 31, 2017:

	Fair Values of Derivatives Instruments		
	Asset Derivatives		Liability De
	Balance Sheet Location	Fair Value	Balance She
Foreign exchange contracts	Prepaid expense other current assets	—	Accrued lia
Notional contract values		—	
Interest rate swaps	Other non-current assets	—	Other non-c liabilities
Notional swap values		—	

As of December 31, 2017, the Company had foreign exchange contracts rela
with exchange rates ranging from 19.17 to 20.41.

The following tables summarize the amount of unrealized / realized gain and
Accumulated Comprehensive Income (AOCI) for the years ended December
2016:

Derivatives in subtopic 815-20 Cash Flow Hedging Relationship	Amount of Unrealized Gain or (Loss) Recognized in Accumulated other Comprehensive Income on Derivative			Location of Gain or (Loss) Reclassified from Accumulate Other Comprehens Income[A]	A o fr C
	2018	2017	2016		2
Foreign exchange contracts	$(385,000)	517,000	(289,000)	Cost of goods sold	$
				Sales, general and administrati expense	$
Interest rate swaps	$(223,000)	—	—	Interest Expense	$

[A] The foreign currency derivative activity reclassified from Accumulated C
Income is allocated to cost of goods sold and sales, general and administrati
percentage of Mexican Peso spend.

Non-recurring fair value measurements

See footnote 7 for non-recurring fair value measurements for the year ended

Table of Contents

15. Accumulated Other Comprehensive Income

The following table presents changes in Accumulated Other Comprehensive
net of tax, for the years ended December 31, 2018 and 2017:

	Hedging Derivative Activities	P R B I
2017:		
Balance at January 1, 2017	$(200,000)	$
Other comprehensive income before reclassifications	517,000	(
Amounts reclassified from accumulated other comprehensive income	(512,000)	(
Income tax (expense) benefit	(2,000)	2
Adoption of Accounting Standards Update 2018-02	—	1
Balance at December 31, 2017	$(197,000)	$
2018:		
Balance at January 1, 2018	$(197,000)	$
Other comprehensive income before reclassifications	(608,000)	9
Amounts reclassified from accumulated other comprehensive income	91,000	(
Income tax (expense) benefit	102,000	(
Balance at December 31, 2018	$(612,000)	$

(A) The effect of post-retirement benefit items reclassified from Accumulate
Income is included in total cost of sales on the Consolidated Statements of In
Accumulated Other Comprehensive Income components are included in the
periodic benefit cost (see Note 12 "Post Retirement Benefits" for additional
post-retirement benefit items reclassified from Accumulated Other Compreh
included in income tax expense on the Consolidated Statements of Income.

Table of Contents

16. CHANGES IN ACCOUNTING POLICIES

The Company adopted ASC Topic 606 on January 1, 2018 through a cumula
and contract assets of $1,069,000. Under ASC Topic 606, revenue of certain
include an enforceable right to payment are now recognized over time based
progress towards completion of its performance obligation. Prior to the adop
the Company recognized revenue for these contracts on a completed contrac

The following tables summarize the effects of adopting Topic 606 on our co
statements for the twelve months ended December 31, 2018.

Consolidated Statement of Income

	Year Ended December 31, 2018		
	As Reported	Adjustments	W ac T
Net sales:			
Products	$256,217,000	$ —	$1
Tooling	13,268,000	3,932,000	17
Total net sales	269,485,000	3,932,000	27
Total cost of sales	242,344,000	3,031,000	24
Gross margin	27,141,000	901,000	28
Selling, general and administrative expense	27,838,000	—	27
Goodwill impairment	2,403,000	—	2,
Total expenses	30,241,000	—	30
Operating Income (Loss)	(3,100,000)	901,000	(2
Other income and expense			
Net periodic post-retirement benefit cost	(48,000)	—	(4
Interest expense	2,394,000	—	2,
Total other income and expense	2,346,000	—	2,
Income (loss) before taxes	(5,446,000)	901,000	(4
Income tax expense	(664,000)	189,000	(4
Net income (loss)	$(4,782,000)	$ 712,000	$
Net income (loss) per common share:			
Basic	$(0.62)	$ 0.09	$

Diluted	$(0.62	)	$ 0.09	$

58

Table of Contents

Consolidated Balance Sheets

	December 31, 2018	
	As Reported	Adj
Assets:		
Current assets:		
Cash and cash equivalents	$1,891,000	$—
Accounts receivable, net	45,468,000	—
Inventories:		
Finished goods	6,453,000	—
Work in process	2,034,000	—
Raw materials and components	17,278,000	—
Total inventories, net	25,765,000	—
Contract assets	3,915,000	(35
Foreign sales tax receivable	1,789,000	—
Prepaid expenses and other current assets	1,474,000	—
Total current assets	80,302,000	(35
Property, plant and equipment, net	80,657,000	—
Deferred tax asset	1,153,000	—
Goodwill	21,476,000	—
Intangibles, net	15,413,000	—
Other non-current assets	2,197,000	—
Total Assets	$201,198,000	$(3
Liabilities and Stockholders' Equity:		
Liabilities:		
Current liabilities:		
Current portion of long-term debt	$3,230,000	$—
Accounts payable	25,450,000	—
Contract liabilities	1,686,000	—
Current portion of post retirement benefits liability	1,157,000	—
Accrued liabilities:		
Compensation and related benefits	5,154,000	—
Other	3,514,000	—
Total current liabilities	40,191,000	—
Long-term debt	37,784,000	—
Revolving debt	17,375,000	—
Post retirement benefits liability	6,919,000	—
Total Liabilities	102,269,000	—
Commitments and Contingencies	—	—
Stockholders' Equity:		
Preferred stock — $0.01 par value, authorized shares - 10,000,000; no shares outstanding at December 31,	—	—

2018 and December 31, 2017		
Common stock — $0.01 par value, authorized shares - 20,000,000; outstanding shares: 7,776,164 at December 31, 2018 and 7,711,277 at December 31, 2017	78,000	—
Paid-in capital	33,208,000	—
Accumulated other comprehensive income, net of income taxes	2,117,000	—
Treasury stock — at cost, 3,790,308 shares at December 31, 2018 and 3,773,128 shares at December 31, 2017	(28,403,000)	—
Retained earnings	91,929,000	(35
Total Stockholders' Equity	98,929,000	(35
Total Liabilities and Stockholders' Equity	$201,198,000	$ (3

59

Table of Contents

Consolidated Statements of Cash Flows

	Twelve Months December 31, 2	
	As Reported	A
Cash flows from operating activities:		
Net income (loss)	$(4,782,000)	$
Adjustments to reconcile net income (loss) to net cash provided (used in) by operating activities:		
Depreciation and amortization	9,384,000	—
Deferred income taxes	(1,739,000)	—
Mark-to-market of interest rate swap	159,000	—
Goodwill impairment	2,403,000	—
Share-based compensation	1,743,000	—
(Gain) loss on foreign currency translation	5,000	—
Change in operating assets and liabilities, net of effects of acquisition:		
Accounts receivable	(17,945,000)	—
Inventories	(5,783,000)	—
Prepaid and other assets	(528,000)	(7
Accounts payable	7,822,000	—
Accrued and other liabilities	3,122,000	—
Post retirement benefits liability	(389,000)	—
Net cash used in operating activities	(6,528,000)	—
		—
Cash flows from investing activities:		
Purchase of property, plant and equipment	(5,801,000)	—
Purchase of assets of Horizon Plastics	(63,005,000)	—
Net cash used in investing activities	(68,806,000)	—
Cash flows from financing activities:		
Gross borrowings on revolving loans	133,848,000	—
Gross repayment on revolving loans	(116,473,000)	—
Proceeds from term loan	45,000,000	—
Payment of principal of term loan	(10,125,000)	—
Payment of deferred loan costs	(763,000)	—
Payments related to the purchase of treasury stock	(250,000)	—
Cash dividends paid	(792,000)	—
Net cash provided by financing activities	50,445,000	—
Net change in cash and cash equivalents	(24,889,000)	—
Cash and cash equivalents at beginning of year	26,780,000	—
Cash and cash equivalents at end of year	$1,891,000	$
Cash paid for:		

Interest (net of amounts capitalized)	$2,261,000	$
Income taxes	$1,033,000	—
Non Cash:		
Fixed asset purchases in accounts payable	$871,000	—

60

Table of Contents

17. Quarterly Results of Operations (Unaudited)

The following is a summary of the unaudited quarterly results of operations
December 31, 2018, 2017 and 2016.

	1st Quarter	2nd Quarter	3rd Quarter	4th
2018:				
Product sales	$59,712,000	$65,225,000	$62,305,000	$68,
Tooling sales	3,334,000	3,376,000	2,371,000	4,18
Net sales	63,046,000	68,601,000	64,676,000	73,1
Gross margin	7,885,000	7,897,000	4,862,000	6,49
Operating income (loss)	1,125,000	1,418,000	(1,487,000)	(4,15
Net income (loss)	518,000	445,000	(1,803,000)	(3,94
Net income (loss) per common share:				
Basic (1)	$0.07	$0.06	$(0.23)	$(0.
Diluted (1)	$0.07	$0.06	$(0.23)	$(0.
2017:				
Product sales	$36,336,000	$36,794,000	$37,593,000	$37,
Tooling sales	410,000	10,574,000	901,000	1,16
Net sales	36,746,000	47,368,000	38,494,000	39,0
Gross margin	6,479,000	7,341,000	5,752,000	5,05
Operating income	2,554,000	3,173,000	1,394,000	820,
Net income	1,688,000	2,162,000	855,000	754,
Net income per common share:				
Basic (1)	$0.22	$0.28	$0.11	$0.1
Diluted (1)	$0.22	$0.28	$0.11	$0.1
2016:				
Product sales	$42,530,000	$36,813,000	$33,816,000	$33,
Tooling sales	2,938,000	2,193,000	7,520,000	15,6
Net sales	45,468,000	39,006,000	41,336,000	49,0
Gross margin	8,863,000	6,323,000	5,581,000	7,13
Operating income	4,442,000	2,307,000	1,657,000	3,12
Net income	2,890,000	1,460,000	1,029,000	2,03
Net income per common share:				
Basic (1)	$0.38	$0.19	$0.13	$0.2
Diluted (1)	$0.38	$0.19	$0.13	$0.2

(1) Sum of the quarters may not sum to total year due to rounding.

Table of Contents

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANT
AND FINANCIAL DISCLOSURE

Not Applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining
over financial reporting. Internal control over financial reporting is a process
the supervision of, the Company's Chief Executive Officer and Chief Financ
by the Company's board of directors, management and other personnel, to p
assurance regarding the reliability of financial reporting and the preparation
financial statements in accordance with accounting principles generally acce
of America. Because of its inherent limitations, internal control over financi
intended to provide absolute assurance that a misstatement of the Company'
would be prevented or detected.

The Company's management, with the participation of its Chief Executive C
Financial Officer, conducted an evaluation of the effectiveness of the Compa
over financial reporting based on the criteria established in the 2013 Internal
Framework issued by the Committee of Sponsoring Organizations of the Tre
(COSO). This evaluation included a review of the documentation of controls
design effectiveness of controls, testing of the operating effectiveness of con
this evaluation. As permitted, the Company has excluded the operations of H
International Inc. acquired during 2018, which is described in Note 7 of the
statements, from the scope of management's report on internal control over
such, it has also been excluded from the scope of our audit of internal contro
reporting. Based on this evaluation, management concluded that the Compan
financial reporting was effective as of December 31, 2018.

The Company's independent registered public accounting firm, Crowe LLP,
control over financial reporting as of December 31, 2018, as stated in their r
entitled "Report of Independent Registered Public Accounting Firm" include
10-K, which expressed an unqualified opinion on the effectiveness of the Co
over financial reporting as of December 31, 2018.

Changes In Internal Controls

There were no changes in internal control over financial reporting (as such t
Exchange Act Rule 13a-15(f) and Rule 15d-15(f)) that occurred in the last fi
materially affected, or are reasonably likely to materially affect, our internal
reporting.

ITEM 9B. OTHER INFORMATION

None.

Table of Contents

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE G

The information required by this Part III, Item 10 is incorporated by referenc
definitive proxy statement for its annual meeting of stockholders to be held o
2019, which is expected to be filed with the SEC pursuant to Regulation 14A
Exchange Act of 1934 within 120 days after the end of the fiscal year covere

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Part III, Item 11 is incorporated by referenc
definitive proxy statement for its annual meeting of stockholders to be held o
2019, which is expected to be filed with the SEC pursuant to Regulation 14A
Exchange Act of 1934 within 120 days after the end of the fiscal year covere

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNE MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Part III, Item 12 is incorporated by referenc
definitive proxy statement for its annual meeting of stockholders to be held o
2019, which is expected to be filed with the SEC pursuant to Regulation 14A
Exchange Act of 1934 within 120 days after the end of the fiscal year covere

ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS, A INDEPENDENCE

The information required by this Part III, Item 13 is incorporated by referenc
definitive proxy statement for its annual meeting of stockholders to be held o
2019, which is expected to be filed with the SEC pursuant to Regulation 14A
Exchange Act of 1934 within 120 days after the end of the fiscal year covere

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Part III, Item 14 is incorporated by referenc
definitive proxy statement for its annual meeting of stockholders to be held o
2019, which is expected to be filed with the SEC pursuant to Regulation 14A
Exchange Act of 1934 within 120 days after the end of the fiscal year covere

Table of Contents

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as Part of this Report:

(1) Financial Statements

See Part II, Item 8 hereof.

(2) Financial Statement Schedules and Independent Auditor's Report

The following consolidated financial statement schedules are filed with this
10-K:
Schedule II — Valuation and Qualifying Accounts and Reserves for the Yea
31, 2018, 2017, and 2016

All other schedules are omitted because of the absence of the conditions und
required.

(3) Exhibits

See Index to Exhibits filed with this Annual Report on Form 10-K.

ITEM 16. FORM 10-K SUMMARY

Not Applicable.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchan
registrant has duly caused this report to be signed on its behalf by the unders
authorized.

CORE MOLDING TECHNOLOGIES,
INC.

By /s/ David L. Duvall
David L. Duvall
President and Chief Executive Officer

March 18, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this re
below by the following persons on behalf of the registrant and in the capacit
indicated:

/s/ David L. Duvall David L. Duvall	President, Chief Executive Officer, and Director (Principa Officer)
/s/ John P. Zimmer John P. Zimmer	Vice President, Secretary, Treasurer, and Chief Financial (Principal Financial Officer and Principal Accounting Off
* James L. Simonton	Director
* Thomas R. Cellitti	Director
* James F. Crowley	Director
* Ralph O. Hellmold	Director
* Matthew Jauchius	Director
*	

Andrew O. Smith	Director
*By /s/ John P. Zimmer	
John P. Zimmer	Attorney-In-Fact

Table of Contents

Core Molding Technologies, Inc. and Subsidiaries

Schedule II

Consolidated valuation and qualifying accounts and reserves for the years en
2017 and 2016.

Reserves deducted from asset to which it applies:

Allowance for Doubtful Accounts

	Balance at Beginning of Year	Additions (Recovered)/Charged to Costs & Expenses	Charged to Other Accounts
Year Ended December 31, 2018	$ —	$ 25,000	$ —
Year Ended December 31, 2017	$ —	$ —	$ —
Year Ended December 31, 2016	$ 32,000	$ (23,000)	$ —

Customer Chargeback Allowance

	Balance at Beginning of Year	Additions (Recovered)/Charged to Costs & Expenses	Charged to Other Accounts	D
Year Ended December 31, 2018	$ 857,000	$ 2,639,000	$ —	$
Year Ended December 31, 2017	$ 309,000	$ 981,000	$ —	$
Year Ended December 31, 2016	$ 523,000	$ 444,000	$ —	$

(A) Amount represents uncollectible accounts written off.
(B) Amount represents customer returns and deductions, discounts and price

INDEX TO EXHIBITS

Exhibit No.	Description
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]
2(a)(2)	Second Amendment to Asset Purchase Agreement dated December 16, 1996[1]
2(b)(1)	Agreement and Plan of Merger dated as of November 1, 1996, between Core Molding Technologies, Inc. and RYMAC Mortgage Investment Corporation
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
2(c)	Asset Purchase Agreement dated as of October 10, 2001, between Core Molding Technologies, Inc. and Airshield Corporation
2(d)	Asset Purchase Agreement dated as of March 20, 2015, between Core Molding Technologies, Inc. and CPI Binani, Inc.
2(e)	Asset Purchase Agreement dated as of January 16, 2018 between 1137952 B.C. Ltd., Horizon Plastics

	International, Inc., 1541689 Ontario Inc., 2551024 Ontario Inc., Horizon Plastics de Mexico, S.A. de C.V., and Brian Read
3(a)(1)	Certificate of Incorporation of Core Molding Technologies, Inc. as filed with the Secretary of State of Delaware on October 8, 1996
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
3(a)(3)	Certificate of Amendment of Certificate of Incorporation as filed with the Secretary of State of Delaware on August 28, 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
3(a)(5)	Certificate of Elimination of the Series A Junior Participant Preferred Stock as filed with the Delaware Sec. of State on April 2, 2015
3(b)(1)	Amended and Restated By-Laws of Core Molding Technologies, Inc.
3(b)(2)	Amendment No. 1 to the Amended and Restated By-Laws of Core Molding Technologies, Inc.

4(a)(1)	Certificate of Incorporation of Core Molding Technologies, Inc. as filed with the Secretary of State of Delaware on October 8, 1996

67

Table of Contents

Exhibit No.	Description	Location
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	Incorporat Exhibit 4(b Statement (Registrati
4(a)(3)	Certificate of Amendment of Certificate of Incorporation as filed with the Secretary of State of Delaware on August 28, 2002	Incorporat Exhibit 3(a on Form 1 September
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	Incorporat Exhibit 3.1 July 19, 20
4(a)(5)	Certificate of Elimination of the Series A Junior Participant Preferred Stock as filed with the Delaware Sec. of State on April 2, 2015	Incorporat Exhibit 3(a April 2, 20
10(a)	Supply Agreement, dated August 4, 2014 between Core Molding Technologies, Inc. and Core Composites Corporation and Navistar, Inc.[3]	Incorporat Exhibit 10 on Form 1 September
10(b)	Amended and Restated Credit Agreement, dated as of January 16, 2018, among Core Molding Technologies, Inc., 1137925 B.C. Ltd., the lenders named therein, KeyBank National Association and KeyBanc Capital Markets Inc.	Incorporat Exhibit 10 Form 8-K
10(c)	Reimbursement Agreement, dated April 1, 1998, by and between Core Molding Technologies, Inc. and KeyBank National Association	Incorporat Exhibit 10 Form 10-K December
10(d)	Core Molding Technologies, Inc. Employee Stock Purchase Plan[2]	Incorporat Exhibit 4(c Statement (Registrati
10(d)(1)	2002 Core Molding Technologies, Inc. Employee Stock Purchase Plan (as amended May 17, 2006) [2]	Incorporat Exhibit 10 Form 8-K
10(e)	Letter Agreement Regarding Terms and Conditions of Interest Rate Swap Agreement between KeyBank National Association and Core Molding Technologies,	Incorporat Exhibit 10 Form 10-K

	Inc.	December
10(e)(1)	Letter Agreement Regarding Terms and Conditions of Interest Rate Swap Agreement between KeyBank National Association and Core Molding Technologies, Inc.	Incorporat Exhibit 10 on Form 1 December
10(f)	2006 Core Molding Technologies, Inc. Long Term Equity Incentive Plan as amended and restated effective May 12, 2017[2]	Incorporat Exhibit 10 Form 8-K
10(g)	Core Molding Technologies, Inc. Executive Cash Incentive Plan[2]	Incorporat Exhibit A Statement April 8, 20
10(h)	Form of Amended and Restated Executive Severance Agreement between Core Molding Technologies, Inc. and certain executive officers[2]	Incorporat Exhibit 10 Form 8-K 2008
10(i)	Form of Amended and Restated Restricted Stock Agreement between Core Molding Technologies, Inc. and certain executive officers[2]	Incorporat Exhibit 10 Form 8-K
10(j)	Form of Executive Severance Agreement between Core Molding Technologies, Inc. and certain executive officers[2]	Incorporat Exhibit 10 Form 8-K
10(k)	Form of Restricted Stock Agreement between Core Molding Technologies, Inc. and certain executive officers[2]	Incorporat Exhibit 10 Form 8-K

68

Table of Contents

Exhibit No.	Description	Location
10(l)	Separation and Release Agreement, dated August 17, 2018, between Rob P. Price and Core Molding Technologies, Inc.	Incorpor Exhibit Form 8-
10(m)	Separation and Release Agreement, dated October 3, 2018, between Kevin L. Barnett and Core Molding Technologies, Inc.	Incorpor Exhibit Form 8-
10(n)	Executive Employment Agreement, dated October 3, 2018, between David L. Duvall and Core Molding Technologies, Inc.	Incorpor Exhibit Form 8-
10(o)	Form of Executive Employment Agreement, dated October 3, 2018, between David L. Duvall and Core Molding Technologies, Inc.	Incorpor Exhibit Form 8- 2018.
11	Computation of Net Income per Share	Exhibit required in Notes in Part I Report o
21	List of Subsidiaries	Filed He
23	Consent of Crowe LLP	Filed He
24	Powers of Attorney	Filed He
31(a)	Section 302 Certification by David L. Duvall, President, Chief Executive Officer, and Director	Filed He
31(b)	Section 302 Certification by John P. Zimmer, Vice President, Secretary, Treasurer, and Chief Financial Officer	Filed He
32(a)	Certification of David L. Duvall, Chief Executive Officer of Core Molding Technologies, Inc., dated March 18, 2019, pursuant to 18 U.S.C. Section 1350	Filed He
32(b)	Certification of John P. Zimmer, Chief Financial Officer of Core Molding Technologies, Inc., dated March 18, 2019, pursuant to 18 U.S.C. Section 1350	Filed He
101.INS	XBRL Instance Document	Filed He

101.SCH	XBRL Taxonomy Extension Schema Document	Filed He
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Filed He
101.LAB	XBRL Taxonomy Extension Label Linkbase	Filed He
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Filed He
101.DEF	XBRL Taxonomy Extension Definition Linkbase	Filed He

1. The Asset Purchase Agreement, as filed with the Securities and E Exhibit 2-A to Registration Statement on Form S-4 (Registration the exhibits (including, the Buyer Note, Special Warranty Deed, S Registration Rights Agreement and Transition Services Agreeme Purchase Agreement) and schedules (including, those identified i and 30 of the Asset Purchase Agreement. Core Molding Technolo any omitted exhibit or schedule to the Securities and Exchange C

2. Indicates management contracts or compensatory plans that are required to this Annual Report on Form 10-K.

3. Certain portions of this Exhibit have been omitted intentionally subject to treatment request. A complete version of the Exhibit has been filed separa and Exchange Commission.

69