

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 9, 2017

Motorcar Parts of America, Inc.

(Exact name of registrant as specified in its charter)

New York

(State or other jurisdiction of incorporation)

001-33861

(Commission File Number)

11-2153962

(IRS Employer Identification No.)

2929 California Street, Torrance, CA

(Address of principal executive offices)

90503

(Zip Code)

Registrant's telephone number, including area code: (310) 212-7910

N/A

(Former name, former address and former fiscal year, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition

On November 9, 2017, Motorcar Parts of America, Inc. (the “Company”) issued a press release announcing its earnings for the fiscal quarter ended September 30, 2017 which is being furnished as Exhibit 99.1. The information contained herein and in the accompanying exhibit shall not be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference to such filing. The information in this report, including the exhibit hereto, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended.

The attached exhibit includes non-GAAP Adjusted net sales, non-GAAP adjusted net income (loss), non-GAAP adjusted EBITDA, non-GAAP adjusted gross profit and non-GAAP adjusted gross margin. The Company believes that these supplemental non-GAAP financial measures, when presented together with the corresponding GAAP financial measures, provide useful information to investors and management regarding financial and business trends relating to its results of operations. However, non-GAAP financial measures have certain limitations in that they do not reflect all of the costs associated with the operations of the Company’s business as determined in accordance with GAAP. Therefore, investors should consider non-GAAP financial measures in addition to, and not as a substitute for, or as superior to, measures of financial performance prepared in accordance with GAAP.

The Company makes adjustments to the following items to calculate its non-GAAP financial measures:

Initial return and stock adjustment accruals related to new business. In connection with new business, the Company may establish initial return and stock adjustment accruals to account for the anticipated increased levels of business activity. The Company excluded these initial up-front accruals from net sales because they do not reflect the Company’s operations on an ongoing basis and excluding such accruals enables period-over-period comparability.

Customer allowances related to new business. In connection with new business, the Company may purchase cores from customers, may purchase the customer’s prior supplier’s inventory, or may provide certain customer allowances. The allowances are granted on a negotiated basis, and the Company excluded these allowances from net sales because they do not reflect ongoing product pricing or net sales and excluding such allowances enables period-over-period comparability.

New product line start-up and ramp-up costs. These are start-up costs incurred prior to recognizing sales for the launch of new product lines and costs of ramping up production. The Company excluded start-up and ramp-up costs because they do not reflect the Company’s operations on an ongoing basis and excluding such costs enables period-over-period comparability.

Lower of cost or net realizable value revaluation- cores on customers' shelves and inventory step-up amortization. On a quarterly basis, the Company revalues long-term core inventory based on lower of cost or net realizable value in accordance with the Company’s accounting policies. The impact of this revaluation is reflected in cost of goods sold. The Company excluded the lower of cost or net realizable value revaluation for cores on customers’ shelves because the core inventory on the customers’ shelves is not consumed or realized in cash during the Company’s normal operating cycle. Additionally, amortization of inventory step-up relates to an acquisition and is excluded because it is not ongoing. Neither is used by management to assess the profitability of its business operations.

Cost of customer allowances and stock adjustment accruals related to new business. As described above for the adjustments to net sales, the Company also adds back the cost of customer allowances related to inventory purchases and stock adjustment accruals to cost of goods sold because they do not reflect the Company's operations on an ongoing basis and excluding such costs enables period-over-period comparability.

Legal, severance, acquisition, financing, transition and other costs. The Company has incurred legal costs related to discontinued subsidiaries and a settlement payment related to a claim by an investment bank. Additionally, the Company has incurred severance, acquisition, financing, transition and other costs that are not related to current operations. The Company excluded these costs to enable period-over-period comparability.

Share-based compensation expenses. These expenses primarily consist of the cost to provide employee restricted stock and restricted stock units, and employee stock options. The Company excluded share-based compensation expense because it is not used by management to assess the profitability of its business operations.

Mark-to-market losses (gains). The Company excluded mark-to-market gains and losses because they are unrealized and are not reflective of actual current cash flows and operating results.

Item 9.01. Financial Statements and Exhibits.

The following exhibit is furnished with this Current Report pursuant to Item 2.02:

(d) Exhibits

| Exhibit No. | Description |
|----------------------|---------------------------------------|
| 99.1 | Press Release, dated November 9, 2017 |

SIGNATURES

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

MOTORCAR PARTS OF AMERICA, INC.

Date: November 9, 2017

/s/ David Lee

David Lee

Chief Financial Officer



NEWS RELEASE

CONTACT: Gary S. Maier
(310) 471-1288

**MOTORCAR PARTS OF AMERICA REPORTS FISCAL 2018
SECOND QUARTER RESULTS**

-- Customer-Support Services and Testing Equipment Products Expected to Further Distinguish Company --

LOS ANGELES, CA –November 9, 2017 – Motorcar Parts of America, Inc. (**Nasdaq: MPAA**) today reported record sales for its fiscal 2018 second quarter and six-month period -- despite widely reported industry softness and associated customer ordering dynamics, both of which now appear to be reversing.

Net sales for the fiscal 2018 second quarter increased 2.7 percent to \$111.8 million from \$108.8 million for the same period a year earlier.

All results labeled as “adjusted” in this press release are non-GAAP measures as discussed more fully below under the heading “*Use of Non-GAAP Measures.*”

Adjusted net sales for the fiscal 2018 second quarter increased 1.7 percent to \$114.3 million from \$112.4 million a year earlier. The company’s adjusted sales performance for the fiscal 2018 second quarter reflects continued strength of its rotating electrical business, as well as contributions from its other product lines.

Net income for the fiscal 2018 second quarter was \$6.3 million, or \$0.33 per diluted share, compared with \$9.1 million, or \$0.47 per diluted share, a year ago.

Adjusted net income for the fiscal 2018 second quarter was \$9.7 million, or \$0.50 per diluted share, compared with \$12.4 million, or \$0.64 per diluted share, in the same period a year earlier.

Gross profit for the fiscal 2018 second quarter was \$27.2 million compared with \$30.7 million a year earlier. Gross profit as a percentage of net sales for the fiscal 2018 second quarter was 24.3 percent compared with 28.2 percent a year earlier – reflecting the impact of return accruals related to new business, higher returns as a percentage of sales and lower purchasing volume impacting overhead absorption.

(more)

Adjusted gross profit for the fiscal 2018 second quarter was \$32.3 million compared with \$34.5 million a year ago. Adjusted gross profit as a percentage of adjusted net sales for the three months was 28.2 percent compared with 30.7 percent a year earlier. The current quarter adjusted gross profit as a percentage of adjusted net sales was impacted by higher returns as a percentage of adjusted sales and lower purchasing volume impacting overhead absorption.

Net sales for the fiscal 2018 six-month period increased 6.5 percent to \$206.8 million from \$194.2 million a year earlier.

Adjusted net sales for the fiscal 2018 six-month period increased 1.5 percent to \$209.3 million from \$206.2 million last year.

Net income for the fiscal 2018 six-month period was \$13.9 million, or \$0.72 per diluted share, compared with \$16.7 million, or \$0.86 per diluted share, in fiscal 2017.

Adjusted net income for the fiscal 2018 six-month period was \$17.0 million, or \$0.88 per diluted share, compared with \$22.5 million, or \$1.16 per diluted share, in fiscal 2017.

Gross profit for the fiscal 2018 six-month period was \$53.0 million compared with \$51.0 million a year earlier. Gross profit as a percentage of net sales for the fiscal 2018 first half was 25.6 percent compared with 26.3 percent a year earlier – reflecting the impact of return accruals related to new business, higher returns as a percentage of sales and lower purchasing volume impacting overhead absorption.

Adjusted gross profit for the fiscal 2018 the six-month period was \$59.4 million compared with \$64.8 million a year ago. Adjusted gross profit as a percentage of adjusted net sales for the six months was 28.4 percent compared with 31.4 percent a year earlier. The current six-month period adjusted gross profit as a percentage of adjusted net sales was impacted by higher returns as a percentage of adjusted sales and lower purchasing volume impacting overhead absorption.

“The first half of fiscal 2018 was a challenging period, even though we achieved market share gains. As widely reported by industry observers, we are experiencing industry softness and related headwinds. Nonetheless, we remain enthusiastic about our longer-term prospects within the \$125 billion aftermarket hard parts industry -- supported by organic growth, product line expansion and complementary acquisition opportunities,” said Selwyn Joffe, chairman, president and chief executive officer of Motorcar Parts of America.

Joffe added that sales for the fiscal year 2018 second quarter were adversely impacted by a general softness in the market, as indicated above, and by approximately five percent due to certain customer inventory reduction initiatives.

Joffe noted that adjusted gross margins were negatively affected by lower purchasing volume impacting overhead absorption and higher returns as a percentage of adjusted sales related to existing business. “We expect gross margins will improve as sales volume increases,” Joffe said.

(more)

“Our acquisition in July of D&V Electronics, which designs and manufactures leading edge tester systems utilized for a variety of applications, offers an exciting additional market for accelerating sales of diagnostic equipment related to our current products and growth of diagnostic equipment for the emerging electric vehicle market. The sales opportunities for D&V testing products that directly relate to our existing product line are significant. We expect to realize substantial growth over the next few years. In addition, D&V has developed leading-edge testing capabilities for the key components of electric and hybrid vehicles. We continue to see significant interest for our technology from original equipment manufacturers and Tier One suppliers. In addition, this specialized business complements our commitment to innovation and customer support, all of which further distinguishes Motorcar Parts of America’s position within the non-discretionary automotive parts market. The outlook for the automotive aftermarket remains strong, and we remain encouraged by the numerous opportunities for growth as we harness our distribution relationships, leverage our scale, global footprint and financial strength to deliver growth and profits to shareholders,” Joffe added.

“We are encouraged by our recent market share gains and anticipate further increasing our overall sales volume in the second half of our fiscal year. As always, we thank our entire team for their day-in and day-out commitment to excellence as we continue to build shareholder value,” Joffe said.

Use of Non-GAAP Measures

This press release includes the following non-GAAP measures - adjusted net sales, adjusted net income (loss), adjusted EBITDA, adjusted gross profit and adjusted gross margin, which are not measures of financial performance under GAAP, and should not be considered as alternatives to net sales, net income (loss), EBITDA, income from operations, gross profit or gross profit margin as a measure of financial performance. The Company believes these non-GAAP measures, when considered together with the corresponding GAAP measures, provide useful information to investors and management regarding financial and business trends relating to the company’s results of operations. However, these non-GAAP measures have significant limitations in that they do not reflect all of the costs associated with the operations of the company’s business as determined in accordance with GAAP. Therefore, investors should consider non-GAAP measures in addition to, and not as a substitute for, or superior to, measures of financial performance in accordance with GAAP. For a reconciliation of adjusted net sales, adjusted net income (loss), adjusted EBITDA, adjusted gross profit and adjusted gross margin to their corresponding GAAP measures, see the financial tables included in this press release. Also, refer to our Form 8-K to which this release is attached, and other filings we make with the SEC, for further information regarding these adjustments.

(more)

Teleconference and Web Cast

Selwyn Joffe, chairman, president and chief executive officer, and David Lee, chief financial officer, will host an investor conference call today at 10:00 a.m. Pacific time to discuss the company's financial results and operations.

The call will be open to all interested investors either through a live audio Web broadcast at www.motorcarparts.com or live by calling (877)-776-4016 (domestic) or (973)-638-3231 (international). For those who are not available to listen to the live broadcast, the call will be archived for seven days on Motorcar Parts of America's website www.motorcarparts.com. A telephone playback of the conference call will also be available from approximately 1:00 p.m. Pacific time on November 9, 2017 through 8:59 p.m. Pacific time on November 16, 2017 by calling (855)-859-2056 (domestic) or (404)-537-3406 (international) and using access code: 99544775.

About Motorcar Parts of America, Inc.

Motorcar Parts of America, Inc. is a remanufacturer, manufacturer and distributor of automotive aftermarket parts -- including alternators, starters, wheel bearing and hub assemblies, brake master cylinders, brake power boosters and turbochargers utilized in imported and domestic passenger vehicles, light trucks and heavy-duty applications. In addition, the company designs and manufactures test equipment for performance, endurance and production testing of alternators, starters, electric motors, inverters and belt starter generators for both the OE and aftermarket. Motorcar Parts of America's products are sold to automotive retail outlets and the professional repair market throughout the United States and Canada, with facilities located in California, Mexico, Malaysia and China, and administrative offices located in California, Tennessee, Mexico, Singapore, Malaysia and Canada. Additional information is available at www.motorcarparts.com.

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain forward-looking statements. The statements contained in this press release that are not historical facts are forward-looking statements based on the company's current expectations and beliefs concerning future developments and their potential effects on the company. These forward-looking statements involve significant risks and uncertainties (some of which are beyond the control of the company) and are subject to change based upon various factors. Reference is also made to the Risk Factors set forth in the company's Form 10-K Annual Report filed with the Securities and Exchange Commission (SEC) in June 2017 and in its Forms 10-Q filed with the SEC for additional risks and uncertainties facing the company. The company undertakes no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise.

#

(Financial tables follow)

MOTORCAR PARTS OF AMERICA, INC. AND SUBSIDIARIES
Consolidated Statements of Income
(Unaudited)

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|--|-------------------------------------|---------------------|-----------------------------------|----------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Net sales | \$ 111,774,000 | \$ 108,836,000 | \$ 206,837,000 | \$ 194,248,000 |
| Cost of goods sold | 84,612,000 | 78,178,000 | 153,836,000 | 143,199,000 |
| Gross profit | 27,162,000 | 30,658,000 | 53,001,000 | 51,049,000 |
| Operating expenses: | | | | |
| General and administrative | 8,615,000 | 9,869,000 | 14,802,000 | 13,494,000 |
| Sales and marketing | 3,457,000 | 2,707,000 | 6,851,000 | 5,341,000 |
| Research and development | 1,240,000 | 905,000 | 2,242,000 | 1,774,000 |
| Total operating expenses | 13,312,000 | 13,481,000 | 23,895,000 | 20,609,000 |
| Operating income | 13,850,000 | 17,177,000 | 29,106,000 | 30,440,000 |
| Interest expense, net | 3,522,000 | 3,189,000 | 6,836,000 | 6,008,000 |
| Income before income tax expense | 10,328,000 | 13,988,000 | 22,270,000 | 24,432,000 |
| Income tax expense | 4,027,000 | 4,845,000 | 8,343,000 | 7,781,000 |
| Net income | <u>\$ 6,301,000</u> | <u>\$ 9,143,000</u> | <u>\$ 13,927,000</u> | <u>\$ 16,651,000</u> |
| Basic net income per share | <u>\$ 0.34</u> | <u>\$ 0.49</u> | <u>\$ 0.75</u> | <u>\$ 0.90</u> |
| Diluted net income per share | <u>\$ 0.33</u> | <u>\$ 0.47</u> | <u>\$ 0.72</u> | <u>\$ 0.86</u> |
| Weighted average number of shares outstanding: | | | | |
| Basic | <u>18,718,709</u> | <u>18,641,324</u> | <u>18,687,179</u> | <u>18,544,118</u> |
| Diluted | <u>19,356,809</u> | <u>19,429,390</u> | <u>19,371,144</u> | <u>19,384,668</u> |

MOTORCAR PARTS OF AMERICA, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

| | <u>September 30, 2017</u> | <u>March 31, 2017</u> |
|---|---------------------------|-----------------------|
| | <u>(Unaudited)</u> | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 15,090,000 | \$ 9,029,000 |
| Short-term investments | 2,568,000 | 2,140,000 |
| Accounts receivable — net | 12,393,000 | 26,017,000 |
| Inventory— net | 88,902,000 | 67,516,000 |
| Inventory unreturned | 7,704,000 | 7,581,000 |
| Prepaid expenses and other current assets | 17,178,000 | 9,848,000 |
| Total current assets | 143,835,000 | 122,131,000 |
| Plant and equipment — net | 19,868,000 | 18,437,000 |
| Long-term core inventory — net | 265,564,000 | 262,922,000 |
| Long-term core inventory deposits | 5,569,000 | 5,569,000 |
| Long-term deferred income taxes | 14,079,000 | 13,546,000 |
| Goodwill | 2,551,000 | 2,551,000 |
| Intangible assets — net | 4,191,000 | 3,993,000 |
| Other assets | 5,807,000 | 6,990,000 |
| TOTAL ASSETS | \$ 461,464,000 | \$ 436,139,000 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 85,028,000 | \$ 85,960,000 |
| Accrued liabilities | 9,061,000 | 10,077,000 |
| Customer finished goods returns accrual | 13,421,000 | 17,667,000 |
| Accrued core payment | 11,360,000 | 11,714,000 |
| Revolving loan | 36,000,000 | 11,000,000 |
| Other current liabilities | 3,565,000 | 3,300,000 |
| Current portion of term loan | 3,060,000 | 3,064,000 |
| Total current liabilities | 161,495,000 | 142,782,000 |
| Term loan, less current portion | 15,401,000 | 16,935,000 |
| Long-term accrued core payment | 6,808,000 | 12,349,000 |
| Long-term deferred income taxes | 205,000 | 180,000 |
| Other liabilities | 3,459,000 | 15,212,000 |
| Total liabilities | 187,368,000 | 187,458,000 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Preferred stock; par value \$.01 per share, 5,000,000 shares authorized; none issued | - | - |
| Series A junior participating preferred stock; par value \$.01 per share, 20,000 shares authorized; none issued | - | - |
| Common stock; par value \$.01 per share, 50,000,000 shares authorized; 19,062,869 and 18,648,854 shares issued and outstanding at September 30, 2017 and March 31, 2017, respectively | 191,000 | 186,000 |
| Additional paid-in capital | 216,176,000 | 205,646,000 |
| Retained earnings | 64,217,000 | 50,290,000 |
| Accumulated other comprehensive loss | (6,488,000) | (7,441,000) |
| Total shareholders' equity | 274,096,000 | 248,681,000 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 461,464,000 | \$ 436,139,000 |

Reconciliation of Non-GAAP Financial Measures

To supplement the consolidated financial statements presented in accordance with U.S. generally accepted accounting principles ("GAAP"), the Company has included the following non-GAAP adjusted financial measures in this press release and in the webcast to discuss the Company's financial results for the three and six months ended September 30, 2017 and 2016. Each of these non-GAAP adjusted financial measures is adjusted from results based on GAAP to exclude certain expenses and gains. Among other things, the Company uses such non-GAAP adjusted financial measures in addition to and in conjunction with corresponding GAAP measures to help analyze the performance of its business.

These non-GAAP adjusted financial measures reflect an additional way of viewing aspects of the Company's operations that, when viewed with the GAAP results and the reconciliations to corresponding GAAP financial measures, provide a more complete understanding of the Company's results of operations and the factors and trends affecting the Company's business. However, these non-GAAP adjusted financial measures should be considered as a supplement to, and not as a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP.

Income statement information for the three and six months ended September 30, 2017 and 2016 are as follows:

| | <u>Three Months Ended September 30,</u> | | <u>Six Months Ended September 30,</u> | |
|--|---|----------------|---------------------------------------|----------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| GAAP Results: | | | | |
| Net sales | \$ 111,774,000 | \$ 108,836,000 | \$ 206,837,000 | \$ 194,248,000 |
| Net income | 6,301,000 | 9,143,000 | 13,927,000 | 16,651,000 |
| Diluted income per share (EPS) | 0.33 | 0.47 | 0.72 | 0.86 |
| Gross margin | 24.3% | 28.2% | 25.6% | 26.3% |
| Non-GAAP Adjusted Results: | | | | |
| Non-GAAP adjusted net sales | \$ 114,270,000 | \$ 112,383,000 | \$ 209,333,000 | \$ 206,205,000 |
| Non-GAAP adjusted net income | 9,683,000 | 12,426,000 | 17,031,000 | 22,516,000 |
| Non-GAAP adjusted diluted earnings per share (EPS) | 0.50 | 0.64 | 0.88 | 1.16 |
| Non-GAAP adjusted gross margin | 28.2% | 30.7% | 28.4% | 31.4% |
| Non-GAAP adjusted EBITDA | \$ 20,509,000 | \$ 24,470,000 | \$ 36,908,000 | \$ 44,689,000 |

| | <u>Three Months Ended September 30,</u> | | <u>Six Months Ended September 30,</u> | |
|--|---|-----------------------|---------------------------------------|-----------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| GAAP net sales | \$ 111,774,000 | \$ 108,836,000 | \$ 206,837,000 | \$ 194,248,000 |
| Adjustments: | | | | |
| Net sales | | | | |
| Initial return and stock adjustment accruals related to new business | 2,496,000 | 1,315,000 | 2,496,000 | 3,168,000 |
| Customer allowances related to new business | - | 2,232,000 | - | 8,789,000 |
| Adjusted net sales | <u>\$ 114,270,000</u> | <u>\$ 112,383,000</u> | <u>\$ 209,333,000</u> | <u>\$ 206,205,000</u> |

| | Three Months Ended September 30, | | | |
|--|----------------------------------|-------------------|----------------------|-------------------|
| | 2017 | | 2016 | |
| | \$ | Per Diluted Share | \$ | Per Diluted Share |
| GAAP net income | \$ 6,301,000 | \$ 0.33 | \$ 9,143,000 | \$ 0.47 |
| Adjustments: | | | | |
| Net sales | | | | |
| Initial return and stock adjustment accruals related to new business | 2,496,000 | \$ 0.13 | 1,315,000 | \$ 0.07 |
| Customer allowances related to new business | - | \$ - | 2,232,000 | \$ 0.11 |
| Cost of goods sold | | | | |
| New product line start-up and ramp-up costs | - | \$ - | 16,000 | \$ 0.00 |
| Lower of cost or net realizable value revaluation - cores on customers' shelves and inventory step-up amortization | 2,955,000 | \$ 0.15 | 475,000 | \$ 0.02 |
| Cost of customer allowances and stock adjustment accruals related to new business | (362,000) | \$ (0.02) | (213,000) | \$ (0.01) |
| Operating expenses | | | | |
| Legal, severance, acquisition, financing, transition and other costs | 236,000 | \$ 0.01 | 219,000 | \$ 0.01 |
| Share-based compensation expenses | 910,000 | \$ 0.05 | 1,008,000 | \$ 0.05 |
| Mark-to-market losses (gains) | (690,000) | \$ (0.04) | 1,331,000 | \$ 0.07 |
| Tax effected at 39% tax rate (a) | (2,163,000) | \$ (0.11) | (3,100,000) | \$ (0.16) |
| Adjusted net income | <u>\$ 9,683,000</u> | <u>\$ 0.50</u> | <u>\$ 12,426,000</u> | <u>\$ 0.64</u> |

(a) Adjusted net income is calculated by applying an income tax rate of 39%; this rate may differ from the period's actual income tax rate

| | Six Months Ended September 30, | | | |
|--|--------------------------------|-------------------|---------------|-------------------|
| | 2017 | | 2016 | |
| | \$ | Per Diluted Share | \$ | Per Diluted Share |
| GAAP net income | \$ 13,927,000 | \$ 0.72 | \$ 16,651,000 | \$ 0.86 |
| Adjustments: | | | | |
| Net sales | | | | |
| Initial return and stock adjustment accruals related to new business | 2,496,000 | \$ 0.13 | 3,168,000 | \$ 0.16 |
| Customer allowances related to new business | - | \$ - | 8,789,000 | \$ 0.45 |
| Cost of goods sold | | | | |
| New product line start-up and ramp-up costs | - | \$ - | 140,000 | \$ 0.01 |
| Lower of cost or net realizable value revaluation - cores on customers' shelves and inventory step-up amortization | 4,305,000 | \$ 0.22 | 2,193,000 | \$ 0.11 |
| Cost of customer allowances and stock adjustment accruals related to new business | (362,000) | \$ (0.02) | (568,000) | \$ (0.03) |
| Operating expenses | | | | |
| Legal, severance, acquisition, financing, transition and other costs | 501,000 | \$ 0.03 | 615,000 | \$ 0.03 |
| Share-based compensation expenses | 1,744,000 | \$ 0.09 | 1,737,000 | \$ 0.09 |
| Mark-to-market losses (gains) | (3,035,000) | \$ (0.16) | (3,595,000) | \$ (0.19) |
| Tax effected at 39% tax rate (a) | (2,545,000) | \$ (0.13) | (6,614,000) | \$ (0.34) |
| Adjusted net income | \$ 17,031,000 | \$ 0.88 | \$ 22,516,000 | \$ 1.16 |

(a) Adjusted net income is calculated by applying an income tax rate of 39%; this rate may differ from the period's actual income tax rate

| | Three Months Ended September 30, | | | |
|--|----------------------------------|--------------|---------------|--------------|
| | 2017 | | 2016 | |
| | \$ | Gross Margin | \$ | Gross Margin |
| GAAP gross profit | \$ 27,162,000 | 24.3% | \$ 30,658,000 | 28.2% |
| Adjustments: | | | | |
| Net sales | | | | |
| Initial return and stock adjustment accruals related to new business | 2,496,000 | | 1,315,000 | |
| Customer allowances related to new business | - | | 2,232,000 | |
| Cost of goods sold | | | | |
| New product line start-up and ramp-up costs | - | | 16,000 | |
| Lower of cost or net realizable value revaluation - cores on customers' shelves and inventory step-up amortization | 2,955,000 | | 475,000 | |
| Cost of customer allowances and stock adjustment accruals related to new business | (362,000) | | (213,000) | |
| Total adjustments | 5,089,000 | 3.9% | 3,825,000 | 2.5% |
| Adjusted gross profit | \$ 32,251,000 | 28.2% | \$ 34,483,000 | 30.7% |

| | Six Months Ended September 30, | | | |
|--|--------------------------------|--------------|---------------|--------------|
| | 2017 | | 2016 | |
| | \$ | Gross Margin | \$ | Gross Margin |
| GAAP gross profit | \$ 53,001,000 | 25.6% | \$ 51,049,000 | 26.3% |
| Adjustments: | | | | |
| Net sales | | | | |
| Initial return and stock adjustment accruals related to new business | 2,496,000 | | 3,168,000 | |
| Customer allowances related to new business | - | | 8,789,000 | |
| Cost of goods sold | | | | |
| New product line start-up and ramp-up costs | - | | 140,000 | |
| Lower of cost or net realizable value revaluation - cores on customers' shelves and inventory step-up amortization | 4,305,000 | | 2,193,000 | |
| Cost of customer allowances and stock adjustment accruals related to new business | (362,000) | | (568,000) | |
| Total adjustments | 6,439,000 | 2.8% | 13,722,000 | 5.1% |
| Adjusted gross profit | \$ 59,440,000 | 28.4% | \$ 64,771,000 | 31.4% |

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|--|----------------------------------|---------------|--------------------------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| GAAP net income | \$ 6,301,000 | \$ 9,143,000 | \$ 13,927,000 | \$ 16,651,000 |
| Interest expense, net | 3,522,000 | 3,189,000 | 6,836,000 | 6,008,000 |
| Income tax expense | 4,027,000 | 4,845,000 | 8,343,000 | 7,781,000 |
| Depreciation and amortization | 1,114,000 | 910,000 | 2,153,000 | 1,770,000 |
| EBITDA | \$ 14,964,000 | \$ 18,087,000 | \$ 31,259,000 | \$ 32,210,000 |
| Adjustments: | | | | |
| Net sales | | | | |
| Initial return and stock adjustment accruals related to new business | 2,496,000 | 1,315,000 | 2,496,000 | 3,168,000 |
| Customer allowances related to new business | - | 2,232,000 | - | 8,789,000 |
| Cost of goods sold | | | | |
| New product line start-up and ramp-up costs | - | 16,000 | - | 140,000 |
| Lower of cost or net realizable value revaluation - cores on customers' shelves and inventory step-up amortization | 2,955,000 | 475,000 | 4,305,000 | 2,193,000 |
| Cost of customer allowances and stock adjustment accruals related to new business | (362,000) | (213,000) | (362,000) | (568,000) |
| Operating expenses | | | | |
| Legal, severance, acquisition, financing, transition and other costs | 236,000 | 219,000 | 501,000 | 615,000 |
| Share-based compensation expenses | 910,000 | 1,008,000 | 1,744,000 | 1,737,000 |
| Mark-to-market losses (gains) | (690,000) | 1,331,000 | (3,035,000) | (3,595,000) |
| Adjusted EBITDA | \$ 20,509,000 | \$ 24,470,000 | \$ 36,908,000 | \$ 44,689,000 |