# ANNUAL REPORT

2020

CREATIVE | RELIABLE | COMPOSITES

**CORE MOLDING TECHNOLOGIES, INC.**

# 2020 | CORE MOLDING TECHNOLOGIES, INC. ANNUAL REPORT TO SHAREHOLDERS

**Core Molding Technologies, Inc.** is a manufacturer of sheet molding compound (SMC) and molder of thermoset and thermoplastic products. The Company produces high quality molded products, assemblies and SMC materials for varied markets, including medium and heavy-duty trucks, automotive, marine, home improvement, water management, agriculture, construction and other commercial markets. The Company offers customers a wide range of manufacturing processes to fit various program volume and investment requirements. These processes include compression molding of SMC, bulk molding compounds (BMC); resin transfer molding (RTM), liquid molding of dicyclopentadiene (DCPD), spray-up and hand-lay-up, direct long-fiber thermoplastics (D-LFT) and structural foam and web injection molding. Core Molding Technologies has its headquarters in Columbus, Ohio, and operates production facilities in Columbus and Batavia, Ohio; Gaffney, South Carolina; Winona, Minnesota; Matamoros, Mexico, Escobedo, Mexico; and Cobourg, Ontario, Canada. Core's common stock is traded on the NYSE American LLC under the symbol "CMT."

**SELECTED FINANCIAL HIGHLIGHTS** (dollars in millions except per share numbers)

| YEARS ENDED DECEMBER 31 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Net Sales | **222.4** | 284.3 | 269.5 | 161.7 | 174.9 |
| Operating Income (loss) | **10.4** | (11.5) | (3.1) | 8.0 | 11.5 |
| Net Income (loss) | **8.2** | (15.2) | (4.8) | 5.5 | 7.4 |
| Net Income (loss) per common share: Basic | **0.98** | (1.94) | (0.62) | 0.71 | 0.97 |
| Net Income (loss) per common share: Diluted | **0.98** | (1.94) | (0.62) | 0.70 | 0.97 |
| Stockholders' equity | **93.9** | 84.4 | 98.9 | 101.9 | 96.8 |

**To Our Shareholders:**

**<u>2020 Highlights:</u>**

I am not sure there is a word to describe what the world experienced in 2020. The word "unprecedented" has certainly been used too many times. In 2019 we under-took a complete business and operational turnaround, with a focus on the basics of Safety-People-Quality-Delivery-Cost. In 2018, Core Molding lost the basic foundational people and execution systems required to meet the peak demand years of the heavy-duty truck market. This resulted in significant customer issues and excessive operating costs in 2018 and 2019. As part of the turnaround in 2019 we invested heavily in people, equipment and infrastructure.

All company turnarounds are challenging and uncertain at times. I truly appreciate all of the long hours, hard work and resilience the team has displayed in executing the turnaround. 2020 was a year to prove that the turnaround was effective across the board in all metrics. Obviously going into the COVID-19 pandemic at the end of Q1 2020 presented another set of challenges to navigate. Our results in 2020 are a clear demonstration that we have completed the turnaround phase.

We have improved in every foundational metric:

- Safety Incident Rate improved by 30% (after improving by 82% in 2019)
- People (Glassdoor Rating) maintained at 4.1 (within top 15% of companies)
- Quality (PPM) improved by 73% (after improving by 78% in 2019)
- Delivery improved by 15% (after improving by 67% in 2019)
- Cost (Scrap & Productivity) improved by 31% (after improving by 47% in 2019)

The turnaround completion is also reflected in the 2020 financial results in which we generated net income of $8.2 million, improved gross margin percent by 790 basis points, realized $28.2 million of cash flows from operations and provided a return on beginning equity of 10%. We were able to gain the trust from banks, through meeting our financial improvement commitments, and obtain new financing, at a lower rate with higher liquidity. Again, the focus area was on the variable costs, because that is where the problem existed. This is not to say that we are done improving our operations, because improvement is never done. We still have many opportunities to drive continuous improvement. What it does mean is that we have successfully turned the Company around and implemented a robust and sustainable operational model that enables us to forecast and meet peak demand years. Execution excellence is now becoming part of the Core Molding DNA and it needs to remain one of our foundational strategic elements through robust systems, processes and discipline with capable leadership.

**<u>Looking Forward</u>**

In one of our recent all employee meetings a team member stated how much easier everything is to do now and how glad she was that we were done. I thanked her for the feedback and responded that we have completed the turnaround but now we are starting the business transformation. All of the heavy lifting that was done in the turnaround was done so that we could give ourselves the opportunity to grow the Company and truly create an organization that makes a positive difference to our customers, team members, industry, and shareholders.

Prior to the turnaround, Core Molding was a contract manufacturer of molded composite products to a predefined customer print, operating in a highly cyclical market where capacity was limited, expensive to buy and operate and had lead times longer than the business upturns. This allowed for a business model that was "comfortable" and naturally grew with the long-standing traditional heavy-duty truck market, which was a viable model.

We are now transforming Core Molding to a high value, engineered plastic and composite solution provider serving markets and applications that demand the increased performance of our solutions to better their end product performance. Core Molding has composite formulation technology and the industry leading portfolio breadth of composite and engineered plastic processes, which when merged allow for a unique and differentiated solution to optimize our customer's value and reduce the carbon footprint on the world through light-weighting and part simplification.

The growth of composites is due to the demand for high-strength lightweight materials, improved fuel efficiency and corrosion resistance. Core Molding's technology can help support a $90 billion composites market that is growing at 8% per year. This will accelerate with the continued global drive for environmental stewardship, especially given the progress in recycling and reuse of plastics and composites. It is an exciting time to be part of the larger global composites and engineered plastics market and help contribute to the reduction of societies' carbon footprint on our planet.

To enable growth, we are making significant investments, in 2021, to strengthen and grow our capabilities in material sciences and advanced manufacturing systems. This is a key component to enable our growth strategy going forward. We are also growing our Sales and Marketing function with a focus on technical solution sales, systems and resources to deeply understand the needs and challenges of our markets, customers and applications. We also continue to grow our Human Resources function to ensure that we are able to hire and retain the best talent that fits our culture and provide the organizational development systems to continually reinforce our culture of transparency and mutual respect as a competitive advantage.

Overall, Core Molding is now positioned well to leverage our existing large capital infrastructure, technical expertise in composites and engineered plastics, industry leading process portfolio breadth, and execution engine into a large and growing market. We will be able to engage earlier in the development phase with our existing customers and provide high value solutions and conversions to new customers in the new markets we will be able to better serve.

I want to thank our entire team for their commitment, drive and resilience in making this happen. I look forward to communicating our progress and results as we execute our transformation plan.

Thank You,

Thomas Cellitti
Chairman of the Board

David Duvall
President and CEO

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

# FORM 10-K

(Mark One)

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

**For the fiscal year ended December 31, 2020**

**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 001-12505**

# CORE MOLDING TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

| Delaware | 31-1481870 |
|---|---|
| (State or other jurisdiction incorporation or organization) | (I.R.S. Employer Identification No.) |
| 800 Manor Park Drive, Columbus, Ohio | 43228-0183 |
| (Address of principal executive office) | (Zip Code) |

Registrant's telephone number, including area code: (614) 870-5000

Securities registered pursuant to Section 12(b) of the Act:

:

| Title of each class | Trading Symbol (s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, par value $0.01 | CMT | NYSE American LLC |
| Preferred Stock purchase rights, par value $0.01 | N/A | NYSE American LLC |

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|---|---|---|---|
| Large accelerated filer ☐ | Accelerated filer ☐ | Non-accelerated filer ☐ (Do not check if a smaller reporting company) | Smaller reporting company ☑<br>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. Yes ☐ No ☑

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

As of June 30, 2020, the aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates of the registrant was approximately $22,061,000, based upon the closing sale price of $4.12 on the NYSE American LLC on June 30, 2020, the last business day of registrant's most recently completed second fiscal quarter. As of March 10, 2021, the latest practicable date, 8,476,047 shares of the registrant's common stock were issued, which includes 507,835 shares of unvested restricted common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's 2021 definitive Proxy Statement to be filed with the Securities and Exchange Commission no later than 120 days after the end of the registrant's fiscal year are incorporated herein by reference in Part III of this Form 10-K.

**CORE MOLDING TECHNOLOGIES, INC. AND SUBSIDIARIES**
**TABLE OF CONTENTS**

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## PART I

## ITEM 1. BUSINESS

### HISTORICAL DEVELOPMENT OF BUSINESS OF CORE MOLDING TECHNOLOGIES, INC.

In 1996, RYMAC Mortgage Investment Corporation ("RYMAC") incorporated Core Molding Technologies, Inc. ("Core Molding Technologies" or the "Company"), formerly known as Core Materials Corporation before changing its name on August 28, 2002, for the purpose of acquiring the Columbus Plastics unit of Navistar, Inc. ("Navistar"), formerly known as International Truck & Engine Corporation. On December 31, 1996, RYMAC merged with and into the Company, with the Company as the surviving entity. Immediately after the merger, the Company acquired substantially all the assets and liabilities of the Columbus Plastics unit from Navistar in return for a secured note, which has been repaid, and 4,264,000 shares of newly issued common stock of the Company. On July 18, 2007, the Company entered into a stock repurchase agreement with Navistar, pursuant to which the Company repurchased 3,600,000 shares of the Company's common stock, from Navistar. On August 16, 2013, Navistar sold its remaining 664,000 shares of common stock in a series of open market sales.

In 1998, the Company opened a second compression molding plant located in Gaffney, South Carolina as part of the Company's growth strategy to expand its customer base. This facility provided the Company with additional capacity and a strategic location to serve both current and prospective customers.

In October 2001, the Company incorporated Core Composites Corporation as a wholly owned subsidiary under the laws of the State of Delaware. This entity was established for the purpose of holding and establishing operations for Airshield Corporation's assets, which the Company acquired on October 16, 2001 (the "Airshield Asset Acquisition") as part of the Company's diversified growth strategy. Airshield Corporation was a privately held manufacturer and marketer of fiberglass reinforced plastic parts primarily for the truck industry. The Company purchased substantially all of the assets of Airshield Corporation through the United States Bankruptcy Court as Airshield Corporation had been operating under Chapter 11 bankruptcy protection since March 2001.

In conjunction with establishment of operations for the assets acquired in the Airshield Asset Acquisition, the Company established a Mexican subsidiary and leased a production facility in Mexico. In October 2001, the Company (5% owner) and Core Composites Corporation (95% owner) incorporated Corecomposites de Mexico, S. de R.L. de C.V. ("Corecomposites") in Matamoros, Mexico. Corecomposites was organized to operate under a maquiladora program whereby substantially all products produced are exported back to Core Composites Corporation which sells such products to United States based external customers. In June of 2009, the Company completed construction and took occupancy of a new production facility in Matamoros, Mexico that replaced its leased facility.

In August 2005, the Company formed Core Composites Cincinnati, LLC, ("Core Composites Cincinnati") a Delaware limited liability company and wholly owned subsidiary of the Company. This entity was formed for the purpose of establishing operations and holding assets acquired from the Cincinnati Fiberglass Division of Diversified Glass Inc., which the Company acquired in August 2005. The Cincinnati Fiberglass Division of Diversified Glass, Inc. was a privately held manufacturer and distributor of fiberglass reinforced plastic components supplied primarily to the heavy-duty truck market. As a result of this acquisition, the Company leases a manufacturing facility in Batavia, Ohio.

In March 2015, the Company acquired substantially all of the assets of CPI Binani, Inc., a Minnesota based manufacturer and producer of direct long fiber thermoplastic products, and a wholly owned subsidiary of Binani Industries Limited, located in Winona, Minnesota ("CPI"). The purpose of the acquisition was to increase the Company's process capabilities and diversify the Company's customer base.

On January 16, 2018, 1137925 B.C Ltd., subsequently renamed Horizon Plastics International Inc., a wholly owned subsidiary of the Company, entered into an Asset Purchase Agreement (the "Agreement") with Horizon Plastics International Inc.,1541689 Ontario Inc., 2551024 Ontario Inc. and Horizon Plastics de Mexico, S.A. de C.V. (collectively "Horizon Plastics"). Pursuant to the terms of the Agreement the Company acquired substantially all of the assets and assumed certain liabilities of Horizon Plastics. Horizon Plastics is a custom low-pressure structural plastic molder, which utilizes both structural foam and structural web process technologies, operating within two manufacturing facilities located in Cobourg, Canada and Escobedo, Mexico. The purpose of the acquisition was to increase the Company's process capabilities to include structural foam and structural web molding, expand its geographical footprint, and diversify the Company's customer base.

**DESCRIPTION OF BUSINESS OF CORE MOLDING TECHNOLOGIES, INC.**

*Certain statements under this caption of this Annual Report on Form 10-K constitute forward-looking statements within the meaning of the federal securities laws. As a general matter, forward-looking statements are those focused upon future plans, objectives or performance as opposed to historical items and include statements of anticipated events or trends and expectations and beliefs relating to matters not historical in nature. Such forward-looking statements involve known and unknown risks and are subject to uncertainties and factors relating to Core Molding Technologies' operations and business environment, all of which are difficult to predict and many of which are beyond Core Molding Technologies' control. Words such as "may," "will," "could," "would," "should," "anticipate," "predict," "potential," "continue," "expect," "intend," "plans," "projects," "believes," "estimates," "encouraged," "confident" and similar expressions are used to identify these forward-looking statements. These uncertainties and factors could cause Core Molding Technologies' actual results to differ materially from those matters expressed in or implied by such forward-looking statements.*

*Core Molding Technologies believes that the following factors, among others, could affect its future performance and cause actual results to differ materially from those expressed or implied by forward-looking statements made in this Annual Report on Form 10-K: business conditions in the plastics, transportation, marine and commercial product industries (including changes in demand for truck production); federal and state regulations (including engine emission regulations); general economic, social, regulatory (including foreign trade policy) and political environments in the countries in which Core Molding Technologies operates; the adverse impact of coronavirus (COVID-19) global pandemic on our business, results of operations, financial position, liquidity or cash flow, as well as impact on customers and supply chains; safety and security conditions in Mexico and Canada; fluctuations in foreign currency exchange rates; dependence upon certain major customers as the primary source of Core Molding Technologies' sales revenues; efforts of Core Molding Technologies to expand its customer base; the ability to develop new and innovative products and to diversify markets, materials and processes and increase operational enhancements; ability to accurately quote and execute manufacturing processes for new business; the actions of competitors, customers, and suppliers; failure of Core Molding Technologies' suppliers to perform their obligations; the availability of raw materials; inflationary pressures; new technologies; regulatory matters; labor relations; labor availability; a work stoppage or labor disruption at one of our union locations or one of our customer or supplier locations; the loss or inability of Core Molding Technologies to attract and retain key personnel; the Company's ability to successfully identify, evaluate and manage potential acquisitions and to benefit from and properly integrate any completed acquisitions; federal, state and local environmental laws and regulations; the availability of sufficient capital; the ability of Core Molding Technologies to provide on-time delivery to customers, which may require additional shipping expenses to ensure on-time delivery or otherwise result in late fees and other customer charges; risk of cancellation or rescheduling of orders; management's decision to pursue new products or businesses which involve additional costs, risks or capital expenditures; inadequate insurance coverage to protect against potential hazards; equipment and machinery failure; product liability and warranty claims; and other risks identified from time to time in Core Molding Technologies' other public documents on file with the Securities and Exchange Commission, including those described in Item 1A of this Annual Report on Form 10-K.*

Core Molding Technologies and its subsidiaries operate in one operating segment as a molder of thermoplastic and thermoset structural products. The Company's operating segment consists of two component reporting units, Core Traditional and Horizon Plastics. The Company offers customers a wide range of manufacturing processes to fit various program volume and investment requirements. These processes include compression molding of sheet molding compound ("SMC"), bulk molding compounds ("BMC"), resin transfer molding ("RTM"), liquid molding of dicyclopentadiene ("DCPD"), spray-up and hand-lay-up, direct long-fiber thermoplastics ("D-LFT") and structural foam and structural web injection molding ("SIM"). Core Molding Technologies serves a wide variety of markets, including the medium and heavy-duty truck, marine, automotive, agriculture, construction, and other commercial products. The demand for Core Molding Technologies' products is affected by economic conditions in the United States, Mexico, and Canada. Core Molding Technologies' manufacturing operations have a significant fixed cost component. Accordingly, during periods of changing demand, the profitability of Core Molding Technologies' operations may change proportionately more than revenues from operations.

Structural plastics compete largely against metals and have the strength to function well during prolonged use. Management believes that structural plastic components offer many advantages over metals, including:

- heat resistance;
- corrosion resistance;
- lighter weight;
- lower cost;
- greater flexibility in product design;
- part consolidation for multiple piece assemblies;
- lower initial tooling costs for lower volume applications;
- high strength-to-weight ratio; and
- dent-resistance in comparison to steel or aluminum.

The largest markets for structural plastics are transportation (automotive and truck), agriculture, construction, marine, and industrial applications. As of December 31, 2020, the Company operated seven production facilities in Columbus, Ohio; Batavia, Ohio; Gaffney, South Carolina; Winona, Minnesota; Matamoros and Escobedo, Mexico; and Cobourg, Canada, which produce structural plastic products. Our manufacturing facilities utilize various production processes; however, end products are similar and are not unique to a facility or customer base. Operating decision makers (officers of the Company) are headquartered in Columbus, Ohio and oversee all manufacturing operations for all products as well as oversee customer relationships with all customers. The Company supplies structural plastic products to truck manufacturers, automotive suppliers, and manufacturers of marine and other commercial products.

In general, product growth and diversification are achieved in several different ways: (1) resourcing of existing structural plastic products from another supplier by an original equipment manufacturer ("OEM"); (2) obtaining new structural plastic products through a selection process in which an OEM solicits bids; (3) successful marketing of structural plastic products for previously non-structural plastic applications; (4) converting alternative materials to structural plastics; (5) successful marketing of structural plastic products to OEMs outside of our traditional markets; (6) developing of new materials, technology and processes to meet current or prospective customer requirements; and (7) acquiring an existing business. The Company's efforts continue to be directed towards all seven areas.

**MAJOR COMPETITORS**

The Company believes that it is one of the largest compounders and molders of structural plastics using the SMC, RTM, spray-up, hand-lay-up, D-LFT and SIM molding processes in North America. The Company faces competition from a number of other molders including, most significantly, Molded Fiber Glass Companies, Continental Structural Plastics, Ashley Industrial Molding, René Matériaux Composite Ltée ("RMC"), STS Group and The Composites Group. The Company believes that it is well positioned to compete based primarily on manufacturing capability and location, product quality, engineering capability, cost, and delivery. However, the industry remains highly competitive and some of the Company's competitors have greater financial resources, research and development facilities, design engineering, manufacturing, and marketing capabilities.

**MAJOR CUSTOMERS**

The Company had five major customers during the year ended December 31, 2020, Universal Forest Products, Inc. ("UFP"), Navistar, Inc. ("Navistar "), PACCAR, Inc. ("PACCAR"), Volvo Group North America, LLC ("Volvo"), and BRP, Inc. ("BRP"). Major customers are defined as customers whose sales individually consist of more than ten percent of total sales during any annual or interim reporting period in the current year. The loss of a significant portion of sales to these customers could have a material adverse effect on the business of the Company.

The North American truck market in which Navistar, Volvo, and PACCAR compete is highly competitive and the demand for heavy and medium-duty trucks is subject to considerable volatility as it moves in response to cycles in the overall business environment and is particularly sensitive to the industrial sector, which generates a significant portion of the freight tonnage hauled. Truck demand also depends on general economic conditions, among other factors.

UFP supplies products to three industry segments: retail, industrial, and construction. These are a highly-competitive markets, with suppliers competing for a share of available shelf space at large “big box” retailers and independent contractors. As a discretionary product category, suppliers must also strive continuously to differentiate their products with unique designs, colors, and features, in addition to maintaining a constant focus on cost reduction. Demand for these products is driven by residential and commercial construction and general economic conditions, among other influences.

BRP provides a portfolio of industry-leading products comprising of snowmobiles, watercraft, on and off-road vehicles, marine propulsion systems as well as engines for karts, motorcycles and recreational aircraft. Demand for these products is driven by consumer demand and general economic conditions.

**Relationship with Navistar**

The Company has historically had a Comprehensive Supply Agreement with Navistar that provides for the Company to be the primary supplier of Navistar’s original equipment and service requirements for fiberglass reinforced parts, as long as the Company remains competitive in cost, quality, and delivery. The Company's current Comprehensive Supply Agreement with Navistar is effective through November 2, 2021.

The Company makes products for Navistar's Springfield, Ohio; Tulsa, Oklahoma; and Escobedo, Mexico assembly plants, as well as aftermarket products for service distribution centers. The Company works closely on new product development with Navistar's engineering and research personnel. Products sold to Navistar include hoods, roofs, air deflectors, cab extenders, fender extensions, splash panels, and other components. Sales to Navistar amounted to approximately 18%, 20%, and 20% of total sales for 2020, 2019, and 2018, respectively.

**Relationship with Volvo**

The Company has a Price Agreement with Volvo that governs supply of parts, pricing and payment terms. The Price Agreement with Volvo is effective through December 31, 2023. The Company makes products for Volvo’s New River Valley (Dublin, Virginia) and Macungie, Pennsylvania assembly plants, as well as aftermarket products for service distribution centers. The Company works closely on new product development with Volvo’s engineering and research teams. Products sold to Volvo include hoods, roofs, sunvisors, air deflectors, cab extenders and other components. Sales to Volvo amounted to approximately 12%, 17%, and 17% of total sales for 2020, 2019, and 2018, respectively.

**Relationship with PACCAR**

The Company has a Long-Term Supply Agreement with PACCAR that governs supply of parts, pricing and payment terms. The Agreement is effective through November 30, 2023. The Company makes products for PACCAR's Chillicothe, Ohio; Denton, Texas; Renton, Washington; St. Therese, Canada; and Mexicali, Mexico assembly plants, as well as aftermarket products for service distribution centers. The Company also works closely on new product development with PACCAR's engineering and research personnel. Products sold to PACCAR include hoods, roofs, back panels, air deflectors, air fairings, fenders, splash panels, cab extenders, and other components. Sales to PACCAR amounted to approximately 13%, 16%, and 16% of total sales for 2020, 2019, and 2018, respectively.

**Relationship with UFP**

The Company manufactures a line of outdoor living and home decor products as part of UFP's broad offerings to "big box" retailers. These products are labeled and packaged for direct placement onto retail shelves and are shipped to UFP distribution facilities primarily throughout North America. The Company works directly with UFP on innovative product advances that reduce cost and extend the appeal of the products to consumers. Sales to UFP amounted to approximately 17%, 9%, and 10% of total sales for 2020, 2019, and 2018, respectively.

**Relationship with BRP**

The Company manufactures molded products for BRP's assembly plants located in Queretaro and Juarez, Mexico. Products sold to BRP include various molded components to support the assembly of personal watercraft and all-terrain vehicles. Sales to BRP amounted to approximately 10%, 7%, and 6% of total sales in 2020, 2019 and 2018, respectively.

**OTHER CUSTOMERS**

The Company also produces products for other truck manufacturers, the automotive industry, marine industry, commercial product industries, and various other customers and industries. Sales to these customers individually were all less than 10% of total sales for interim and annual reporting during 2020. Sales to these customers amounted to approximately 31% of total sales for each year ended 2020, 2019, and 2018.

**GEOGRAPHIC INFORMATION**

Substantially all of the Company's products are sold in U.S. dollars. The following table provides information related to the Company's sales by country, based on the ship to location of customers' production facilities, for the years ended December 31:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| United States | $ 136,424,000 | $ 178,953,000 | $ 181,207,000 |
| Mexico | 64,942,000 | 79,761,000 | 74,029,000 |
| Canada | 16,827,000 | 16,988,000 | 12,494,000 |
| Other | 4,163,000 | 8,588,000 | 1,755,000 |
| Total | $ 222,356,000 | $ 284,290,000 | $ 269,485,000 |

The following table provides information related to the location of the Company's property, plant and equipment, net, as of December 31:

| | 2020 | 2019 |
|---|---|---|
| United States | $ 36,698,000 | $ 39,132,000 |
| Mexico | 29,537,000 | 31,865,000 |
| Canada | 7,817,000 | 8,209,000 |
| Total | $ 74,052,000 | $ 79,206,000 |

**PRODUCTS**

**Sheet Molding Compound ("SMC")**

SMC is primarily a combination of resins, fiberglass, fillers, and catalysts compounded and cured in sheet form, which is then used to manufacture compression-molded products, as discussed below. The Company incorporates a sophisticated computer program in the process of compounding various complex SMC formulations tailored to meet customer needs. The program provides for the control of information during various production processes and data for statistical batch controls. The Company also sells SMC to other molders.

**Closed Molded Products**

The Company manufactures plastic products using compression molding, resin transfer molding, and injection molding. As of December 31, 2020, the Company owned 75 molding presses in its Columbus, Ohio facility (16); Matamoros, Mexico facility

(21); Cobourg, Canada facility (19); Gaffney, South Carolina facility (10); Winona, Minnesota facility (5); and Escobedo, Mexico (4). The Company's molding presses range in size from 250 to 5,000 tons.

**Compression Molding of SMC -** Compression molding is a process whereby SMC is molded to form by matched die steel molds through which a combination of heat and pressure are applied via a molding press. This process produces high quality, dimensionally consistent products and is typically used for high volume products. Higher volumes justify the customer's investment in matched die steel molds.

Large platen, high tonnage presses (2,000 tons or greater) provide the ability to mold very large reinforced plastic parts. The Company believes that it possesses a significant portion of the large platen, high tonnage molding capacity in the industry. To enhance the surface quality and the paint finish of our products, the Company uses both in-mold coating and vacuum molding processes.

In-mold coating is the process of injecting a liquid over the molded part surface and then applying pressure at elevated temperatures during an extended molding cycle. The liquid coating serves to fill and/or bridge surface porosity as well as provide a barrier against solvent penetration during subsequent top-coating operations.

Vacuum molding is the removal of air during the molding cycle for the purpose of reducing the amount of surface porosity. The Company believes that it is among the industry leaders in in-mold coating and vacuum molding applications, based on the size and complexity of parts molded.

**Resin Transfer Molding ("RTM") -** This process employs two molds, typically a core and a cavity, similar to matched die molding. The composite is produced by placing glass mat, chopped strand, or continuous strand fiberglass in the mold cavity in the desired pattern. Parts used for cosmetic purposes typically have a gel coat applied to the mold surface. The core mold is then fitted to the cavity, and upon a satisfactory seal, a vacuum is applied. When the proper vacuum is achieved, the resin is injected into the mold to fill the part. Finally, the part is allowed to cure and is then removed from the mold and trimmed to shape. Fiberglass reinforced products produced from the RTM process exhibit a high-quality surface on both sides of the part and excellent part thickness. The multiple insert tooling technique can be utilized in the RTM process to improve throughput based upon volume requirements.

**Structural Foam and Web Injection Molding ("SIM") -** Structural foam and structural web are low-pressure injection molding processes that develop high-strength, rigid parts at low weight. This is accomplished by mixing a foaming agent (usually, nitrogen gas) with the melted polymer (structural foam process), or by injecting nitrogen gas into the mold cavity immediately after the plastic resin is injected (structural web molding). Structural foam produces a cellular interior structure that can provide twice the rigidity of a solid plastic molding. The structural web process pushes the plastic out to the mold cavity walls, uniformly packing out the entire mold and hollowing out thicker sections to create products of varying wall thicknesses. As a result, structural web molded parts have a smoother, glossier finish than other low-pressure parts. Both processes give part designers flexibility when designing products that need strength and stiffness at low weight.

**Direct Long-Fiber Thermoplastics ("D-LFT") -** D-LFT molding employs two molds, typically a core and a cavity, similar to matched die molding. This is a process for compounding and molding thermoplastic materials with "long" fibers (typically, 0.5 inch or longer). Engineered thermoplastic pellets and performance additives are compounded in a screw extruder, to which chopped reinforcements (typically, glass fibers) are added and further extruded. A "charge" of material is cut to a precise weight, and this "charge" is directly moved to a compression or injection-transfer process, where it is molded into a finished part. The process allows for direct processing of the compounded material, bypassing the expense and delay of producing an intermediate product (pellets or sheets) as is used in other fiber-reinforced thermoplastic molding processes. The D-LFT process is an attractive option for products that have complex geometry, require high strength and stiffness, and benefit from the recyclability of a thermoplastic resin.

**Reaction Injection Molding ("RIM")** - This is a process whereby a composite is produced through the injection of a two-component thermoset resin system utilizing dicyclopentadiene ("DCPD") technology. DCPD technology involves injecting a liquid compound into matched die aluminum molds to form the part. In this process the mold is prepared, closed and the liquid compound is injected into the tool then cured. Additional finishing is required when the part is designated for top coat painting. The RIM process is an alternative to other closed mold processes for mid-volume parts that require a high level of impact resistance.

**Open Molded Products**

The Company produces reinforced plastic products using both the hand lay-up and spray-up methods of open molding at our Batavia, Ohio and Matamoros, Mexico locations. Part sizes weigh from a few pounds to several hundred pounds with surface quality tailored for the end use application.

**Hand Lay-Up -** This process utilizes a shell mold, typically the cavity, where glass cloth, either chopped strand or continuous strand glass mat, is introduced into the cavity. Resin is then applied to the cloth and rolled out to achieve a uniform wet-out from the glass and to remove any trapped air. The part is then allowed to cure and is removed from the mold. After removal, the part typically undergoes trimming to achieve the shape desired. Parts used for cosmetic purposes typically have a gel coat applied to the mold surface prior to the lay-up to improve the surface quality of the finished part. Parts produced from this process have a smooth outer surface and an unfinished or rough interior surface. These fiberglass-reinforced products are typically non-cosmetic components or structural reinforcements that are sold externally or used internally as components of larger assemblies.

**Spray-Up -** This process utilizes the same type of shell mold as hand-lay-up, but instead of using glass cloth to produce the composite part, a chopper/spray system is employed. Glass rovings and resin feed the chopper/spray gun. The resin coated, chopped glass is sprayed into the mold to the desired thickness. The resin coated glass in the mold is then rolled out to ensure complete wet-out and to remove any trapped air. The part is then allowed to cure, is removed from the mold, and is then trimmed to the desired shape. Parts used for cosmetic purposes typically have a gel coat applied to the mold surface prior to the resin-coated glass being sprayed into the mold to improve the surface quality of the finished part. Parts produced from this process have a smooth outer surface and an unfinished or rough interior surface.

**Assembly, Machining, and Paint Products**

Many of the products molded by the Company are assembled, machined, and prime painted or topcoat painted to result in a completed product used by the Company's customers.

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

**RAW MATERIALS**

The principal raw materials used in the Company's processes are unsaturated polyester; vinyl ester; polyethylene, polypropylene and dicyclopentadiene resins; fiberglass; and filler. Other significant raw materials include adhesives for assembly of molded components, in-mold coating, gel-coat, prime paint for preparation of cosmetic surfaces, and hardware (primarily metal components). Many of the raw materials used by the Company are crude oil based, natural gas based and downstream components, and therefore, the costs of certain raw materials can be affected by changes in costs of these underlying commodities. Due to fluctuating commodity prices, suppliers are typically reluctant to enter into long-term contracts. The Company generally has supplier alternatives for each raw material, and regularly evaluates its supplier base for certain supplies, repair items, and components to improve its overall purchasing position.

## BACKLOG

The Company relies on production schedules provided by its customers to plan and implement production. These schedules are normally provided on a weekly basis and typically considered firm for approximately four weeks. Some customers update these schedules daily for changes in demand, allowing them to run their inventories on a “just-in-time” basis. The ordered backlog of four weeks of expected shipments was approximately $21.3 million (all of which the Company shipped during the first month of 2021) and $20.7 million at December 31, 2020 and 2019, respectively.

## CAPACITY CONSTRAINTS

Capacity utilization is measured based on standard cycle times and a standard work week, which can range from five days per week, three-shifts per day to seven days per week, three-shifts per day, depending on the facility and molding process. During times when demand exceeds the standard five day, three-shift capacity, the Company will work weekends to create additional capacity, which can provide capacity utilization percentages greater than 100%. During 2020, the Company has used various methods from overtime to a weekend manpower crew to support the customers' production requirements.

The approximate SMC production line capacity utilization was 66% and 73% for the years ended December 31, 2020 and 2019, respectively.

The Company measures facility capacity in terms of its large molding presses (2,000 tons or greater) for the Columbus, Ohio, Gaffney, South Carolina, Winona, Minnesota and the SMC molding at the Matamoros, Mexico facility. The Company owned 28 large molding presses at these facilities at December 31, 2020. The combined approximate large press capacity utilization in these production facilities was 55% and 83% for the years ended December 31, 2020 and 2019, respectively. The decreased utilization mainly resulted from decrease demand due to COVID-19 and improved production efficiency.

The Company measures facility capacity in terms of its large molding presses (750 tons or greater) for the Cobourg, Canada facility. The Company owned 7 large molding presses at this facility at December 31, 2020. The combined approximate large press capacity utilization in this facility was 89% and 72% for the years ended December 31, 2020 and 2019, respectively.

## CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT

Capital expenditures totaled approximately $3.7 million, $7.5 million, and $5.8 million in 2020, 2019, and 2018 respectively. These capital expenditures primarily consisted of building and equipment improvements and additional production equipment to manufacture parts.

The Company continuously engages in product development. Research and development activities focus on developing new material formulations, new structural composite products, new production capabilities and processes, and improving existing products and manufacturing processes. The Company does not maintain a separate research and development organization or facility, but uses its production equipment, as necessary, to support these efforts and cooperates with its customers and its suppliers in research and development efforts. Likewise, manpower to direct and advance research and development is integrated with the existing manufacturing, engineering, production, and quality organizations. Management of the Company has estimated that costs related to research and development were approximately $1.2 million, $1.2 million and $1.0 million in 2020, 2019, and 2018, respectively.

## ENVIRONMENTAL COMPLIANCE

The Company's manufacturing operations are subject to federal, state, and local environmental laws and regulations, which impose limitations on the discharge of hazardous and non-hazardous pollutants into the air and waterways. The Company has established and implemented standards for the treatment, storage, and disposal of hazardous waste. The Company's policy is to conduct its business with due regard for the preservation and protection of the environment. The Company's environmental waste management process involves the regular auditing of hazardous waste accumulation points, hazardous waste activities, authorized treatment, and storage and disposal facilities. As part of the Company's environmental policy, all manufacturing employees are trained on waste management and other environmental issues.

The Company holds various environmental operating permits for its production facilities in the U.S., Mexico, and Canada as required by U.S., Mexican and Canadian state and federal regulations. The Company has substantially complied with all requirements of these operating permits.

**HUMAN CAPITAL MANAGEMENT**

As of December 31, 2020, the Company employed a total of 1,617 employees, which consisted of 679 employees in its United States operations, 722 employees in its Mexican operations and 216 employees in its Canadian operation. Of these 1,617 employees, 518 employees at the Company’s Columbus, Ohio facility are covered by a collective bargaining agreement with the International Association of Machinists and Aerospace Workers (“IAM”), which extends to August 7, 2022, 534 employees at the Company’s Matamoros, Mexico facility are covered by a collective bargaining agreement with Sindicato de Jorneleros y Obreros, which extends to January 21, 2022, 191 employees at the Company's Cobourg, Canada facility are covered by a collective bargaining agreement with United Food & Commercial Workers Canada ("UFCW"), which extends to November 1, 2021, and 73 employees at the Company's Escobedo, Mexico facility are covered by a collective bargaining agreement with Sindicato de trabajadores de la industria metalica y del comercio del estado de Nuevo Leon Presidente Benito Juarez Garcia C.T.M., which extends to February 1, 2021. The Company is currently negotiating an extension to the Escobedo, Mexico collective bargaining agreement.

**PATENTS, TRADE NAMES, AND TRADEMARKS**

The Company will evaluate, apply for, and maintain patents, trade names, and trademarks where it believes that such patents, trade names, and trademarks are reasonably required to protect its rights in its products. However, the Company does not believe that any single patent, trade name, or trademark or related group of such rights is materially important to its business or its ability to compete.

**SEASONALITY & BUSINESS CYCLE**

The Company's business is affected annually by the production schedules of its customers. Certain of the Company's customers typically shut down their operations on an annual basis for a period of one to several weeks during the Company's third quarter. Certain customers also typically shut down their operations during the last week of December. As a result, demand for the Company's products typically decreases during the third and fourth quarters. Demand for medium and heavy-duty trucks, marine, automotive, and commercial products also fluctuates on an economic, cyclical and seasonal basis, causing a corresponding fluctuation for demand of the Company's products.

**AVAILABLE INFORMATION**

We maintain a website at www.coremt.com. Annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, all amendments to those reports, and other information about us are available free of charge through this website as soon as reasonably practicable after the reports are electronically filed with the SEC. These materials are also available from the SEC’s website at www.sec.gov.

## ITEM 1A. RISK FACTORS

The following risk factors describe various risks that may affect our business, financial condition, and operations. References to "we," "us," and "our" in this "Risk Factors" section refer to Core Molding Technologies and its subsidiaries, unless otherwise specified or unless the context otherwise requires.

### Risks Relating to our Business

*Our business has concentration risks associated with significant customers.*

Sales to five customers constituted approximately 70% of our 2020 total sales. No other customer accounted for more than 10% of our total sales for this period. The loss of any significant portion of sales to any of our significant customers could have a material adverse effect on our business, results of operations, and financial condition.

Accounts receivable balances with five customers accounted for 64% of accounts receivable at December 31, 2020. The Company performs ongoing credit evaluations of its customers' financial condition and maintains reserves for potential bad debt losses. If the financial conditions of any of these customers were to deteriorate, impacting their ability to pay their receivables, our reserves may not be adequate which could have a material adverse effect on our business, results of operations, or financial condition.

We are continuing to engage in efforts intended to strengthen and expand our relations with significant customers, as well as provide support for our entire customer base. We have supported our position with customers through direct and active contact through our sales, quality, engineering, and operational personnel. We cannot make any assurances that we will maintain or improve our customer relationships, whether these customers will continue to do business with us as they have in the past or whether we will be able to supply these customers or any of our other customers at current levels.

*Our business is affected by the cyclical and overall nature of the industries and markets that we serve.*

The North American heavy and medium-duty truck industries are highly cyclical. In 2020, approximately 43% of our product sales were in these industries. These industries and markets fluctuate in response to factors that are beyond our control, such as general economic conditions, interest rates, federal and state regulations (including engine emissions regulations, tariffs, import regulations, and other taxes), consumer spending, fuel costs, and our customers' inventory levels and production rates. Our manufacturing operations have a significant fixed cost component. Accordingly, during periods of changing demands, including an increase or slowdown in truck demand, the profitability of our operations may change proportionately more than revenues from operations. In addition, our operations are typically seasonal as a result of regular customer maintenance shutdowns, which typically vary from year to year based on production demands and occur in the third and fourth quarter of each calendar year. This seasonality may result in decreased net sales and profitability during the third and fourth fiscal quarters of each calendar year. Weakness in overall economic conditions or in the markets that we serve, or significant reductions by our customers in their inventory levels or future production rates, could result in decreased demand for our products and could have a material adverse effect on our business, results of operations, or financial condition.

*Price increases in raw materials and availability of raw materials could adversely affect our operating results and financial condition.*

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

*Cost reduction and quality improvement initiatives by original equipment manufacturers could have a material adverse effect on our business, results of operations, or financial condition.*

We are primarily a components supplier to the heavy and medium-duty truck industries, which are characterized by a small number of original equipment manufacturers ("OEMs") that are able to exert considerable pressure on components suppliers to reduce costs, improve quality, and provide additional design and engineering capabilities. Given the fragmented nature of the industry, OEMs continue to demand and receive price reductions and measurable increases in quality through their use of competitive selection processes, rating programs, and various other arrangements. We may be unable to generate sufficient production cost savings in the future to offset such price reductions. OEMs may also seek to save costs by purchasing components from suppliers that are geographically closer to their production facilities or relocating production to locations with lower cost structures and purchasing components from suppliers with lower production costs. These decisions by OEMs could require us to shift production between our facilities, move production lines between our facilities, or open new facilities to remain competitive. Shifting production, moving production lines, or opening new locations could result in significant costs required for capital investment, transfer expenses, and operating costs. Additionally, OEMs have generally required component suppliers to provide more design engineering input at earlier stages of the product development process, the costs of which have, in some cases, been absorbed by the suppliers. To the extent that the Company does not meet the quality standards or demands of quality improvement initiatives sought by OEMs, or does not match the quality of suppliers of comparable products, OEMs may choose to purchase from these alternative suppliers, and as a result the Company may lose existing or new business with OEMs. Future price reductions, increased quality standards, and additional engineering capabilities required by OEMs may reduce our profitability and have a material adverse effect on our business, results of operations, or financial condition.

*We operate in highly competitive markets, and if we are unable to effectively compete it may negatively impact future operating results, sales, and earnings.*

The markets in which we operate are highly competitive. We compete with a number of other manufacturers that produce and sell similar products. Our products primarily compete on the basis of capability, product quality, cost, and delivery. Some of our competitors have greater financial resources, research and development facilities, design engineering, manufacturing, and marketing capabilities. If we are unable to develop new and innovative products, diversify the markets, materials, and processes we utilize and increase operational enhancements, we may fall behind competitors or lose the ability to achieve competitive advantages. In the highly competitive market in which we operate, this may negatively impact our ability to retain existing customers or attract new customers, and if that occurs, it may negatively impact future operating results, sales, and earnings.

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

We must continue to meet our customers' demand for on-time delivery of our products. Factors that could result in our inability to meet customer demands include a failure by one or more of our suppliers to supply us with the raw materials and other resources that we need to operate our business effectively and an unforeseen spike in demand for our products, which would create capacity constraints, among other factors. If this occurs, we may be required to incur additional shipping expenses to ensure on-time delivery or otherwise be required to pay late fees, which could have a material adverse effect on our business, results of operations, or financial condition.

*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. Their skills, experience, and industry contacts significantly benefit us. The inability to retain key personnel could have a material adverse effect on our business, results of operations, or financial condition. Our future success will also depend in part upon our continuing ability to attract and retain highly qualified personnel.

*Work stoppages or other labor issues at our facilities or at our customers' facilities could adversely affect our operations.*

As of December 31, 2020, unions at our Columbus, Ohio, Matamoros and Escobedo, Mexico, and Cobourg Canada facilities represented approximately 81% of our entire workforce. As a result, we are subject to the risk of work stoppages and other labor-relations matters. The current Columbus, Ohio, Matamoros, Mexico, Cobourg, Canada, and Escobedo, Mexico union contracts extend through August 7, 2022, January 21, 2022, November 1, 2021 and February 1, 2021, respectively. Any prolonged work stoppage or strike at either our Columbus, Ohio; Matamoros and Escobedo, Mexico; or Cobourg, Canada unionized facilities could have a material adverse effect on our business, results of operations, or financial condition. Any failure by us to reach a new agreement upon expiration of such union contracts may have a material adverse effect on our business, results of operations, or financial condition. The Company is currently negotiating an extension to then Escobedo, Mexico collective bargaining agreement.

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

*Our foreign operations in Mexico and Canada subject us to risks that could negatively affect our business.*

We operate manufacturing facilities in Matamoros and Escobedo, Mexico and Cobourg, Canada. As a result, a significant portion of our business and operations is subject to the risk of changes in economic conditions, tax systems, consumer preferences, social conditions, safety and security conditions, and political conditions inherent in Mexico and Canada, including changes in the laws and policies that govern foreign investment, as well as changes in United States laws and regulations relating to foreign trade and investment. Changes in laws and regulations related to foreign trade and investment may have an adverse effect on our results of operations, financial condition, or cash flows.

*Our business is subject to risks associated with manufacturing equipment and infrastructure.*

We convert raw materials into molded products through a manufacturing process at each production facility. While we maintain insurance covering our manufacturing and production facilities, including business interruption insurance, a catastrophic loss of the use of all or a portion of our facilities due to accident, fire, explosion, or natural disaster, whether short or long-term, could have a material adverse effect on our business, results of operations, or financial condition.

Unexpected failures of our equipment and machinery may result in production delays, revenue loss, and significant repair costs, as well as injuries to our employees. Any interruption in production capability may require us to make large capital expenditures to remedy the situation, which could have a negative impact on our profitability and cash flows. Our business interruption insurance may not be sufficient to offset the lost revenues or increased costs that we may experience during a disruption of our operations. Because we supply our products to OEMs, a temporary or long-term business disruption could result in a permanent loss of customers. If this were to occur, our future sales levels and therefore our profitability could be materially adversely affected.

*Our business is subject to risks associated with new business awards. In order to recognize profit from new business, we must accurately estimate product costs as part of the quoting process and implement effective and efficient manufacturing processes. Expected future sales from business awards may not materialize. We may not realize the sales or operating results that we anticipate from new business awards, and we may experience difficulties in meeting the production demands of new business awards.*

The success of our business relies on our ability to produce products which meet the quality, performance, and price expectations of our customers. Our ability to recognize profit is largely dependent upon accurately identifying the costs associated with the manufacturing of our products and executing the manufacturing process in a cost-effective manner. There can be no assurance that all costs will be accurately identified during the Company's quoting process or that the expected level of manufacturing efficiency will be achieved. As a result, we may not realize the anticipated operating results related to new business awards.

We will continue to pursue, and may be awarded, new business from existing or new customers. The Company may make capital investments, which may be material to the Company, in order to meet the expected production requirements of existing or new customers related to these business awards, and to support the potential production demands which may result from continued sales growth. The anticipated impact on the Company's sales and operating results related to these business awards, for various reasons, may not materialize. Any delays or production difficulties encountered in connection with these business awards, and any change in customer demand, could adversely impact our business, results of operations, and liquidity, and the benefits we anticipate may never materialize.

*We have made acquisitions and may make acquisitions in the future. We may not realize the operating results that we anticipate from these acquisitions or from acquisitions we may make in the future, and we may experience difficulties in integrating the acquired businesses or may inherit significant liabilities related to such businesses.*

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

Any acquisitions, may present significant challenges for our management due to the increased time and resources required to properly integrate management, employees, information systems, accounting controls, personnel, and administrative functions of the acquired business with those of ours and to manage the combined company on a going forward basis. The diversion of management's attention and any delays or difficulties encountered in connection with the integration of these businesses could adversely impact our business, results of operations, and liquidity, and the benefits we anticipate may never materialize.

*If we are unable to meet future capital requirements, our business may be adversely affected.*

As we grow our business, we may have to incur significant capital expenditures. We may make capital investments to, among other things, build new or upgrade our facilities, purchase equipment, and enhance our production processes. We cannot assure you that we will have, or be able to obtain, adequate funds to make all necessary capital expenditures when required, or that the amount of future capital expenditures will not be materially in excess of our anticipated or current expenditures. If we are unable to make necessary capital expenditures we may not have the capability to support our customer demands, which in turn could reduce our sales and profitability and impair our ability to satisfy our customers' expectations. In addition, even if we are able to invest sufficient resources, these investments may not generate net sales that exceed our expenses, generate any net sales at all, or result in any commercially acceptable products.

*We may not achieve expected efficiencies related to the proximity of our customers' production facilities to our manufacturing facilities, or with respect to existing or future production relocation plans.*

Certain facilities are located in close proximity to our customers in order to minimize both our customers' and our own costs. If any of our customers were to move or if nearby facilities are closed, that may impact our ability to remain competitive. Additionally, our competitors could build a facility that is closer to our customers' facilities which may provide them with a geographic advantage. Any of these events might require us to move closer to our customers, build new facilities, or shift production between our current facilities to meet our customers' needs, resulting in additional cost and expense.

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

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

*Difficulty in hiring, training, and retaining skilled labor could result in increased cost overruns, an inability to satisfy customer demands, and otherwise adversely affect our business.*

We depend on skilled labor in the manufacturing of our products. High demand for skilled manufacturing labor in the United States has resulted in difficulty hiring, training, and retaining labor in a tightening labor market. Difficulties in securing skilled labor can result in increased hiring and training costs, increased overtime to meet demand, increased wage rates to attract and retain operators, and higher scrap and rework costs due to inexperienced workers which would adversely affect our business.

**Financial and Accounting Risks**

*Fluctuations in foreign currency exchange rates could adversely affect our results of operations, cash flow, liquidity, or financial condition.*

Because of our international operations, we are exposed to risk associated with value changes in foreign currencies, which may adversely affect our business. Historically, our reported net sales, earnings, cash flow, and financial condition have been subjected to fluctuations in foreign exchange rates. Our primary exchange rate exposure is with the Canadian dollar and the Mexican peso against the U.S. dollar. While we actively manage the exposure of our foreign currency risk as part of our overall financial risk management policy, we believe we may experience losses from foreign currency exchange rate fluctuations, and such losses could adversely affect our sales, earnings, cash flow, liquidity, or financial condition.

*Our stock price can be volatile.*

Our stock price can fluctuate widely in response to a variety of factors. Factors include actual or anticipated variations in our quarterly operating results, our relatively small public float, changes in securities analysts' estimates of our future earnings, and the loss of major customers, or significant business developments relating to us or our competitors, and other factors, including those described in this “Risk Factors” section. Our common stock also has a low average daily trading volume, which limits a person's ability to quickly accumulate or quickly divest themselves of large blocks of our stock. In addition, a low average trading volume can lead to significant price swings even when a relatively few number of shares are being traded.

*We have incurred impairment charges in the past and we may be required to incur additional impairment charges in the future on a portion or all of the carrying value of our goodwill or other intangible assets associated with our reporting units, which may adversely affect our financial condition and results of operations.*

Each year, and more frequently on an interim basis if appropriate, we are required by ASC Topic 350, “Intangibles--Goodwill and Other,” to assess the carrying value of our indefinite lived intangible assets and goodwill to determine whether the carrying value of those assets is impaired. Such assessment and determination involves significant judgments to estimate the fair value of our reporting units, including estimating future cash flows, near term and long term revenue growth, and determining appropriate discount rates, among other assumptions. If operating earnings fall below forecasted operating earnings, we would perform an interim or annual goodwill impairment analysis. Should that analysis conclude that the reporting unit’s fair value were to be below carrying value a goodwill impairment charge would be necessary. Any such charges could materially adversely affect our financial results in the periods in which they are recorded.

*Our ability to maintain effective internal control over financial reporting may be insufficient to allow us to accurately report our financial results or prevent fraud, and this could cause our financial statements to become materially misleading and adversely affect the trading price of our common stock.*

We require effective internal control over financial reporting in order to provide reasonable assurance with respect to our financial reports and to effectively prevent fraud. Internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we cannot provide reasonable assurance with respect to our financial statements and effectively prevent fraud, our financial statements could become materially misleading, which could adversely affect the trading price of our common stock.

If we are not able to maintain the adequacy of our internal control over financial reporting, including any failure to implement required new or improved controls or if we experience difficulties in their implementation, our business, financial condition, and operating results could be harmed. Any material weakness could affect investor confidence in the accuracy and completeness of our financial statements. As a result, our ability to obtain any additional financing, or additional financing on favorable terms, could be materially and adversely affected. This, in turn, could materially and adversely affect our business, financial condition, and the market value of our stock and require us to incur additional costs to improve our internal control systems and procedures. In addition, perceptions of the Company among customers, suppliers, lenders, investors, securities analysts, and others could also be adversely affected. We cannot assure that any material weaknesses will not arise in the future due to our failure to implement and maintain adequate internal control over financial reporting.

*Our failure to comply with our debt covenants could have a material adverse effect on our business, financial condition, or results of operations.*

The Company's credit agreements contain certain covenants. The Company's ability to borrow money and repay existing debt on scheduled terms under its existing credit agreements requires the Company to be compliant with its covenants. If a default of covenants were to occur, we may not be able to pay our debts or borrow sufficient funds, which could materially adversely affect our results of operations, financial condition, and cash flows.

**Legal, Insurance, Tax and Cybersecurity Risks**

*Changes in the legal, regulatory, and social responses to climate change, including any possible effect on energy prices, could adversely affect our business and reduce our profitability.*

It is possible that various proposed legislative or regulatory initiatives related to climate changes, such as cap-and-trade systems, increased limits on emissions of greenhouse gases and fuel efficiency standards, or other measures, could in the future have a material impact on us, our customers, or the markets we serve, thereby resulting in a material adverse effect on our financial condition or results of operation. For example, customers in the transportation (automotive and truck) industry could be required to incur greater costs in order to comply with such initiatives, which could have an adverse impact on their profitability or viability. This could in turn lead to further changes in the structure of the transportation industry that could reduce demand for our products. We are also reliant on energy to manufacture our products, with our operating costs being subject to increase if energy costs rise. During periods of higher energy costs we may not be able to recover our operating cost increases through production efficiencies and price increases. While we may hedge our exposure to higher prices via future energy purchase contracts, increases in energy prices for any reason (including as a result of new initiatives related to climate change) will increase our operating costs and likely reduce our profitability.

*We may be subject to product liability claims, recalls or warranty claims, which could have a material adverse effect on our business, results of operations, or financial condition.*

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

*Our insurance coverage may be inadequate to protect against the potential hazards to our business.*

We maintain property, business interruption, stop loss for healthcare and workers' compensation, director and officer, product liability, cyber, and casualty insurance coverage, but such insurance may not provide adequate coverage against potential claims, including losses resulting from war risks, terrorist acts, or product liability claims relating to products we manufacture. Consistent with market conditions in the insurance industry, premiums and deductibles for some of our insurance policies have been increasing and may continue to increase in the future. In some instances, some types of insurance may become available only for reduced amounts of coverage, if at all. In addition, there can be no assurance that our insurers would not challenge coverage for certain claims. If we were to incur a significant liability for which we were not fully insured or that our insurers disputed, it could have a material adverse effect on our financial position.

*We are subject to environmental, occupational health and safety rules and regulations that may require us to make substantial expenditures or expose us to financial or other obligations including substantial damages, penalties, fines, civil or criminal sanctions, and remediation costs that could adversely affect our results.*

Our operations, facilities, and personnel are subject to extensive and evolving laws and regulations pertaining to air emissions, wastewater discharges, the handling and disposal of solid and hazardous materials and wastes, health and safety, the investigation and remediation of contamination, and the protection of the environment and natural resources. It is difficult to predict the future interpretations and developments of environmental and health and safety laws and regulations or their impact on our future results and cash flows. Continued compliance could result in significant increases in capital expenditures and operating costs. In addition, we may be exposed to obligations or involved from time to time in administrative or legal proceedings relating to environmental, health and safety or other regulatory matters, and may incur financial and other obligations relating to such matters.

*Certain senior management employees have entered into potentially costly severance arrangements with us if terminated by the employee for good reason.*

We have entered into executive employment agreements with executive officers that provide for significant severance payments in the event such employee's employment with us is terminated by the employee for good reason (as defined in the employment agreement). Good reason includes one or more of the following occurring within one year of a change in control: (i) a material reduction in base salary, (ii) a material diminution in the executive's position and/or duties, (iii) a material breach of the employment agreement by the person or other entity then controlling the Company, or (iv) a disavowal of the employment agreement by the person or other entity then controlling the Company. A change in control occurs when (a) one person (as defined in the employment agreement), or more than one person acting as a group, acquires ownership of stock of the Company that, together with the stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company, (b) a majority of the members of the Company's Board of Directors (the "Board") are replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of appointment or election, or (c) the sale of all or substantially all of the Company's assets. These agreements would make it costly for the employment of certain of our senior management employees to be terminated and such costs may also discourage potential acquisition proposals, which may negatively affect our stock price.

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

We are subject to income taxes in the United States, Mexico, and Canada. Our provision for income taxes and cash flow related to taxes may be negatively impacted by: (1) changes in the mix of earnings taxable in jurisdictions with different statutory rates, (2) changes in tax laws and accounting principles, (3) changes in the valuation of our deferred tax assets and liabilities, (4) discovery of new information during the course of tax return preparation, (5) increases in nondeductible expenses, or (6) being subject to include foreign income in the United States as part of the GILTI tax provision.

Tax audits may also negatively impact our business, financial condition, and results of operations. We are subject to continued examination of our income tax returns, and tax authorities may disagree with our tax positions and assess additional tax. We regularly evaluate the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. There can be no assurance that the outcomes from examinations will not have a negative impact on our future financial condition and operating results.

*Cybersecurity attacks may threaten our confidential information, disrupt operations and result in harm to our reputation and adversely impact our business and financial performance.*

Cybersecurity attacks across industries, including ours, are increasing in sophistication and frequency and may range from uncoordinated individual attempts to measures targeted specifically at us. These attacks include but are not limited to, malicious software or viruses, attempts to gain unauthorized access to, or otherwise disrupt, our information systems, attempts to gain unauthorized access to business, proprietary or other confidential information, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. Cybersecurity failures may be caused by employee error, malfeasance, system errors or vulnerabilities, including vulnerabilities of our vendors, suppliers, and their products. We have been subject to cybersecurity attacks in the past. Based on information known to date, past attacks have not had a material impact on our financial condition or results of operations. We may experience such attacks in the future, potentially with more frequency or sophistication.

Failures of our IT systems as a result of cybersecurity attacks or other disruptions could result in a breach of critical operational or financial controls and lead to a disruption of our operations, commercial activities or financial processes. Cybersecurity attacks or other disruptions impacting significant customers and/or suppliers could also lead to a disruption of our operations or commercial activities. Despite our attempts to implement safeguards on our systems and mitigate potential risks, there is no assurance that such actions will be sufficient to prevent cyberattacks or security breaches that manipulate or improperly use our systems or networks, compromise confidential or otherwise protected information, destroy or corrupt data, or otherwise disrupt our operations. The occurrence of such events could have a material adverse effect on our business financial condition and results of operations.

**Risks Related to Economic Conditions**

*The recent coronavirus (COVID-19) outbreak has adversely impacted our business and could in the future have a material adverse impact on our business, results of operation, financial condition and liquidity, the nature and extent of which is highly uncertain.*

The global outbreak of the coronavirus (COVID-19) has significantly increased economic, demand and operational uncertainty. We have global operations, customers and suppliers, including in countries impacted by COVID-19. Authorities around the world have taken a variety of measures to slow the spread of COVID-19, including travel bans or restrictions, increased border controls or closures, quarantines, shelter-in-place orders and business shutdowns and such authorities may impose additional restrictions.

We have also taken actions to protect our employees and to mitigate the spread of COVID-19, including embracing guidelines set by the World Health Organization and the Centers for Disease Control and Prevention on social distancing, good hygiene, restrictions on employee travel and in-person meetings, and changes to employee work arrangements including remote work arrangements where feasible. The actions taken around the world to slow the spread of COVID-19 have also impacted our customers and suppliers, and future developments could cause further disruptions to the Company due to the interconnected nature of our business relationships. The extent to which COVID-19 will impact our ongoing business, results of operations, financial condition or liquidity is highly uncertain and will depend on future developments, including the control of the spread of the virus, spread of new strains of the virus, additional actions taken by governmental authorities, and the ability to vaccinate the general population.

*Economic conditions and disruptions in the financial markets could have an adverse effect on our business, financial condition, and results of operations.*

Disruptions in the financial markets could have a material adverse effect on our liquidity and financial condition if our ability to borrow money were to be impaired. Disruptions in the financial markets may also have a material adverse impact on the availability and cost of credit in the future. Our ability to pay our debt or refinance our obligations will depend on our future performance, which could be affected by, among other things, prevailing economic conditions. Disruptions in the financial markets may also have an adverse effect on the U.S. and world economies, which would have a negative impact on demand for our products. In addition, tightening of credit markets may have an adverse impact on our customers' ability to finance the sale of new trucks or our suppliers' ability to provide us with raw materials, either of which could adversely affect our business and results of operations.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

The Company owned four production facilities as of December 31, 2020 that are situated in Columbus, Ohio; Gaffney, South Carolina; Winona, Minnesota; and Matamoros, Mexico, and leases production facilities in Batavia, Ohio; Cobourg, Canada; and Escobedo, Mexico; and a distribution center in Brownsville, Texas.

The Columbus, Ohio plant is located at 800 Manor Park Drive on approximately 28 acres of land. The Company acquired the property at 800 Manor Park Drive in 1996 as a result of the Asset Purchase Agreement with Navistar. The Company added approximately 6,000 square feet to the Columbus plant during 2014 in connection with its SMC capacity expansion. The current 338,000 square feet of available floor space at the Columbus, Ohio plant is comprised of the following:

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

The Gaffney, South Carolina plant, which was opened in 1998, is located at 24 Commerce Drive, Meadow Creek Industrial Park on approximately 21 acres of land. The Company added approximately 28,800 square feet to the Gaffney plant during 2016. The approximate 139,800 square feet of available floor space at the Gaffney, South Carolina plant is comprised of the following:

| | **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 Wilkie Drive. The facility consists of approximately 87,000 square feet on approximately 7 acres comprised of the 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 Guillermo Gonzalez Camarena y Thomas Alva Edison Manzana, Matamoros, Tamaulipas, Mexico. The facility consists of approximately 478,000 square feet on approximately 22 acres comprised of the following:

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

The Columbus, Ohio; Gaffney, South Carolina; Winona, Minnesota; and Matamoros, Mexico properties are subject to liens and security interests as a result of the properties being pledged by the Company as collateral for its debt as described in *Note 9 - Debt* 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 Half Acre Road on approximately 9 acres of land. On July 23, 2019, a new 5-year lease was executed commencing on August 1, 2019 and ending on July 31, 2024. During the year ended, December 31, 2020, the Company decided to close the manufacturing facility which it anticipates completing in 2021. The Company has the option to provide a six-month notification to terminate the lease without penalties. The approximate 108,000 square feet of available floor space at the Batavia, Ohio plant is comprised 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 West Street on approximately 10 acres of land. On August 13$^{th}$, 2020, a new 5 year lease was executed retroactively commencing on January 1, 2020 and ending on December 31, 2024. The approximate 247,000 square feet of available floor 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 Avenida Internacional #220, Parque Industrial VYNMSA Escobedo, C.P. 66053, Escobedo, Nuevo Leon, Mexico on approximately 3 acres of land. The current lease agreement expires in March 2021. The Company is currently negotiating an extension. The approximate 61,000 square feet of available floor space at the Escobedo, Mexico 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, Texas located at 1385 Cheers Street on approximately 2 acres of land. A new lease agreement was executed on July 22, 2019 extending the lease terms through October 2022, with an option to extend the lease for 36 months. The approximate 42,000 square feet of available 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 conduct of its business. The Company is not aware of any material pending legal proceedings to which the Company or any of its subsidiaries is a party or of which any of their property is the subject.

**ITEM 4. MINE SAFETY DISCLOSURE**

None.

## PART II

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

The Company's common stock is traded on the NYSE American LLC under the symbol “CMT”.

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

| Core Molding Technologies, Inc. | | High | Low |
|---|---|---|---|
| Fourth Quarter | 2020 | $ 14.23 | $ 7.69 |
| Third Quarter | 2020 | 10.82 | 3.81 |
| Second Quarter | 2020 | 5.35 | 1.03 |
| First Quarter | 2020 | 3.50 | 1.50 |
| Fourth Quarter | 2019 | $ 6.49 | $ 2.80 |
| Third Quarter | 2019 | 7.58 | 5.75 |
| Second Quarter | 2019 | 8.50 | 6.73 |
| First Quarter | 2019 | 9.00 | 6.79 |

The Company's common stock was held by 356 holders of record on March 10, 2021.

The Company ended the $0.05 per share quarterly dividend after the May 2018 declaration. The Company made no payments for cash dividends during 2020 and 2019 and made payments totaling of $792,000 for cash dividends during 2018.

**Equity Compensation Plan Information**

The following table shows certain information concerning our common stock to be issued in connection with our equity compensation plans as of December 31, 2020:

| Plan Category | Number of Shares to be Issued Upon Exercise of Outstanding Options or Vesting | Weighted Average Exercise Price of Outstanding Options | Number of Shares Remaining Available for Future Issuance |
|---|---|---|---|
| Equity compensation plans approved by stockholders | 688,760 | $ 7.31 | 514,823 |

We repurchased 4,574 shares of our common stock during the year ended December 31, 2020. All stock was purchased to satisfy tax withholding obligations upon vesting of restricted stock awards. Details of the repurchases of our common stock during the three months ended December 31, 2020, are included in the following table:

| Period | Total number of shares purchased | Average price paid per share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number that May Yet be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| October 1 to 31, 2020 | — | $ — | — | — |
| November 1 to 30, 2020 | — | — | — | — |
| December 1 to 31, 2020 | — | — | — | — |
| Total | — | — | — | — |

## ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data is derived from the audited consolidated financial statements of the Company. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

| | Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| (In thousands, except per share data) | **2020** | **2019** | **2018** | **2017** | **2016** |
| **Operating Data:** | | | | | |
| Product sales | $ 210,580 | $ 268,987 | $ 256,217 | $ 148,623 | $ 146,624 |
| Tooling sales | 11,776 | 15,303 | 13,268 | 13,050 | 28,258 |
| Net sales | 222,356 | 284,290 | 269,485 | 161,673 | 174,882 |
| Gross margin | 34,474 | 21,506 | 27,141 | 24,631 | 27,906 |
| Operating income (loss) | 10,390 | (11,528) | (3,100) | 7,941 | 11,527 |
| Net income (loss) | 8,165 | (15,223) | (4,782) | 5,459 | 7,411 |
| **Earnings (Loss) Per Share Data:** | | | | | |
| Net income (loss) per common share: | | | | | |
| Basic | $ 0.98 | $ (1.94) | $ (0.62) | $ 0.71 | $ 0.97 |
| Diluted | $ 0.98 | $ (1.94) | $ (0.62) | $ 0.70 | $ 0.97 |
| Balance Sheet Data: | | | | | |
| Total assets | $ 165,507 | $ 179,306 | $ 201,198 | $ 138,578 | $ 133,455 |
| Working capital | 20,483 | (22,609) | 40,111 | 40,369 | 38,590 |
| Long-term debt | 25,198 | — | 55,159 | 3,750 | 6,750 |
| Stockholders' equity | 93,932 | 84,426 | 98,929 | 101,893 | 96,766 |
| Return on beginning equity | 10 % | (15) % | (5) % | 6 % | 8 % |
| Book value per share | $ 11.77 | $ 10.72 | $ 12.72 | $ 13.21 | $ 12.67 |

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Certain statements under this caption of this Annual Report on Form 10-K constitute forward-looking statements within the meaning of the federal securities laws. As a general matter, forward-looking statements are those focused upon future plans, objectives or performance as opposed to historical items and include statements of anticipated events or trends and expectations and beliefs relating to matters not historical in nature. Such forward-looking statements involve known and unknown risks and are subject to uncertainties and factors relating to Core Molding Technologies' operations and business environment, all of which are difficult to predict and many of which are beyond Core Molding Technologies' control. Words such as "may," "will," "could," "would," "should," "anticipate," "predict," "potential," "continue," "expect," "intend," "plans," "projects," "believes," "estimates," "confident" and similar expressions are used to identify these forward-looking statements. These uncertainties and factors could cause Core Molding Technologies' actual results to differ materially from those matters expressed in or implied by such forward-looking statements.*

*Core Molding Technologies believes that the following factors, among others, could affect its future performance and cause actual results to differ materially from those expressed or implied by forward-looking statements made in this Annual Report on Form 10-K: business conditions in the plastics, transportation, marine and commercial product industries (including changes in demand for truck production); federal and state regulations (including engine emission regulations); general economic, social, regulatory (including foreign trade policy) and political environments in the countries in which Core Molding Technologies operates; the adverse impact of coronavirus (COVID-19) global pandemic on our business, results of operations, financial position, liquidity or cash flow, as well as impact on customers and supply chains; safety and security conditions in Mexico and Canada; fluctuations in foreign currency exchange rates; dependence upon certain major customers as the primary source of Core Molding Technologies' sales revenues; efforts of Core Molding Technologies to expand its customer base; the ability to develop new and innovative products and to diversify markets, materials and processes and increase operational enhancements; ability to accurately quote and execute manufacturing processes for new business; the actions of competitors, customers, and suppliers; failure of Core Molding Technologies' suppliers to perform their obligations; the availability of raw materials; inflationary pressures; new technologies; regulatory matters; labor relations; labor availability; a work stoppage or labor disruption at one of our union locations or one of our customer or supplier locations; the loss or inability of Core Molding Technologies to attract and retain key personnel; the Company's ability to successfully identify, evaluate and manage potential acquisitions and to benefit from and properly integrate any completed acquisitions; federal, state and local environmental laws and regulations; the availability of sufficient capital; the ability of Core Molding Technologies to provide on-time delivery to customers, which may require additional shipping expenses to ensure on-time delivery or otherwise result in late fees and other customer charges; risk of cancellation or rescheduling of orders; management's decision to pursue new products or businesses which involve additional costs, risks or capital expenditures; inadequate insurance coverage to protect against potential hazards; equipment and machinery failure; product liability and warranty claims; and other risks identified from time to time in Core Molding Technologies' other public documents on file with the Securities and Exchange Commission, including those described in Item 1A of this Annual Report on Form 10-K.*

### DESCRIPTION OF THE COMPANY

Core Molding Technologies and its subsidiaries operate in one operating segment as a molder of thermoplastic and thermoset structural products. The Company's operating segment consists of two component reporting units, Core Traditional and Horizon Plastics. The Company offers customers a wide range of manufacturing processes to fit various program volume and investment requirements. These processes include compression molding of sheet molding compound ("SMC"), bulk molding compounds ("BMC"), resin transfer molding ("RTM"), liquid molding of dicyclopentadiene ("DCPD"), spray-up and hand-lay-up, direct long-fiber thermoplastics ("D-LFT") and structural foam and structural web injection molding ("SIM"). Core Molding Technologies serves a wide variety of markets, including the medium and heavy-duty truck, marine, automotive, agriculture, construction, and other commercial products. The demand for Core Molding Technologies' products is affected by economic conditions in the United States, Mexico, and Canada. Core Molding Technologies' manufacturing operations have a significant fixed cost component. Accordingly, during periods of changing demand, the profitability of Core Molding Technologies' operations may change proportionately more than revenues from operations. Core Molding Technologies serves a wide variety of markets, including the medium and heavy-duty truck, marine, automotive, agriculture, construction, and other commercial products. Product sales to medium and heavy-duty truck markets accounted for 43% of the Company's sales for the year ended December 31, 2020 and 58% and 56% for the years ended December 31, 2019 and 2018, respectively. The demand for Core Molding Technologies' products is affected by economic conditions in the United States, Mexico, and Canada. Core Molding Technologies' manufacturing operations have a significant fixed cost component. Accordingly, during periods of changing demand, the profitability of Core Molding Technologies' operations may change proportionately more than revenues from operations.

In 1996, Core Molding Technologies acquired substantially all of the assets and assumed certain liabilities of Columbus Plastics, a wholly owned operating unit of Navistar's truck manufacturing division since its formation in late 1980. Columbus Plastics, located in Columbus, Ohio, was a compounder and compression molder of SMC. In 1998, Core Molding Technologies began operations at its second facility in Gaffney, South Carolina, and in 2001, Core Molding Technologies added a production facility in Matamoros, Mexico by acquiring certain assets of Airshield Corporation. As a result of this acquisition, Core Molding Technologies expanded its fiberglass molding capabilities to include the spray up, hand-lay-up open mold processes and RTM closed molding. In 2005, Core Molding Technologies acquired certain assets of the Cincinnati Fiberglass Division of Diversified Glass, Inc., a Batavia, Ohio-based, privately held manufacturer and distributor of fiberglass reinforced plastic components supplied primarily to the heavy-duty truck market. In 2009, the Company completed construction of a new production facility in Matamoros, Mexico that replaced its leased facility. In March 2015, the Company acquired substantially all of the assets of CPI Binani, Inc., a wholly owned subsidiary of Binani Industries Limited, located in Winona, Minnesota ("CPI"), which expanded the Company's process capabilities to include D-LFT and diversified the customer base. In January 2018, the Company acquired substantially all the assets of Horizon Plastics, which has manufacturing operations in Cobourg, Ontario and Escobedo, Mexico. This acquisition expanded the Company's customer base, geographic footprint, and process capabilities to include structural foam and structural web molding.

**BUSINESS OVERVIEW**

**General**

The Company's business and operating results are directly affected by changes in overall customer demand, operational costs and performance and leverage of our fixed cost and selling, general and administrative ("SG&A") infrastructure.

Product sales fluctuate in response to several factors including many that are beyond the Company's control, such as general economic conditions, interest rates, government regulations, consumer spending, labor availability, and our customers' production rates and inventory levels. Product sales consist of demand from customers in many different markets with different levels of cyclicality and seasonality. The North American truck market, which is highly cyclical, accounted for 43%, 58%, and 56% of the Company's product revenue for the years ended December 31, 2020, 2019, and 2018 respectively.

Operating performance is dependent on the Company's ability to manage changes in input costs for items such as raw materials, labor, and overhead operating costs. Performance is also affected by manufacturing efficiencies, including items such as on time delivery, quality, scrap, and productivity. Market factors of supply and demand can impact operating costs. In periods of rapid increases or decreases in customer demand, the Company is required to ramp operations activity up or down quickly which may impact manufacturing efficiencies more than in periods of steady demand.

Operating performance is also dependent on the Company's ability to effectively launch new customer programs, which are typically extremely complex in nature. The start of production of a new program is the result of a process of developing new molds and assembly equipment, validation testing, manufacturing process design, development and testing, along with training and often hiring employees. Meeting the targeted levels of manufacturing efficiency for new programs usually occurs over time as the Company gains experience with new tools and processes. Therefore, during a new program launch period, start-up costs and inefficiencies can affect operating results.

**Results of 2020 Overview**

Operating income increased to $10,390,000 for the year ended December 31, 2020 compared to a loss of $11,528,000 for the same period a year ago on a product sales decrease of 22%. Lower demand from our customers as a result of a cyclical downturn in the truck market and the negative effect of COVID-19 on most customer demand were the primary drivers of the sales decrease. The increase in operating income was largely due to improved manufacturing efficiencies and cost savings at several of the Company's facilities. The Company also incurred lower SG&A costs and no goodwill impairment in 2020.

For the year ended December 31, 2020, product sales to truck customers decreased by 38% compared to the same period in 2019, as a result of a cyclical downturn in the truck market and demand deterioration related to COVID-19. According to ACT Research, North American heavy-duty truck production decreased approximately 47% for the year ended December 31, 2020 compared to the same period in 2019.

For the year ended December 31, 2020, the Company recorded net income of $8,165,000 or $0.98 per basic and diluted share, compared with net loss of $15,223,000, or ($1.94) per basic and diluted share for the year ended December 31, 2019. Net income in 2020 was favorably impacted by $5,279,000, or $0.67 per share, as a result of a net tax valuation allowance reversal and a tax rate benefit due to tax law changes that allow the Company to carryback net operating losses to offset taxable income in 2013 through 2015, where the Company paid tax at 34% compared to the valuation of the losses being recorded at the 21% current U.S. statutory tax rate.

Looking forward, based on industry analysts' projections and customer forecasts, the Company expects sales levels for 2021 to increase compared to 2020. In the Company's largest market, North American heavy-duty truck, ACT Research is forecasting production to increase approximately 41%. In several other industries the Company serves, customers are forecasting higher demand in 2021 including in the marine and all-terrain vehicle markets.

The Company anticipates higher raw material costs in 2021 as global economies continue to strengthen from the COVID-19 effected 2020 economic levels. Global demand for certain raw materials the Company uses has increased in the second half of 2020 and in the first quarter of 2021. As a result, suppliers have been increasing the price of these materials. The Company has the ability to pass through a portion, but not all, of the cost increases to its customers.

In February 2021, an unprecedented winter storm in Texas and Mexico caused operational disruptions to many companies in the area including the Company's Matamoros and Monterey Mexico operations as well as to our customers and suppliers. Much of North American resins and glass supply originate from the region and these supplier operations were significantly affected causing suppliers to claim force majeure and set supply allocations. While the Company has been able to coordinated its raw material supply with customer demand, other supplier disruptions throughout our customers' supply chain have resulted in our customers delaying orders. In addition, suppliers of certain materials, such as polypropylene, have increased prices due to a shortage of supply. Suppliers have indicated they anticipate supply levels to recover during the second quarter of 2021.

**2020 Compared to 2019**

Net sales for the years ended December 31, 2020 and 2019 totaled $222,356,000 and $284,290,000, respectively. Included in total sales were tooling project sales of $11,776,000 and $15,303,000 for the years ended December 31, 2020 and 2019, respectively. These sales are sporadic in nature and fluctuate in regard to scope and related revenue on a period-to-period basis. Product sales, excluding tooling project sales, for the year ended December 31, 2020 were $210,580,000 compared to $268,987,000 for the same period in 2019. This decrease in sales is primarily the result of lower cyclical demand from truck customers as well as lower demand from most all customers as a result of COVID -19, offset by the increase in demand from customers in building products industry.

Gross margin was approximately 15.5% of sales for the year ended December 31, 2020, compared with 7.6% for the year ended December 31, 2019. The gross margin increase, as a percent of sales, was due to favorable product mix and production efficiencies of 8.4% and changes in selling price and material costs of 1.0%, offset by lower leverage of fixed costs of 1.5%.

Selling, general and administrative expense ("SG&A") totaled $24,084,000 in 2020, compared to $28,934,000 in 2019. The decrease in SG&A expense primarily resulted from lower professional and outside services of $2,023,000, government subsides received in 2020 enacted as a result of COVID-19 of $1,416,000, and lower travel costs of $783,000.

The Company incurred a goodwill impairment of $4,100,000 associated with its Horizon Plastics reporting unit during the year ended December 31, 2019. In 2019, the Company incurred lower profit margins in its Horizon Plastics reporting unit caused by selling price decreases that the Company had not been able to fully offset with material cost reductions.

Interest expense totaled $5,923,000 for the year ended December 31, 2020, compared to interest expense of $4,144,000 for the year ended December 31, 2019. The increase in interest expense was primarily due to a loss on termination of interest rate swaps of $1,253,000 and a one-time expense related to the deferred loan costs for the debt refinancing of $583,000, offset by lower average outstanding debt in 2020.

Income tax benefit was approximately 80% of total income before income taxes in 2020 and 2% of total loss in 2019. The Company's effective tax rate reflects the effects of taxable income and taxable losses being generated in tax jurisdictions with different tax rates, and in 2020 a net valuation allowance change of $2,074,000 and a rate benefit of $3,205,000 based on losses being carried back to years where the Company paid tax at 34% compared to the valuation of the losses being recorded at 21% current U.S. statutory tax rate.

The Company recorded net income for 2020 of $8,165,000 or $0.98 per basic and diluted share, compared with net loss of $15,223,000 or $(1.94) per basic and diluted share for 2019.

Comprehensive income totaled $8,170,000 in 2020, compared to a comprehensive loss of $15,970,000 in 2019. The increase was primarily related to higher net income of $23,388,000 and a change in net actuarial adjustments of $1,982,000 for other post-retirement benefit obligations.

**2019 Compared to 2018**

Net sales for 2019 totaled $284,290,000, which was an increase from the $269,485,000 reported for 2018. Included in total sales were tooling project sales of $15,303,000 for 2019 and $13,268,000 for 2018. Tooling project sales result primarily from customer approval and acceptance of molds and assembly equipment specific to their products as well as other non-production services. These sales are sporadic in nature and fluctuate in regard to scope and related revenue on a period-to-period basis. Total product sales for 2019, excluding tooling project sales, totaled $268,987,000, representing a 5% increase from the $256,217,000 reported for 2018. The increase in product sales is primarily the result of increased sales to our truck and marine customers of $11,707,000 and $3,144,000, respectively.

Gross margin was approximately 7.6% of sales in 2019 and 10.1% in 2018. The gross margin decrease, as a percent of sales, was due to unfavorable product mix and production inefficiencies of 3.8%. These reductions were offset by net changes in selling price and material costs of 1.3%.

Selling, general and administrative expense ("SG&A") totaled $28,934,000 in 2019, compared to $27,838,000 in 2018. The increase in SG&A expense primarily resulted from higher labor and benefit costs of $1,144,000 and higher insurance costs of $327,000 offset by lower professional and outside services of $1,017,000. For the year ended December 31, 2018, the Company incurred one-time acquisition fees of $1,289,000.

Goodwill impairment totaled $4,100,000 and $2,403,000 in 2019 and 2018, respectively, based on the Company's annual and interim goodwill impairment assessment for its reporting units. See *Note 2 - Summary of Significant Accounting Policies*, for further details.

Net interest expense totaled $4,144,000 for the year ended December 31, 2019, compared to net interest expense of $2,394,000 for the year ended December 31, 2018. The increase in interest expense was primarily due to a higher average outstanding debt balance as well has higher interest rates in 2019.

Income tax benefit was approximately 2% of total loss before income taxes in 2019 and 12% in 2018. The effective income tax rate in both years is a result of the net effect of taxable losses in lower statutory rate tax jurisdictions being offset by taxable income in higher statutory rate tax jurisdictions. Additionally, the effective rate in 2019 includes the impact of recording a full valuation allowance against net deferred tax assets in the United States of approximately $3,267,000.

Net loss for 2019 was $15,223,000 or $(1.94) per basic and diluted share, compared with net loss of $4,782,000 or $(0.62) per basic and diluted share for 2018.

Comprehensive loss totaled $15,970,000 in 2019, compared to a comprehensive loss of $4,735,000 in 2018. The decrease was primarily related to higher net loss of $10,441,000 and a change in net actuarial adjustments of $1,630,000 for other post-retirement benefit obligations offset by a change in hedging derivatives of $836,000. The net actuarial changes in 2018 and 2019 were primarily due to changes in discount rate.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flow

The Company's primary sources of funds have been cash generated from operating activities and borrowings from third parties. Primary cash requirements are for operating expenses, capital expenditures, repayments of debt, and acquisitions. The Company from time to time will enter into foreign exchange contracts and interest rate swaps to mitigate risk of foreign exchange and interest rate volatility. As of December 31, 2020, the Company had no outstanding foreign exchange contracts, compared to notional amounts of $15,358,000 outstanding as of December 31, 2019. As of December 31, 2020, the Company also had no outstanding interest rate swaps, compared to notional amount of $29,750,000 outstanding as of December 31, 2019.

Cash provided by operating activities totaled $28,164,000 for the year ended December 31, 2020. Net income of $8,165,000 positively impacted operating cash flows. Non-cash deductions included in net income from depreciation and amortization and share based compensation amounted to $11,662,000 and $1,355,000, respectively. A decrease in working capital resulted in cash provided of $5,648,000. The decrease in working capital was primarily related to increase cash from accounts receivable, inventory and other accrued liabilities, offset by decrease cash from accounts payable and prepaid expenses and other current assets.

Cash used in investing activities totaled $3,683,000 for the year ended December 31, 2020, primarily related to purchases of property, plant and equipment for new programs and equipment improvements at the Company's production facilities. The Company anticipates spending approximately $19,500,000 during 2021 on property, plant and equipment purchases for all of the Company's operations, including approximately $8,500,000 to expand the Company's DLFT capacity in Matamoros, Mexico. The Company anticipates using cash from operations and its revolving line of credit to finance this capital investment. The Company may also use equipment financing for the DLFT capacity expansion. At December 31, 2020, purchase commitments for capital expenditures in progress were approximately $677,000.

Cash used in financing activities totaled $22,206,000 for the year ended December 31, 2020. Cash activity primarily consisted of net repayments of revolving loans of $11,588,000, repayments of principal on outstanding term loans of $38,725,000, and payment of deferred loan costs of $2,038,000, offset by borrowings under new term loans of $30,165,000.

At December 31, 2020, the Company had $4,131,000 of cash on hand and an available revolving line of credit of $19,223,000. If a material adverse change in the financial position of the Company should occur, or if actual sales or expenses are substantially different than what has been forecasted, the Company's liquidity and ability to obtain further financing to fund future operating and capital requirements could be negatively impacted.

Management believes cash on hand, cash flow from operating activities and available borrowings under the Company's credit agreement will be sufficient to meet the Company's current liquidity needs.

**Term Loans**

*Wells Fargo Term Loans*

On October 27, 2020, the Company entered into a credit agreement (the "Credit Agreement") with Wells Fargo Bank, National Association, as administrative agent, lead arranger and book runner, and the lenders party thereto (the "Lenders"). Pursuant to the terms of the Credit Agreement, the Lenders made available to the Company secured term loans (the "WF Term Loans") in the maximum aggregate principal amount of $18,500,000 ($16,790,000 of which was advanced to the Company on October 28, 2020). The proceeds from the WF Term Loans were used to pay off the Company's existing outstanding indebtedness with KeyBank National Association, and to pay certain fees and expenses associated with the financing.

At the option of the Company, the WF Term Loans bears interest at a per annum rate equal to LIBOR plus a margin of 300 basis points or base rate plus a margin of 200 basis points. LIBOR rate means the greater of (a) 0.75% per annum and (b) the per annum published LIBOR rate for interest periods of one, three or six months as chosen by the Company. Base rate is the greater of (a) 1.0% per annum, (b) the Federal Funds Rate plus 0.5%, (c) LIBOR Rate plus 100 basis or (d) prime rate. The weighted average interest rate was 3.77% as of December 31, 2020.

The WF Term Loans are to be repaid in monthly installments of $200,000 plus interest, with the remaining outstanding balance due on November 30, 2024, subject to certain optional and mandatory repayment terms. The Company's obligations under the WF Term Loans are unconditionally guaranteed by each of the Company's U.S. and Canadian subsidiaries, with such obligations of the Company and such subsidiaries being secured by a lien on substantially all of their U.S. and Canadian assets.

The WF Term Loans contains reporting, indebtedness, and financial covenants. The Company is in compliance with its covenants as of December 31, 2020.

Voluntary prepayments of amounts outstanding under the WF Term Loans are permitted at any time without premium or penalty. To the extent applicable, LIBOR breakage fees may be charged in connection with any prepayment.

*FGI Equipment Finance LLC Term Loan*

On October 20, 2020, the Company entered into a Master Security Agreement and a Promissory Note, among FGI Equipment Finance LLC, ("FGI") the Company as debtor, and each of Core Composites Corporation, a subsidiary of the Company organized in Delaware, and CC HPM, S. de R.L. de C.V., a subsidiary of the Company organized in Mexico, as guarantors, a term loan in the principal amount of $13,200,000 (the "FGI Term Loan"). On October 27, 2020, FGI advanced to the Company $12,000,000 which proceeds were used to pay off the Company's existing outstanding indebtedness with KeyBank National Association, and to pay certain fees and expenses associated with the transactions, and $1,200,000 which proceeds were used to fund a security deposit to be held by FGI. Interest on the FGI Term Loan is a fixed rate of 8.25% and is payable monthly. The Company notes that the security deposit of $1,200,000 is located in prepaid expenses and other current assets on the balance sheet.

Following the advance of funds by FGI, the FGI Term Loans are to be repaid in monthly principal and interest installments of $117,000 for the first 12 months, $246,000 for the subsequent 59 months and $1,446,000 due on October 31, 2026, subject to certain optional and mandatory repayment terms. The Company's obligations under the Master Security Agreement are secured by certain machinery and equipment of the guarantors located in Mexico, and real property of Core composites de Mexico, S. de R.L. de C.V., also a subsidiary of the Company organized in Mexico, located in Matamoros, Mexico.

The Company may prepay in full or in part (but not less than the amount equal to 20% of the original principal amount of the loan) outstanding amounts before they are due on any scheduled Payment Date upon at least thirty (30) days' prior written notice. The Company will pay a "Prepayment Fee" in an amount equal to an additional sum equal to the following percentage of the principal amount to be prepaid for prepayments occurring in the indicated period: four percent (4.0%) (for prepayments occurring prior to the first anniversary of the Loan); three percent (3.0%) (for prepayments occurring on and thereafter and prior to the second anniversary of the Loan); two percent (2.0%) (for prepayments occurring on and thereafter and prior to the third anniversary of the Loan ); and one percent (1.0%) (for prepayments occurring any time thereafter).

*Leaf Capital Funding*
On April 24, 2020 the Company entered into a finance agreement with Leaf Capital Funding of $175,000 for equipment. The parties agreed to a fixed interest rate of 5.5% and a term of 60 months. The amount outstanding at December 31, 2020 was $152,000 of which, $120,000 was classified as long-term debt.

**Revolving Loans**

*Wells Fargo Revolving Loan*
On October 27, 2020, the Company entered into a credit agreement (the "Credit Agreement") with Wells Fargo Bank, National Association, as administrative agent, lead arranger and book runner, and the lenders party thereto (the "Lenders"). Pursuant to the terms of the Credit Agreement, the Lenders made available to the Company a revolving loan commitment (the "WF Revolving Loan") of $25,000,000 ($8,745,000 of which was advanced to the Company on October 28, 2020). The proceeds from the WF Revolving Loan were used to pay off the Company's existing outstanding indebtedness with KeyBank National Association, and to pay certain fees and expenses associated with the financing.

The Credit Agreement also makes available to the Company an incremental revolving commitment in the maximum amount of $10,000,000 at the Company's option at any time during the three (3) year period following the closing.

The borrowing availability under the line of credit is the lesser of (a) the loan commitment of $25,000,000 or (b) the sum of 90% of eligible investment grade accounts receivable, 85% of non-investment grade eligible accounts receivable and 65% of eligible inventory.

At the option of the Company, the WF Revolving Loan bears interest at a per annum rate equal to LIBOR plus a margin of 200 to 250 basis points or base rate plus a margin of 100 to 150 basis points, with the margin rate being based on the excess availability amount under the line of credit. LIBOR rate means the greater of (a) 0.75% per annum and (b) the per annum published LIBOR rate for interest periods of one, three or six months as chosen by the Company. Base rate is the greater of (a) 1.0% per annum, (b) the Federal Funds Rate plus 0.5%, (c) LIBOR Rate plus 100 basis and (d) prime rate. The weighted average interest rate was 4.75% as of December 31, 2020.

The WF Revolving Loan commitment terminates, and all outstanding borrowings thereunder must be repaid, by November 30, 2024. The Company has available $19,223,000 of available rate revolving loans of which $420,000 is outstanding as of December 31, 2020.

The WF Revolving Loan contains the same covenants as the WF Term Loans.

Wells Fargo Bank will issue up to $2,000,000 of Letters of Credit in accordance with the terms of the Credit Agreement upon the Company's request. As of December 31, 2020, the Company had one Letter of Credit outstanding for $160,000.

In conjunction with the October debt refinancing, the Company incurred debt origination fees of $1,730,000 related to the Wells Fargo financing, which is being amortized over the life of the Credit Agreement, which expires on November 30, 2024. In addition, the Company incurred debt origination fees of $308,000 related to the FGI Term loan, which is being amortized over the life of the FGI Term Loan, which expires on October 31, 2026. The aggregate unamortized deferred financing fees as of December 31, 2020 totaled $1,957,000.

**KeyBank Loan**

On December 31, 2019, the Company had a term loan and revolving loan balance of $38,250,000 and $12,008,000 with KeyBank National Association, respectively. The Company's term loan and revolving loan had variable interest rates of 6.30% and 6.04%, respectively at December 31, 2019. On November 22, 2019 the Company entered into a forbearance agreement with KeyBank and on October 27, 2020 the Company fully repaid all outstanding amounts. As a result of the forbearance agreement not extending beyond a year, the Company's remaining long-term debt balance was classified as a current liability in the Company's consolidated balance sheet as of December 31, 2019.

**Interest Rate Swaps**

The Company entered into two interest rate swap agreements that became effective January 18, 2018, one of which was designated as a cash flow hedge for $25,000,000 and the other designated as a cash flow hedge for $10,000,000 to the Company's subsidiary. Under these agreements, the Company paid a fixed rate of 2.49% to the counterparty and received a 30 day LIBOR for both cash flow hedges. Concurrent with the closing of the KeyBank credit agreement, the Company settled both outstanding interest rate swaps, which resulted in a loss and cash outflow of $1,253,000. These results were categorized as interest expense and operating activities in the Statement of Operations and Statement of Cash Flow, respectively. Due to the settlement, the fair value of the interest rate swaps was $0 at December 31, 2020 compared to a liability of $706,000 at December 31, 2019.

**Bank Covenants**

The Company is required to meet certain financial covenants included in the Credit Agreement with respect to fixed charge ratio. The following table presents the financial covenants specified in our Credit Agreement and the actual covenant calculations as of December 31, 2020:

| | **Financial Covenants** | **Actual Covenants as of December 31, 2020** |
|---|---|---|
| Fixed Charges Coverage Ratio | Minimum 1.10 | 2.6 |

**Shelf Registration**

On December 11, 2020 the Company filed a new universal shelf Registration Statement on Form S-3 (the "Registration Statement") with the SEC in accordance with the Securities Act of 1933, as amended, which became effective on December 16, 2020. The Registration Statement replaces an existing shelf Registration Statement which expired on November 14, 2020. The Registration Statement registered common stock, preferred stock, debt securities, warrants, depositary shares, rights, units, and any combination of the foregoing, for a maximum aggregate offering price of up to $50 million, which may be sold from time to time. The terms of any securities offered under the Registration Statement and intended use of proceeds will be established at the times of the offerings and will be described in prospectus supplements filed with the SEC at the times of the offerings. The Registration Statement has a three-year term.

**CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET TRANSACTIONS**

The Company has the following minimum commitments under contractual obligations, including purchase obligations, as defined by the SEC. A "purchase obligation" is defined as an agreement to purchase goods or services that is enforceable and legally binding on the Company and that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. Other long-term liabilities are defined as long-term liabilities that are reflected on the Company's balance sheet under accounting principles generally accepted in the United States. Based on this definition, the table below includes only those contracts which include fixed or minimum obligations. It does not include normal purchases, which are made in the ordinary course of business.

The following table provides aggregated information about the maturities of contractual obligations and other long-term liabilities as of December 31, 2020:

| | 2021 | 2022 | 2023 | 2024 | 2025 and after | Total |
|---|---|---|---|---|---|---|
| Long-term debt | $ 3,019,000 | $ 4,428,000 | $ 4,601,000 | $ 11,585,000 | $ 6,057,000 | $ 29,690,000 |
| Interest[(A)] | 1,653,000 | 1,452,000 | 1,180,000 | 889,000 | 574,000 | 5,748,000 |
| Operating lease obligations | 1,215,000 | 811,000 | 706,000 | 705,000 | — | 3,437,000 |
| Contractual commitments for capital expenditures | 677,000 | — | — | — | — | 677,000 |
| Post retirement benefits | 1,286,000 | 459,000 | 500,000 | 473,000 | 6,391,000 | 9,109,000 |
| Total | $ 7,850,000 | $ 7,150,000 | $ 6,987,000 | $ 13,652,000 | $ 13,022,000 | $ 48,661,000 |

(A) Variable interest rates were as of December 31, 2020.

As of December 31, 2020 and 2019, the Company had no significant off-balance sheet arrangements.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations discuss the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to accounts receivable, inventories, goodwill and other long-lived assets, self-insurance, post retirement benefits, and income taxes. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates, due to the uncertainty around the magnitude and duration of the COVID-19 pandemic, as well as other factors.

Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

### Accounts Receivable Allowances

Management maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The Company has determined that a $41,000 allowance for doubtful accounts is needed at December 31, 2020 and $50,000 at December 31, 2019. Management also records estimates for customer returns and deductions, discounts offered to customers, and for price adjustments. Should customer returns and deductions, discounts, and price adjustments fluctuate from the estimated amounts, additional allowances may be required. The Company had an allowance for estimated chargebacks of $179,000 at December 31, 2020 and $476,000 at December 31, 2019. There have been no material changes in the methodology of these calculations.

### Inventories

Inventories, which include material, labor and manufacturing overhead, are valued at the lower of cost or net realizable value. The inventories are accounted for using the first-in, first-out (FIFO) method of determining inventory costs. Inventory quantities on-hand are regularly reviewed, and where necessary, provisions for excess and obsolete inventory are recorded based on historical and anticipated usage.  The Company has recorded an allowance for slow moving and obsolete inventory of $546,000 at December 31, 2020 and $898,000 at December 31, 2019.

**Long-Lived Assets**

Long-lived assets consist primarily of property, plant and equipment and finite-lived intangibles. The recoverability of long-lived assets is evaluated by an analysis of operating results and consideration of other significant events or changes in the business environment. The Company evaluates, whether impairment exists for long-lived assets on the basis of undiscounted expected future cash flows from operations before interest. There was no impairment of the Company's long-lived assets for the years ended December 31, 2020, 2019, and 2018.

**Goodwill**

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

The annual impairment tests of goodwill may be completed through qualitative assessments; however the, Company may elect to bypass the qualitative assessment and proceed directly to a quantitative impairment test for any reporting unit in any period. The Company may resume the qualitative assessment for any reporting unit in any subsequent period.

Under a qualitative and quantitative approach, the impairment test for goodwill consists of an assessment of whether it is more-likely-than-not that a reporting unit's fair value is less than its carrying amount. As part of the qualitative assessment, the Company considers relevant events and circumstances that affect the fair value or carrying amount of the Company. Such events and circumstances could include changes in economic conditions, industry and market conditions, cost factors, overall financial performance, reporting unit specific events and capital markets pricing. The Company places more weight on the events and circumstances that most affect the Company's fair value or carrying amount. These factors are all considered by management in reaching its conclusion about whether to perform step one of the impairment test. If the Company elects to bypass the qualitative assessment for any reporting unit, or if a qualitative assessment indicates it is more-likely-than-not that the estimated carrying value of a reporting unit exceeds its fair value, the Company proceeds to a quantitative approach.

The company performed a qualitative analysis for the year end December 31, 2020 and determined that no impairment is needed for the year 2020.

Due to the Company's financial performance and continued depressed stock price, the Company performed a quantitative analysis for both of its reporting units at September 30, 2019. During 2019, the Company incurred a loss of margin in its Horizon Plastics reporting unit caused by selling price decreases that the Company has not been able to fully offset with material cost reductions. As a result of the quantitative analysis, the Company concluded that the carrying value of Horizon Plastics was greater than the fair value, which resulted in a goodwill impairment charge of $4,100,000 at September 30, 2019 representing 19% of the goodwill related to the Horizon Plastics reporting unit. The company performed a qualitative assessment at December 31, 2019, indicating no additional goodwill impairment related to the Horizon Plastics reporting unit.

The Company's annual impairment assessment at December 31, 2018 consisted of a quantitative analysis for both reporting units. It concluded that the carrying value of Core Traditional was greater than the fair value, which resulted in a goodwill impairment charge of $2,403,000, representing all the goodwill related to the Core Traditional reporting unit. The analysis of the Company's other reporting unit, Horizon Plastics, indicated no goodwill impairment charge, based on historical performance and financial projections at that time, as the excess of the estimated fair value over the carrying value of its invested capital was approximately 23% of the book value of its net assets.

**Self-Insurance**

The Company is self-insured with respect to Columbus and Batavia, Ohio; Gaffney, South Carolina; Winona, Minnesota; and Brownsville, Texas for medical, dental and vision claims and Columbus and Batavia, Ohio for workers' compensation claims, all of which are subject to stop-loss insurance thresholds. The Company is also self-insured for dental and vision with respect to its

Cobourg, Canada location. The Company has recorded an estimated liability for self-insured medical, dental and vision claims incurred but not reported and worker's compensation claims incurred but not reported at December 31, 2020 and December 31, 2019 of $933,000 and $1,203,000, respectively.

**Post Retirement Benefits**

Management records an accrual for post retirement costs associated with the health care plan sponsored by the Company for certain employees. Should actual results differ from the assumptions used to determine the reserves, additional provisions may be required. In particular, increases in future healthcare costs above the assumptions could have an adverse effect on the Company's operations. The effect of a change in healthcare costs is described in *Note 12 - Post Retirement Benefits*. Core Molding Technologies had a liability for post retirement healthcare benefits based on actuarially computed estimates of $9,109,000 at December 31, 2020 and $9,160,000 at December 31, 2019.

**Revenue Recognition**

The Company historically has recognized revenue from two streams, product revenue and tooling revenue. Product revenue is earned from the manufacture and sale of sheet molding compound and thermoset and thermoplastic products. Revenue from product sales is generally recognized as products are shipped, as the Company transfers control to the customer and is entitled to payment upon shipment. In certain circumstances, the Company recognizes revenue from product sales when products are produced and the customer takes control at our production facility.

Tooling revenue is earned from manufacturing multiple tools, molds and assembly equipment as part of a tooling program for a customer. Given that the Company is providing a significant service of producing highly interdependent component parts of the tooling program, each tooling program consists of a single performance obligation to provide the customer the capability to produce a single product. Based on the arrangement with the customer, the Company recognizes revenue either at a point in time or over time. When the Company does not have an enforceable right to payment, the Company recognizes tooling revenue at a point in time. In such cases, the Company recognizes revenue upon customer acceptance, which is when the customer has legal title to the tools. The Company historically recognized all tooling revenue at a point in time, upon customer acceptance, before the adoption of ASU 2014-09.

Certain tooling programs include an enforceable right to payment. In those cases, the Company recognizes revenue over time based on the extent of progress towards completion of its performance obligation. The Company uses a cost-to-cost measure of progress for such contracts because it best depicts the transfer of value to the customer and also correlates with the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer. Under the cost-to-cost measure of progress, progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues are recorded proportionally as costs are incurred.

**Income Taxes**

The Company evaluates the balance of deferred tax assets that will be realized based on the premise that the Company is more likely than not to realize deferred tax benefits through the generation of future taxable income. Management reviews all available evidence, both positive and negative, to assess the long-term earnings potential of the Company using a number of alternatives to evaluate financial results in economic cycles at various industry volume conditions. Other factors considered are the Company's relationships with its major customers, and any recent customer diversification efforts. The projected availability of taxable income to realize the tax benefits from the reversal of temporary differences before expiration of these benefits are also considered. The Company evaluates provisions and deferred tax assets quarterly to determine if adjustments to our valuation allowance are required based on the consideration of all available evidence.

As of December 31, 2020 the Company had a net deferred tax asset of $53,000 of which a liability of $876,000 is related to tax positions in the United States that is displayed on the balance sheet within the other accrued liabilities portion, an asset of $460,000 related to tax positions in Canada and an asset of $469,000 related to tax positions in Mexico. The deferred tax liabilities are in other noncurrent liabilities on the Consolidated Balance Sheet. During 2020, the Company recorded a valuation allowance of $1,193,000 against the state net loss carryforward and interest limitation carryforward, due to cumulative losses in the United

States over the last three years and uncertainty related to the Company's ability to realize net loss carryforwards and other net deferred tax assets in the future. The Company believes that the deferred tax assets associated with the Canadian and Mexican tax jurisdictions are more-likely-than-not to be realizable based on estimates of future taxable income and the Company's ability to carryback losses.

Management recognizes the financial statement effects of a tax position when it is more likely than not the position will be sustained upon examination.

**COVID-19**

In December 2019, COVID-19 surfaced and spread around the world resulting in business and social disruption. COVID-19 was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The extent to which the coronavirus could impact the Company's business activity will depend on future developments, which are highly uncertain and cannot be predicted. Factors include, new information concerning the severity of COVID-19, rollout plan for the COVID-19 vaccine, and the effectiveness of a vaccine.

**Recent Accounting Pronouncements**

*Current expected credit loss (CECL)*

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments -Credit Losses," which changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking "expected loss" model that will replace today's "incurred loss" model and generally will result in the earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses, entities will measure credit losses in a manner similar to current practice, except that the losses will be recognized as an allowance. Subsequent to issuing ASU 2016 -13, the FASB issued ASU 2018-19, "Codification Improvements to Topic 326, Financial Instruments - Credit Losses," for the purpose of clarifying certain aspects of ASU 2016 -13. ASU 2018-19 has the same effective date and transition requirements as ASU 2016 -13. In April 2019, the FASB issued ASU 2019 -04, "Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments," which is effective with the adoption of ASU 2016-13. In May 2019, the FASB issued ASU 2019-05, "Financial Instruments - Credit Losses (Topic 326)," which is also effective with the adoption of ASU 2016-13. In November 2019, the FASB voted to delay the implementation date for certain companies, including those that qualify as a smaller reporting company under SEC rules, until fiscal years beginning after December 15, 2022. We will adopt this ASU on its effective date of January 1, 2023. We do not expect the adoption of this ASU to have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

*Simplifying the Accounting for Income Taxes*

In December 2019, the FASB issued ASU 2019-12, Income Taxes – Simplifying the Accounting for Income Taxes. This guidance is intended to simplify various aspects of income tax accounting including the elimination of certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The Company adopted the new standard effective January 1, 2020 during the third quarter with no material impact on our consolidated financial statements. Adoption of this guidance requires certain changes to primarily be made prospectively, with some changes to be made retrospectively.

*Facilitation of the Effects of Reference Rate Reform*

In March 2020, the FASB issued ASU No. 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848). The ASU provides optional expedients and exceptions for applying GAAP to transactions affected by reference rate (e.g., LIBOR) reform if certain criteria are met, for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The ASU is effective as of March 12, 2020 through December 31, 2022. We will evaluate transactions or contract modifications occurring as a result of reference rate reform and determine whether to apply the optional guidance on an ongoing basis.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Core Molding Technologies' primary market risk results from changes in the price of commodities used in its manufacturing operations. Core Molding Technologies is also exposed to fluctuations in interest rates and foreign currency fluctuations associated with the Mexican Peso and Canadian Dollar. Core Molding Technologies does not hold any material market risk sensitive instruments for trading purposes.

Core Molding Technologies has the following three items that are sensitive to market risks at December 31, 2020: (1) Term Loans and Revolving Loan which bear a variable interest rate; (2) foreign currency purchases in which the Company purchases Mexican Pesos or Canadian Dollars with United States dollars to meet certain obligations that arise due to operations at the facilities located in Mexico or Canada; and (3) raw material purchases in which Core Molding Technologies purchases various resins and fiberglass for use in production. The prices and availability of these materials are affected by the prices of crude oil and natural gas as well as processing capacity versus demand.

Assuming a hypothetical 10% change in short-term interest rates, interest paid on the Company's Revolving Loan and Term Loan would impact the interest paid by the Company, as the interest rate on these loans is based upon LIBOR; however, it would not have a material effect on earnings before taxes.

Assuming a hypothetical 10% decrease in the United States dollar to Mexican Peso or Canadian Dollar exchange rates, the Company would be impacted by an increase in operating costs, which would have an adverse effect on operating margins.

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

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Core Molding Technologies, Inc. and Subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and Schedule II (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matters**

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ Crowe LLP

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

Columbus, Ohio
March 11, 2021

## Core Molding Technologies, Inc. and Subsidiaries
## Consolidated Statements of Operations

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| **Net sales** | $ 222,356,000 | $ 284,290,000 | $ 269,485,000 |
| **Total cost of sales** | 187,882,000 | 262,784,000 | 242,344,000 |
| **Gross margin** | 34,474,000 | 21,506,000 | 27,141,000 |
| Selling, general and administrative expense | 24,084,000 | 28,934,000 | 27,838,000 |
| Goodwill impairment | — | 4,100,000 | 2,403,000 |
| **Total expenses** | 24,084,000 | 33,034,000 | 30,241,000 |
| **Operating income (loss)** | 10,390,000 | (11,528,000) | (3,100,000) |
| **Other income and expense** | | | |
| Net periodic post-retirement benefit | (80,000) | (94,000) | (48,000) |
| Net interest expense | 5,923,000 | 4,144,000 | 2,394,000 |
| **Total other income and expense** | 5,843,000 | 4,050,000 | 2,346,000 |
| **Income (loss) before income taxes** | 4,547,000 | (15,578,000) | (5,446,000) |
| **Income taxes:** | | | |
| Current | (5,713,000) | 705,000 | 1,048,000 |
| Deferred | 2,095,000 | (1,060,000) | (1,712,000) |
| **Total income taxes** | (3,618,000) | (355,000) | (664,000) |
| **Net income (loss)** | $ 8,165,000 | $ (15,223,000) | $ (4,782,000) |
| **Net income (loss) per common share:** | | | |
| Basic | $ 0.98 | $ (1.94) | $ (0.62) |
| Diluted | $ 0.98 | $ (1.94) | $ (0.62) |

See notes to consolidated financial statements.

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

| | Years Ended December 31, | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| **Net income (loss)** | $ 8,165,000 | $ (15,223,000) | $ (4,782,000) |
| **Other comprehensive income (loss):** | | | |
| Foreign currency hedging derivatives: | | | |
| Unrealized hedge gain (loss) | (452,000) | 1,202,000 | (452,000) |
| Income tax benefit (expense) | 98,000 | (286,000) | 87,000 |
| Interest rate hedging derivatives: | | | |
| Unrealized benefit (loss) | 705,000 | (641,000) | (65,000) |
| Income tax benefit (expense) | (160,000) | 146,000 | 15,000 |
| Post retirement benefit plan adjustments: | | | |
| Net actuarial gain (loss) | 283,000 | (985,000) | 1,081,000 |
| Prior service costs | (496,000) | (496,000) | (496,000) |
| Income tax benefit (expense) | 27,000 | 313,000 | (123,000) |
| **Comprehensive income (loss)** | $ 8,170,000 | $ (15,970,000) | $ (4,735,000) |

See notes to consolidated financial statements.

## Core Molding Technologies, Inc. and Subsidiaries

## Consolidated Balance Sheets

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| **Assets:** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 4,131,000 | $ 1,856,000 |
| Accounts receivable, net | 27,584,000 | 32,424,000 |
| Inventories: | | |
| Raw materials and components | 11,640,000 | 13,041,000 |
| Work in process | 1,679,000 | 1,818,000 |
| Finished goods | 5,041,000 | 6,823,000 |
| Total inventories, net | 18,360,000 | 21,682,000 |
| Contract assets | 554,000 | 888,000 |
| Income tax receivable | 2,026,000 | 653,000 |
| Prepaid expenses and other current assets | 3,823,000 | 3,721,000 |
| Total current assets | 56,478,000 | 61,225,000 |
| Right of use asset | 2,754,000 | 4,484,000 |
| Property, plant and equipment, net | 74,052,000 | 79,206,000 |
| Deferred tax asset | 929,000 | 2,026,000 |
| Goodwill | 17,376,000 | 17,376,000 |
| Intangibles, net | 11,516,000 | 13,464,000 |
| Other non-current assets | 2,403,000 | 1,525,000 |
| **Total Assets** | $ 165,508,000 | $ 179,306,000 |
| **Liabilities and Stockholders' Equity:** | | |
| **Liabilities:** | | |
| Current liabilities: | | |
| Current portion of long-term debt | $ 2,535,000 | $ 37,443,000 |
| Current portion of revolving debt | 420,000 | 12,008,000 |
| Accounts payable | 16,994,000 | 19,910,000 |
| Taxes payable | 2,613,000 | 331,000 |
| Contract liabilities | 1,319,000 | 3,698,000 |
| Current portion of post retirement benefits liability | 1,286,000 | 1,233,000 |
| Accrued liabilities: | | |
| Compensation and related benefits | 8,305,000 | 5,515,000 |
| Other | 2,523,000 | 4,027,000 |
| Total current liabilities | 35,995,000 | 83,834,000 |
| Other non-current liabilities | 2,560,000 | 3,119,000 |
| Long-term debt | 25,198,000 | — |
| Post retirement benefits liability | 7,823,000 | 7,927,000 |
| **Total Liabilities** | 71,576,000 | 94,880,000 |
| **Commitments and Contingencies** | — | — |
| **Stockholders' Equity:** | | |
| Preferred stock — $0.01 par value, authorized shares - 10,000,000; no shares outstanding at December 31, 2020 and December 31, 2019 | — | — |
| Common stock — $0.01 par value, authorized shares - 20,000,000; outstanding shares: 7,980,516 at December 31, 2020 and 7,877,945 at December 31, 2019 | 80,000 | 79,000 |
| Paid-in capital | 36,127,000 | 34,772,000 |
| Accumulated other comprehensive income, net of income taxes | 1,375,000 | 1,370,000 |
| Treasury stock — at cost, 3,810,929 shares at December 31, 2020 and 3,806,355 shares at December 31, 2019 | (28,521,000) | (28,501,000) |
| Retained earnings | 84,871,000 | 76,706,000 |
| **Total Stockholders' Equity** | 93,932,000 | 84,426,000 |
| **Total Liabilities and Stockholders' Equity** | $ 165,508,000 | $ 179,306,000 |

See notes to consolidated financial statements.

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

| | Common Stock Outstanding Shares | Common Stock Outstanding Amount | Paid-In Capital | Accumulated Other Comprehensive Income | Treasury Stock | Retained Earnings | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|
| Balance at January 1, 2018 | 7,711,277 | $ 77,000 | $ 31,465,000 | $ 2,070,000 | $ (28,153,000) | $ 97,503,000 | $ 102,962,000 |
| Net loss | | | | | | (4,782,000) | (4,782,000) |
| Cash dividends paid | | | | | | (792,000) | (792,000) |
| Change in post retirement benefits, net of tax of $123,000 | | | | 462,000 | | | 462,000 |
| Unrealized foreign currency hedge loss, net of tax benefit of $87,000 | | | | (365,000) | | | (365,000) |
| Change in interest rate swaps, net of tax benefit of $15,000 | | | | (50,000) | | | (50,000) |
| Purchase of treasury stock | (17,180) | | | | (250,000) | | (250,000) |
| Restricted stock vested | 82,067 | 1,000 | | | | | 1,000 |
| Share-based compensation | | | 1,743,000 | | | | 1,743,000 |
| Balance at December 31, 2018 | 7,776,164 | $ 78,000 | $ 33,208,000 | $ 2,117,000 | $ (28,403,000) | $ 91,929,000 | $ 98,929,000 |
| Net loss | | | | | | (15,223,000) | (15,223,000) |
| Change in post retirement benefits, net of tax benefit of $313,000 | | | | (1,168,000) | | | (1,168,000) |
| Unrealized foreign currency hedge gain, net of tax of $286,000 | | | | 916,000 | | | 916,000 |
| Change in interest rate swaps, net of tax benefit of $146,000 | | | | (495,000) | | | (495,000) |
| Purchase of treasury stock | (16,047) | | | | (98,000) | | (98,000) |
| Restricted stock vested | 117,828 | 1,000 | | | | | 1,000 |
| Share-based compensation | | | 1,564,000 | | | | 1,564,000 |
| Balance at December 31, 2019 | 7,877,945 | $ 79,000 | $ 34,772,000 | $ 1,370,000 | $ (28,501,000) | $ 76,706,000 | $ 84,426,000 |
| Net income | | | | | | 8,165,000 | 8,165,000 |
| Change in post retirement benefits, net of tax benefit of $27,000 | | | | (186,000) | | | (186,000) |
| Unrealized foreign currency hedge loss net of tax benefit of $98,000 | | | | (354,000) | | | (354,000) |
| Change in interest rate swaps, net of tax expense of $160,000 | | | | 545,000 | | | 545,000 |
| Purchase of treasury stock | (4,574) | | | | (20,000) | | (20,000) |
| Restricted stock vested | 107,145 | 1,000 | | | | | 1,000 |
| Share-based compensation | | | 1,355,000 | | | | 1,355,000 |
| Balance at December 31, 2020 | 7,980,516 | $ 80,000 | $ 36,127,000 | $ 1,375,000 | $ (28,521,000) | $ 84,871,000 | $ 93,932,000 |

See notes to consolidated financial statements.

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

| | Years Ended | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| **Cash flows from operating activities:** | | | |
| Net income (loss) | $ 8,165,000 | $ (15,223,000) | $ (4,782,000) |
| Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities: | | | |
| Depreciation and amortization | 11,662,000 | 10,376,000 | 9,384,000 |
| Deferred income taxes | 1,097,000 | (873,000) | (1,739,000) |
| Goodwill impairment | — | 4,100,000 | 2,403,000 |
| Mark-to-market of interest rate swap | — | 67,000 | 159,000 |
| Share-based compensation | 1,355,000 | 1,564,000 | 1,743,000 |
| Loss on foreign currency | 237,000 | 33,000 | 5,000 |
| Change in operating assets and liabilities, net of effects of acquisition: | | | |
| Accounts receivable | 4,840,000 | 13,044,000 | (17,945,000) |
| Inventories | 3,322,000 | 4,083,000 | (5,783,000) |
| Prepaid and other assets | (2,018,000) | 2,587,000 | (528,000) |
| Accounts payable | (3,142,000) | (4,849,000) | 7,822,000 |
| Accrued and other liabilities | 2,910,000 | 3,420,000 | 3,122,000 |
| Post retirement benefits liability | (264,000) | (1,628,000) | (389,000) |
| **Net cash (used in) provided by operating activities** | 28,164,000 | 16,701,000 | (6,528,000) |
| **Cash flows from investing activities:** | | | |
| Purchase of property, plant and equipment | (3,683,000) | (7,460,000) | (5,801,000) |
| Purchase of assets of Horizon Plastics | — | — | (63,005,000) |
| **Net cash used in investing activities** | (3,683,000) | (7,460,000) | (68,806,000) |
| **Cash flows from financing activities:** | | | |
| Gross borrowings on revolving loans | 56,793,000 | 194,414,000 | 133,848,000 |
| Gross repayment on revolving loans | (68,381,000) | (199,782,000) | (116,473,000) |
| Proceeds from term loan | 30,165,000 | — | 45,000,000 |
| Payment of principal of term loan | (38,725,000) | (3,375,000) | (10,125,000) |
| Payment of deferred loan costs | (2,038,000) | (435,000) | (763,000) |
| Payments related to the purchase of treasury stock | (20,000) | (98,000) | (250,000) |
| Cash dividends paid | — | — | (792,000) |
| **Net cash (used in) provided by financing activities** | (22,206,000) | (9,276,000) | 50,445,000 |
| **Net change in cash and cash equivalents** | 2,275,000 | (35,000) | (24,889,000) |
| **Cash and cash equivalents at beginning of year** | 1,856,000 | 1,891,000 | 26,780,000 |
| **Cash and cash equivalents at end of year** | $ 4,131,000 | $ 1,856,000 | $ 1,891,000 |
| Cash paid for: | | | |
| Interest (net of amounts capitalized) | $ 3,854,000 | $ 3,869,000 | $ 2,261,000 |
| Income taxes | $ 570,000 | $ 1,284,000 | $ 1,033,000 |
| Non Cash: | | | |
| Fixed asset purchases in accounts payable | $ 147,000 | $ 158,000 | $ 871,000 |

See notes to consolidated financial statements.

**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 market as one operating segment as a molder of thermoplastic and thermoset structural products. The Company's operating segment consists of two component reporting units, Core Traditional and Horizon Plastics. The Company offers customers a wide range of manufacturing processes to fit various program volume and investment requirements. These processes include compression molding of sheet molding compound("SMC"), bulk molding compounds ("BMC"), resin transfer molding ("RTM"), liquid molding of dicyclopentadiene ("DCPD"), spray-up and hand-lay-up, glass mat thermoplastics ("GMT"), direct long-fiber thermoplastics ("D-LFT") and structural foam and structural web injection molding ("SIM"). Core Molding Technologies serves a wide variety of markets, including the medium and heavy-duty truck, marine, automotive, agriculture, construction, and other commercial products.

## 2. Summary of Significant Accounting Policies

**Principles of Consolidation** - The accompanying consolidated financial statements include the accounts of all subsidiaries after elimination of all intercompany accounts, transactions, and profits.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and reported amounts of revenues and expenses during the reporting period. Significant estimates relate to allowances for doubtful accounts, inventory reserves, self-insurance reserves related to healthcare and workers compensation, deferred taxes, post retirement benefits, progress billings for tooling, goodwill and long-lived assets. Actual results could differ from those estimates, due to the uncertainty around the magnitude and duration of the COVID-19 pandemic, as well as other factors.

**Revenue Recognition** - The Company historically has recognized revenue from two streams, product revenue and tooling revenue. Product revenue is earned from the manufacture and sale of sheet molding compound and thermoset and thermoplastic products. Revenue from product sales is generally recognized as products are shipped, as the Company transfers control to the customer and is entitled to payment upon shipment. In certain circumstances, the Company recognizes revenue from product sales when products are produced and the customer takes control at our production facility.

Tooling revenue is earned from manufacturing multiple tools, molds and assembly equipment as part of a tooling program for a customer. Given that the Company is providing a significant service of producing highly interdependent component parts of the tooling program, each tooling program consists of a single performance obligation to provide the customer the capability to produce a single product. Based on the arrangement with the customer, the Company recognizes revenue either at a point in time or over time. When the Company does not have an enforceable right to payment, the Company recognizes tooling revenue at a point in time. In such cases, the Company recognizes revenue upon customer acceptance, which is when the customer has legal title to the tools.

Certain tooling programs include an enforceable right to payment. In those cases, the Company recognizes revenue over time based on the extent of progress towards completion of its performance obligation. The Company uses a cost-to-cost measure of progress for such contracts because it best depicts the transfer of value to the customer and also correlates with the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer. Under the cost-to-cost measure of progress, progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues are recorded proportionally as costs are incurred.

**Cash and Cash Equivalents** - The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash is held primarily in three banks in 3 separate jurisdictions. The Company had $4,131,000 cash on hand at December 31, 2020 and had $1,856,000 cash on hand at December 31, 2019.

**Accounts Receivable Allowances** - Management maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The Company has determined that a $41,000 allowance for doubtful accounts is needed at December 31, 2020 and $50,000 at December 31, 2019. Management also records estimates for customer returns and deductions, discounts offered to customers, and for price adjustments. Should customer returns and deductions, discounts, and price adjustments fluctuate from the estimated amounts, additional allowances may be required. The Company had an allowance for estimated chargebacks of $179,000 at December 31, 2020 and $476,000 at December 31, 2019. There have been no material changes in the methodology of these calculations.

**Inventories** - Inventories, which include material, labor and manufacturing overhead, are valued at the lower of cost or net realizable value. The inventories are accounted for using the first-in, first-out (FIFO) method of determining inventory costs. Inventory quantities on-hand are regularly reviewed, and where necessary, provisions for excess and obsolete inventory are recorded based on historical and anticipated usage. The Company has recorded an allowance for slow moving and obsolete inventory of $546,000 at December 31, 2020 and $898,000 at December 31, 2019.

**Contract Assets/Liabilities** - Contract assets and liabilities represent the net cumulative customer billings, vendor payments and revenue recognized for tooling programs. For tooling programs where net revenue recognized and vendor payments exceed customer billings, the Company recognizes a contract asset. For tooling programs where net customer billings exceed revenue recognized and vendor payments, the Company recognizes a contract liability. Customer payment terms vary by contract and can range from progress payments based on work performed or one single payment once the contract is completed. Contract assets are generally classified as current. During the years ended December 31, 2020 and December 31, 2019, the Company recognized no impairments on contract assets. Contract liabilities are also generally classified as current. The Company recognized $6,828,000 at December 31, 2020 and $1,240,000 at December 31, 2019, corresponding with revenue from contract liabilities related to jobs outstanding as of December 31, 2019 and December 31, 2018, respectively.

**Property, Plant, and Equipment** - Property, plant, and equipment are recorded at cost. Depreciation is provided on a straight-line method over the estimated useful lives of the assets. The carrying amount of long-lived assets is evaluated annually to determine if adjustment to the depreciation period or to 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 |

**Long-Lived Assets** - Long-lived assets consist primarily of property, plant and equipment and finite-lived intangibles. The recoverability of long-lived assets is evaluated by an analysis of operating results and consideration of other significant events or changes in the business environment. The Company evaluates whether impairment exists for long-lived assets on the basis of undiscounted expected future cash flows from operations before interest. There was no impairment of the Company's long-lived assets for the years ended December 31, 2020, 2019 and 2018.

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

The annual impairment tests of goodwill may be completed through qualitative assessments; however the, Company may elect to bypass the qualitative assessment and proceed directly to a quantitative impairment test for any reporting unit in any period. The Company may resume the qualitative assessment for any reporting unit in any subsequent period.

Under a qualitative and quantitative approach, the impairment test for goodwill consists of an assessment of whether it is more-likely-than-not that a reporting unit’s fair value is less than its carrying amount. As part of the qualitative assessment, the Company considers relevant events and circumstances that affect the fair value or carrying amount of the Company. Such events and circumstances could include changes in economic conditions, industry and market conditions, cost factors, overall financial performance, reporting unit specific events and capital markets pricing. The Company places more weight on the events and circumstances that most affect the Company's fair value or carrying amount. These factors are all considered by management in reaching its conclusion about whether to perform step one of the impairment test. If the Company elects to bypass the qualitative assessment for any reporting unit, or if a qualitative assessment indicates it is more-likely-than-not that the estimated carrying value of a reporting unit exceeds its fair value, the Company proceeds to a quantitative approach.

The company performed a qualitative analysis for the year end December 31, 2020 and determined there was no impairment of the Company’s goodwill.

Due to the Company's financial performance and depressed stock price, the Company performed a quantitative analysis for both of its reporting units at September 30, 2019. During 2019, the Company incurred a loss of margin in its Horizon Plastics reporting unit caused by selling price decreases that the Company has not been able to fully offset with material cost reductions. As a result of the quantitative analysis, the Company concluded that the carrying value of Horizon Plastics was greater than the fair value, which resulted in a goodwill impairment charge of $4,100,000 at September 30, 2019 representing 19% of the goodwill related to the Horizon Plastics reporting unit. The company performed a qualitative assessment at December 31, 2019, indicating no additional goodwill impairment related to the Horizon Plastics reporting unit.

The Company’s annual impairment assessment at December 31, 2018 consisted of a quantitative analysis for both reporting units. It concluded that the carrying value of Core Traditional was greater than the fair value, which resulted in a goodwill impairment charge of $2,403,000, representing all the goodwill related to the Core Traditional reporting unit. The analysis of the Company’s other reporting unit, Horizon Plastics, indicated no goodwill impairment charge, based on historical performance and financial projections at that time, as the excess of the estimated fair value over the carrying value of its invested capital was approximately 23% of the book value of its net assets.

**Income Taxes** - The Company records deferred income taxes for differences between the financial reporting basis and income tax basis of assets and liabilities. A detailed breakout is located in *Note 11 - Income Taxes*.

**Self-Insurance** - The Company is self-insured with respect to Columbus and Batavia, Ohio; Gaffney, South Carolina; Winona, Minnesota and Brownsville, Texas for medical, dental and vision claims and Columbus and Batavia, Ohio for workers’ compensation claims, all of which are subject to stop-loss insurance thresholds. The Company is also self-insured for dental and vision with respect to its Cobourg, Canada location. The Company has recorded an estimated liability for self-insured medical, dental and vision claims incurred but not reported and worker’s compensation claims incurred but not reported at December 31, 2020 and December 31, 2019 of $933,000 and $1,203,000, respectively.

**Post Retirement Benefits** - Management records an accrual for post retirement costs associated with the health care plan sponsored by the Company for certain employees. Should actual results differ from the assumptions used to determine the reserves, additional provisions may be required. In particular, increases in future healthcare costs above the assumptions could have an adverse effect on the Company's operations. The effect of a change in healthcare costs is described in *Note 12 - Post Retirement Benefits*. Core Molding Technologies had a liability for post retirement healthcare benefits based on actuarially computed estimates of $9,109,000 at December 31, 2020 and $9,160,000 at December 31, 2019.

**Fair Value of Financial Instruments** - The Company's financial instruments consist of long-term debt, revolving loans, interest rate swaps, foreign currency hedges, accounts receivable, and accounts payable. The carrying amount of these financial instruments approximated their fair value. Further detail is located in *Note 14 - Fair Value of Financial Instruments.*

**Concentration Risks** - The Company has concentration risk related to significant amounts of sales and accounts receivable with certain customers. The Company had five major customers during the year end December 31, 2020, Navistar, Volvo, PACCAR, BRP and UFP. Major customers are defined as customers whose current year sales individually consist of more than ten percent of total sales during any annual or interim reporting period in the current year. Sales to five major customers comprised 70%, 70% and 70% of total sales in 2020, 2019 and 2018, respectively (see *Note 4 - Major Customers*). Concentrations of accounts receivable balances with five customers accounted for 64% and 56% of accounts receivable at December 31, 2020 and 2019, respectively. The Company performs ongoing credit evaluations of its customers' financial condition. The Company maintains reserves for potential bad debt losses, and such bad debt losses have been historically within the Company's expectations. Sales to all customers' manufacturing and service locations in Mexico and Canada totaled 35%, 34% and 32% of total sales for 2020, 2019 and 2018, respectively.

As of December 31, 2020, the Company employed a total of 1,617 employees, which consisted of 679 employees in its United States operations, 722 employees in its Mexican operations and 216 employees in its Canadian operation. Of these 1,617 employees, 518 employees at the Company’s Columbus, Ohio facility are covered by a collective bargaining agreement with the International Association of Machinists and Aerospace Workers (“IAM”), which extends to August 7, 2022, 534 employees at the Company’s Matamoros, Mexico facility are covered by a collective bargaining agreement with Sindicato de Jorneleros y Obreros, which extends to January 21, 2022, 191 employees at the Company's Cobourg, Canada facility are covered by a collective bargaining agreement with United Food & Commercial Workers Canada ("UFCW"), which extends to November 1, 2021, and 73 employees at the Company's Escobedo, Mexico facility are covered by a collective bargaining agreement with Sindicato de trabajadores de la industria metalica y del comercio del estado de Nuevo Leon Presidente Benito Juarez Garcia C.T.M., which extends to February 1, 2021. The Company is currently negotiating an extension to the Escobedo, Mexico collective bargaining agreement.

**Earnings per Common Share** - Basic earnings per common share is computed based on the weighted average number of common shares outstanding during the period. Diluted earnings per common share are computed similarly but include the effect of the assumed exercise of dilutive stock options and vesting of restricted stock under the treasury stock method. The Company's restricted shares are entitled to receive dividends and voting rights applicable to the Company's common stock, irrespective of any vesting requirement. The restricted shares are considered a participating security and the Company is required to apply the two-class method to consider the impact of the restricted shares on the calculation of basic and diluted earnings per share. A detailed computation of earnings per share is located in *Note 3 - Net Income (Loss) per Common Share*.

**Research and Development** - Research and development activities focus on developing new material formulations, new products, new production capabilities and processes, and improving existing products and manufacturing processes. The Company does not maintain a separate research and development organization or facility, but uses its production equipment, as necessary, to support these efforts and cooperates with its customers and its suppliers in research and development efforts. Likewise, manpower to direct and advance research and development is integrated with the existing manufacturing, engineering, production, and quality organizations. Research and development costs, which are expensed as incurred, totaled approximately $1,168,000, $1,171,000 and $1,032,000 in 2020, 2019 and 2018.

**Foreign Currency Adjustments** - The functional currency for the Mexican and Canadian operations is the United States Dollar. All foreign currency asset and liability amounts are remeasured into United States Dollars at end-of-period exchange rates. Income statement accounts are translated at the weighted monthly average rates. Gains and losses resulting from translation of foreign currency financial statements into United States Dollars and gains and losses resulting from foreign currency transactions are included in current results of operations. Net foreign currency translation and transaction activity is included in selling, general and administrative expense. This activity resulted in an expense of $214,000, $229,000 and $88,000 in 2020, 2019 and 2018, respectively.

**COVID-19** - In December 2019, COVID-19 surfaced and spread around the world resulting in business and social disruption. COVID-19 was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The extent to which the coronavirus could impact the Company's business activity will depend on future developments, which are highly uncertain and cannot be predicted. Factors include, new information concerning the severity of COVID-19, rollout plan for the COVID-19 vaccine, and the effectiveness of a vaccine.

**Recent Accounting Pronouncements**

*Current expected credit loss (CECL)*

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses," which changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking "expected loss" model that will replace today's "incurred loss" model and generally will result in the earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses, entities will measure credit losses in a manner similar to current practice, except that the losses will be recognized as an allowance. Subsequent to issuing ASU 2016-13, the FASB issued ASU 2018-19, "Codification Improvements to Topic 326, Financial Instruments - Credit Losses," for the purpose of clarifying certain aspects of ASU 2016-13. ASU 2018-19 has the same effective date and transition requirements as ASU 2016-13. In April 2019, the FASB issued ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments," which is effective with the adoption of ASU 2016-13. In May 2019, the FASB issued ASU 2019-05, "Financial Instruments - Credit Losses (Topic 326)," which is also effective with the adoption of ASU 2016-13. In October 2019, the FASB voted to delay the implementation date for certain companies, including those that qualify as a smaller reporting company under SEC rules, until January 1, 2023, with revised ASU's expected to be issued in November 2019. We will adopt this ASU on its effective date of January 1, 2023. We do not expect the adoption of this ASU to have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

*Simplifying the Accounting for Income Taxes*

In December 2019, the FASB issued ASU 2019-12, Income Taxes – Simplifying the Accounting for Income Taxes. This guidance is intended to simplify various aspects of income tax accounting including the elimination of certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The Company adopted the new standard effective January 1, 2020 during the third quarter with no material impact on our consolidated financial statements. Adoption of this guidance requires certain changes to primarily be made prospectively, with some changes to be made retrospectively.

*Facilitation of the Effects of Reference Rate Reform*

In March 2020, the FASB issued ASU No. 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848). The ASU provides optional expedients and exceptions for applying GAAP to transactions affected by reference rate(e.g., LIBOR) reform if certain criteria are met, for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The ASU is effective as of March 12, 2020 through December 31, 2022. We will evaluate transactions or contract modifications occurring as a result of reference rate reform and determine whether to apply the optional guidance on an ongoing basis.

**3. Net Income (Loss) per Common Share**

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

The Company's restricted shares are entitled to receive dividends and voting rights applicable to the Company's common stock, irrespective of any vesting requirement. Accordingly, the restricted shares are considered a participating security and the

Company is required to apply the two-class method to consider the impact of the restricted shares on the calculation of basic and diluted earnings per share.

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

| | December 31, 2020 | 2019 | 2018 |
|---|---|---|---|
| Net income (loss) | $ 8,165,000 | $ (15,223,000) | $ (4,782,000) |
| Less: net income allocated to participating securities | 424,000 | — | — |
| Net income (loss) available to common shareholders | $ 7,741,000 | $ (15,223,000) | $ (4,782,000) |
| | | | |
| Weighted average common shares outstanding — basic | 7,936,000 | 7,830,000 | 7,750,000 |
| Effect of dilutive securities | 3,000 | — | — |
| Weighted average common and potentially issuable common shares outstanding — diluted | 7,939,000 | 7,830,000 | 7,750,000 |
| | | | |
| Basic net income (loss) per common share | $ 0.98 | $ (1.94) | $ (0.62) |
| Diluted net income (loss) per common share | $ 0.98 | $ (1.94) | $ (0.62) |

The computation of basic and diluted net income per participating shares is as follows:

| | December 31, 2020 | 2019 | 2018 |
|---|---|---|---|
| Net income allocated to participating securities | $ 424,000 | — | — |
| | | | |
| Weighted average participating shares outstanding — basic | 434,000 | 300,000 | 216,000 |
| Effect of dilutive securities | — | — | — |
| Weighted average participating and potentially issuable participating shares outstanding — diluted | 434,000 | 300,000 | 216,000 |
| | | | |
| Basic net income per participating share | $ 0.98 | $ — | $ — |
| Diluted net income per participating share | $ 0.98 | $ — | $ — |

## 4. Major Customers

The Company had five major customers during the year ended December 31, 2020, Navistar, Inc. ("Navistar "), Universal Forest Products, Inc. ("UFP"), PACCAR, Inc. ("PACCAR"), Volvo Group North America, LLC ("Volvo"), and BRP, Inc. ("BRP"). Major customers are defined as customers whose sales individually consist of more than ten percent of total sales during any annual or interim reporting period in the current year. The loss of a significant portion of sales to these customers could have a material adverse effect on the business of the Company.

The following table presents sales revenue for the above-mentioned customers for the years ended December 31:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Navistar product sales | $ 33,656,000 | $ 54,798,000 | $ 52,347,000 |
| Navistar tooling sales | 6,569,000 | 2,084,000 | 2,806,000 |
| Total Navistar sales | 40,225,000 | 56,882,000 | 55,153,000 |
| UFP product sales | 38,530,000 | 25,395,000 | 27,906,000 |
| UFP tooling sales | — | — | 240,000 |
| Total UFP sales | 38,530,000 | 25,395,000 | 28,146,000 |
| PACCAR product sales | 27,997,000 | 44,543,000 | 38,027,000 |
| PACCAR tooling sales | 507,000 | 1,525,000 | 6,425,000 |
| Total PACCAR sales | 28,504,000 | 46,068,000 | 44,452,000 |
| Volvo product sales | 23,538,000 | 48,487,000 | 46,063,000 |
| Volvo tooling sales | 2,186,000 | 262,000 | 97,000 |
| Total Volvo sales | 25,724,000 | 48,749,000 | 46,160,000 |
| BRP product sales | 20,269,000 | 16,774,000 | 13,629,000 |
| BRP tooling sales | 1,662,000 | 4,208,000 | 2,169,000 |
| Total BRP sales | 21,931,000 | 20,982,000 | 15,798,000 |
| Other product sales | 66,590,000 | 78,990,000 | 78,245,000 |
| Other tooling sales | 852,000 | 7,224,000 | 1,531,000 |
| Total other sales | 67,442,000 | 86,214,000 | 79,776,000 |
| Total product sales | 210,580,000 | 268,987,000 | 256,217,000 |
| Total tooling sales | 11,776,000 | 15,303,000 | 13,268,000 |
| Total sales | $ 222,356,000 | $ 284,290,000 | $ 269,485,000 |

## 5. Foreign Operations

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

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| United States | $ 136,424,000 | $ 178,953,000 | $ 181,207,000 |
| Mexico | 64,942,000 | 79,761,000 | 74,029,000 |
| Canada | 16,827,000 | 16,988,000 | 12,494,000 |
| Other | 4,163,000 | 8,588,000 | 1,755,000 |
| Total | $ 222,356,000 | $ 284,290,000 | $ 269,485,000 |

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

| | 2020 | 2019 |
|---|---|---|
| United States | $ 36,698,000 | $ 39,132,000 |
| Mexico | 29,537,000 | 31,865,000 |
| Canada | 7,817,000 | 8,209,000 |
| Total | $ 74,052,000 | $ 79,206,000 |

**6. Property, Plant, and Equipment**

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

| | 2020 | 2019 |
|---|---|---|
| Land and land improvements | $ 6,009,000 | $ 6,009,000 |
| Buildings | 43,545,000 | 43,375,000 |
| Machinery and equipment | 121,382,000 | 118,366,000 |
| Tools, dies, and patterns | 2,195,000 | 1,516,000 |
| Additions in progress | 1,422,000 | 1,615,000 |
| Total | 174,553,000 | 170,881,000 |
| Less accumulated depreciation | (100,501,000) | (91,675,000) |
| Property, plant and equipment, net | $ 74,052,000 | $ 79,206,000 |

Additions in progress at December 31, 2020 and 2019 relate to building improvements and equipment purchases that were not yet completed and placed in service at year end. At December 31, 2020, commitments for capital expenditures in progress were $677,000 and included $145,000 recorded on the balance sheet in accounts payable. At December 31, 2019, commitments for capital expenditures in progress were $336,000, and included $158,000 recorded on the balance sheet in accounts payable. Depreciation expense was $8,659,000, $8,187,000 and $7,361,000 for the years ended December 31, 2020, 2019 and 2018, respectively.

**7. Leases**

The Company has operating leases with fixed payment terms primarily associated with buildings and warehouses. The Company's leases have remaining lease terms of less than one years to four years, some of which include options to extend the lease for five years. Operating leases are included in Right-of-use ("ROU") assets and Other accrued liabilities and Other non-current liabilities on the Consolidated Balance Sheets. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease.

The Company used the applicable incremental borrowing rate at implementation date to measure lease liabilities and ROU assets. The incremental borrowing rate used by the Company was based on baseline rates and adjusted by the credit spreads commensurate with the Company’s secured borrowing rate. At each reporting period when there is a new lease initiated, the Company will utilize its incremental borrowing rate to perform lease classification tests on lease components and to measure ROU assets and lease liabilities.

The following table provides information related to the components of lease expense as of December 31:

| | 2020 | 2019 |
|---|---|---|
| Operating lease cost | $ 1,430,000 | $ 1,430,000 |
| Total net lease cost | $ 1,430,000 | $ 1,430,000 |

The following table provides information related to other supplemental balance sheet information related to leases as of December 31:

| | 2020 | 2019 |
|---|---|---|
| Operating lease: | | |
| Operating lease right of use assets | $ 2,754,000 | $ 4,484,000 |
| Total operating lease right of use assets | $ 2,754,000 | $ 4,484,000 |
| | | |
| Current operating lease liabilities (A) | $ 1,023,000 | $ 1,304,000 |
| Noncurrent operating lease liabilities (B) | 1,670,000 | 3,119,000 |
| Total operating lease liabilities | $ 2,693,000 | $ 4,423,000 |

(A) Current operating lease liability included in "Other Current Accrued Liabilities" on the Consolidated Balance Sheet.
(B) Noncurrent operating lease liability included in "Other Non-Current Liabilities" on the Consolidated Balance Sheet.

| | | |
|---|---|---|
| Weighted average remaining lease term (in years): | | |
| Operating leases | 3.5 | 4.0 |
| | | |
| Weighted average discount rate: | | |
| Operating lease | 5.9 % | 4.9% |

Other information related to leases as of December 31:

| | 2020 | 2019 |
|---|---|---|
| **Cash Paid for amounts included in the measurement of lease liabilities** | | |
| Operating cash flow from operating leases (C) | $ 1,455,000 | $ 1,455,000 |

(C) Cash flow from operating lease included in "Prepaid and other assets" on the Consolidated Statements of Cash Flows.

As of December 31, 2020, maturities of lease liabilities were as follows:

| | Operating Leases |
|---|---|
| 2021 | $ 1,215,000 |
| 2022 | 811,000 |
| 2023 | 706,000 |
| 2024 | 705,000 |
| 2025 | — |
| Total lease payments | 3,437,000 |
| Less: imputed interest | (744,000) |
| Total lease obligations | 2,693,000 |
| Less: current obligations | (1,023,000) |
| Long-term lease obligations | $ 1,670,000 |

As of December 31, 2019, maturities of lease liabilities were as follows:

| | Operating Leases |
|---|---|
| 2020 | $ 1,433,000 |
| 2021 | 1,174,000 |
| 2022 | 1,102,000 |
| 2023 | 1,000,000 |
| 2024 | 530,000 |
| Total lease payments | 5,239,000 |
| Less: imputed interest | (816,000) |
| Total lease obligations | 4,423,000 |
| Less: current obligations | (1,304,000) |
| Long-term lease obligation | $ 3,119,000 |

**8. Goodwill and Intangibles**

Goodwill activity for the year ended December 31, 2020 and December 31, 2019 consisted of the following:

| | **2020** | **2019** |
|---|---|---|
| Balance at beginning of year | $ 17,376,000 | $ 21,476,000 |
| Additions | — | — |
| Impairment | — | (4,100,000) |
| Balance at end of year | $ 17,376,000 | $ 17,376,000 |

Intangible assets at December 31, 2020 were comprised of the following:

| Definite-lived Intangible Assets | **Amortization Period** | **Gross Carrying Amount** | **Accumulated Amortization** | **Net Carrying Amount** |
|---|---|---|---|---|
| Trade Name | 25 Years | $ 250,000 | $ (58,000) | $ 192,000 |
| Trademarks | 10 Years | 1,610,000 | (476,000) | 1,134,000 |
| Non-competition Agreement | 5 Years | 1,810,000 | (1,071,000) | 739,000 |
| Developed Technology | 7 Years | 4,420,000 | (1,869,000) | 2,551,000 |
| Customer Relationships | 10-12 Years | 9,330,000 | (2,430,000) | 6,900,000 |
| Total | | $ 17,420,000 | $ (5,904,000) | $ 11,516,000 |

Intangible assets at December 31, 2019 were comprised of the following:

| Definite-lived Intangible Assets | **Amortization Period** | **Gross Carrying Amount** | **Accumulated Amortization** | **Net Carrying Amount** |
|---|---|---|---|---|
| Trade Name | 25 Years | $ 250,000 | $ (48,000) | $ 202,000 |
| Trademarks | 10 Years | 1,610,000 | (315,000) | 1,295,000 |
| Non-competition Agreement | 5 Years | 1,810,000 | (709,000) | 1,101,000 |
| Developed Technology | 7 Years | 4,420,000 | (1,237,000) | 3,183,000 |
| Customer Relationships | 10-12 Years | 9,330,000 | (1,647,000) | 7,683,000 |
| Total | | $ 17,420,000 | $ (3,956,000) | $ 13,464,000 |

The Company incurred $1,948,000, $1,949,000 and $1,869,000 amortization expense for the years ended December 31, 2020, 2019, and 2018, respectively.

As of December 31, 2020, future intangible amortization was follows:

| | | Amortization Expense |
|---|---|---|
| 2021 | $ | 1,949,000 |
| 2022 | | 1,949,000 |
| 2023 | | 1,602,000 |
| 2024 | | 1,587,000 |
| 2025 | | 951,000 |
| 2026 and thereafter | | 3,478,000 |
| Total intangibles as of December 31, 2020 | $ | 11,516,000 |

**9. Debt**

Long-term debt consists of the following at:

| | | December 31, 2020 | | December 31, 2019 |
|---|---|---|---|---|
| Wells Fargo term loans payable | $ | 16,390,000 | $ | — |
| FGI term loans payable | | 13,148,000 | | — |
| Leaf Capital term loan payable | | 152,000 | | — |
| KeyBank term loans payable | | — | | 38,250,000 |
| KeyBank revolving loan | | — | | 12,008,000 |
| Total | | 29,690,000 | | 50,258,000 |
| Less: deferred loan costs | | (1,957,000) | | (807,000) |
| Less: current portion | | (2,535,000) | | (49,451,000) |
| Long-term debt | $ | 25,198,000 | $ | — |

**Term Loans**

*Wells Fargo Term Loans*

On October 27, 2020, the Company entered into a credit agreement (the "Credit Agreement") with Wells Fargo Bank, National Association, as administrative agent, lead arranger and book runner, and the lenders party thereto (the "Lenders"). Pursuant to the terms of the Credit Agreement, the Lenders made available to the Company secured term loans (the "WF Term Loans") in the maximum aggregate principal amount of $18,500,000 ($16,790,000 of which was advanced to the Company on October 28, 2020). The proceeds from the WF Term Loans were used to pay off the Company's existing outstanding indebtedness with KeyBank National Association, and to pay certain fees and expenses associated with the financing.

At the option of the Company, the WF Term Loans bears interest at a per annum rate equal to LIBOR plus a margin of 300 basis points or base rate plus a margin of 200 basis points. LIBOR rate means the greater of (a) 0.75% per annum and (b) the per annum published LIBOR rate for interest periods of one, three or six months as chosen by the Company. Base rate is the greater of (a) 1.0% per annum, (b) the Federal Funds Rate plus 0.5%, (c) LIBOR Rate plus 100 basis or (d) prime rate. The weighted average interest rate was 3.77% as of December 31, 2020.

The WF Term Loans are to be repaid in monthly installments of $200,000 plus interest, with the remaining outstanding balance due on November 30, 2024, subject to certain optional and mandatory repayment terms. The Company's obligations under the WF Term Loans are unconditionally guaranteed by each of the Company's U.S. and Canadian subsidiaries, with such obligations of the Company and such subsidiaries being secured by a lien on substantially all of their U.S. and Canadian assets.

The WF Term Loans contains reporting, indebtedness, and financial covenants. The Company is in compliance with its covenants as of December 31, 2020.

Voluntary prepayments of amounts outstanding under the WF Term Loans are permitted at any time without premium or penalty. To the extent applicable, LIBOR breakage fees may be charged in connection with any prepayment.

*FGI Equipment Finance LLC Term Loan*
On October 20, 2020, the Company entered into a Master Security Agreement and a Promissory Note, among FGI Equipment Finance LLC, ("FGI") the Company as debtor, and each of Core Composites Corporation, a subsidiary of the Company organized in Delaware, and CC HPM, S. de R.L. de C.V., a subsidiary of the Company organized in Mexico, as guarantors, a term loan in the principal amount of $13,200,000 (the "FGI Term Loan"). On October 27, 2020, FGI advanced to the Company $12,000,000 which proceeds were used to pay off the Company's existing outstanding indebtedness with KeyBank National Association, and to pay certain fees and expenses associated with the transactions, and $1,200,000 which proceeds were used to fund a security deposit to be held by FGI. Interest on the FGI Term Loan is a fixed rate of 8.25% and is payable monthly. The Company notes that the security deposit of $1,200,000 is located in prepaid expenses and other current assets on the balance sheet.

Following the advance of funds by FGI, the FGI Term Loans are to be repaid in monthly principal and interest installments of $117,000 for the first 12 months, $246,000 for the subsequent 59 months and $1,446,000 due on October 31, 2026, subject to certain optional and mandatory repayment terms. The Company's obligations under the Master Security Agreement are secured by certain machinery and equipment of the guarantors located in Mexico, and real property of Core composites de Mexico, S. de R.L. de C.V., also a subsidiary of the Company organized in Mexico, located in Matamoros, Mexico.

The Company may prepay in full or in part (but not less than the amount equal to 20% of the original principal amount of the loan) outstanding amounts before they are due on any scheduled Payment Date upon at least thirty (30) days' prior written notice. The Company will pay a "Prepayment Fee" in an amount equal to an additional sum equal to the following percentage of the principal amount to be prepaid for prepayments occurring in the indicated period: four percent (4.0%) (for prepayments occurring prior to the first anniversary of the Loan); three percent (3.0%) (for prepayments occurring on and thereafter and prior to the second anniversary of the Loan); two percent (2.0%) (for prepayments occurring on and thereafter and prior to the third anniversary of the Loan ); and one percent (1.0%) (for prepayments occurring any time thereafter).

*Leaf Capital Funding*
On April 24, 2020 the Company entered into a finance agreement with Leaf Capital Funding of $175,000 for equipment. The parties agreed to a fixed interest rate of 5.5% and a term of 60 months. The amount outstanding at December 31, 2020 was $152,000 of which, $120,000 was classified as long-term debt.

**Revolving Loans**

*Wells Fargo Revolving Loan*
On October 27, 2020, the Company entered into a credit agreement (the "Credit Agreement") with Wells Fargo Bank, National Association, as administrative agent, lead arranger and book runner, and the lenders party thereto (the "Lenders"). Pursuant to the terms of the Credit Agreement, the Lenders made available to the Company a revolving loan commitment (the "WF Revolving Loan") of $25,000,000 ($8,745,000 of which was advanced to the Company on October 28, 2020). The proceeds from the WF Revolving Loan were used to pay off the Company's existing outstanding indebtedness with KeyBank National Association, and to pay certain fees and expenses associated with the financing.

The Credit Agreement also makes available to the Company an incremental revolving commitment in the maximum amount of $10,000,000 at the Company's option at any time during the three (3) year period following the closing.

The borrowing availability under the line of credit is the lesser of (a) the loan commitment of $25,000,000 or (b) the sum of 90% of eligible investment grade accounts receivable, 85% of non-investment grade eligible accounts receivable and 65% of eligible inventory.

At the option of the Company, the WF Revolving Loan bears interest at a per annum rate equal to LIBOR plus a margin of 200 to 250 basis points or base rate plus a margin of 100 to 150 basis points, with the margin rate being based on the excess availability amount under the line of credit. LIBOR rate means the greater of (a) 0.75% per annum and (b) the per annum published LIBOR rate for interest periods of one, three or six months as chosen by the Company. Base rate is the greater of (a) 1.0% per annum, (b) the Federal Funds Rate plus 0.5%, (c) LIBOR Rate plus 100 basis and (d) prime rate. The weighted average interest rate was 4.75% as of December 31, 2020.

The WF Revolving Loan commitment terminates, and all outstanding borrowings thereunder must be repaid, by November 30, 2024. The Company has available $19,223,000 of available rate revolving loans of which $420,000 is outstanding as of December 31, 2020.

The WF Revolving Loan contains the same covenants as the WF Term Loans.

Wells Fargo Bank will issue up to $2,000,000 of Letters of Credit in accordance with the terms of the Credit Agreement upon the Company's request. As of December 31, 2020, the Company had one Letter of Credit outstanding for $160,000.

In conjunction with the October debt refinancing, the Company incurred debt origination fees of $1,730,000 related to the Wells Fargo financing, which is being amortized over the life of the Credit Agreement, which expires on November 30, 2024. In addition, the Company incurred debt origination fees of $308,000 related to the FGI Term Loan, which is being amortized over the life of the FGI Term Loan, which expires on October 31, 2026. The aggregate unamortized deferred financing fees as of December 31, 2020 totaled $1,957,000.

**Annual maturities of long-term debt are as follows:**

| | |
|---|---|
| 2021 | $ 3,019,000 |
| 2022 | 4,428,000 |
| 2023 | 4,601,000 |
| 2024 | 11,585,000 |
| 2025 and thereafter | 6,057,000 |
| Total | $ 29,690,000 |

**KeyBank Loan**

On December 31, 2019, the Company had a term loan and revolving loan balance of $38,250,000 and $12,008,000 with KeyBank National Association, respectively. The Company's term loan and revolving loan had variable interest rates of 6.30% and 6.04%, respectively at December 31, 2019. On November 22, 2019 the Company entered into a forbearance agreement with KeyBank and on October 27, 2020 the Company fully repaid all outstanding amounts. As a result of the forbearance agreement not extending beyond a year, the Company's remaining long-term debt balance was classified as a current liability in the Company's consolidated balance sheet as of December 31, 2019.

**Interest Rate Swaps**

The Company entered into two interest rate swap agreements that became effective January 18, 2018, one of which was designated as a cash flow hedge for $25,000,000 and the other designated as a cash flow hedge for $10,000,000 to the Company's subsidiary. Under these agreements, the Company paid a fixed rate of 2.49% to the counterparty and received a 30 day LIBOR for both cash flow hedges. Concurrent with the closing of the KeyBank credit agreement, the Company settled both outstanding interest rate swaps, which resulted in a loss and cash outflow of $1,253,000. These results were categorized as interest expense and operating activities in the Statement of Operations and Statement of Cash Flow, respectively. Due to the settlement, the fair value of the interest rate swaps was $0 at December 31, 2020 compared to a liability of $706,000 at December 31, 2019.

**Bank Covenants**

The Company is required to meet certain financial covenants included in the Credit Agreement with respect to fixed coverage charge ratio. The following table presents the financial covenants specified in the Credit Agreement and the actual covenant calculations as of December 31, 2020:

| | Financial Covenants | Actual Covenants as of December 31, 2020 |
|---|---|---|
| Fixed Charge Coverage Ratio | Minimum 1.10 | 2.6 |

**10. Stock Based Compensation**

The Company has a Long-Term Equity Incentive Plan (the "2006 Plan"), as approved by the Company's stockholders in May 2006. The 2006 Plan allows for grants to directors and employees of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, performance shares, performance units and other incentive awards ("Stock Awards") up to an aggregate of 3,000,000 awards, each representing a right to buy a share of Core Molding Technologies common stock. Stock Awards can be granted under the 2006 Plan through the earlier of December 31, 2025, or the date the maximum number of available awards under the 2006 Plan have been granted. The number of shares remaining available for future issuance is 514,823.

Restricted stock granted under the 2006 Plan vest over three years or upon the date of the participants' sixty-fifth birthday, death, disability or change in control.

Core Molding Technologies follows the provisions of FASB ASC 718 requiring that compensation cost relating to share-based payment transactions be recognized in the financial statements. The cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity award).

**Restricted Stock**

The Company grants shares of its common stock to certain directors, officers, and key employees in the form of unvested stock ("Restricted Stock"). These awards are recorded at the market value of Core Molding Technologies' common stock on the date of issuance and amortized ratably as compensation expense over the applicable vesting period.

The following summarizes the status of Restricted Stock and changes during the years ended December 31:

| | 2020 | | 2019 | | 2018 | |
|---|---|---|---|---|---|---|
| | Number of Shares | Wtd. Avg. Grant Date Fair Value | Number of Shares | Wtd. Avg. Grant Date Fair Value | Number of Shares | Wtd. Avg. Grant Date Fair Value |
| Unvested - beginning of year | 343,919 | $ 9.37 | 349,885 | $ 10.62 | 141,095 | $ 16.79 |
| Granted | 292,886 | 4.70 | 135,268 | 7.65 | 315,429 | 11.32 |
| Vested | (107,145) | 10.21 | (117,828) | 13.81 | (82,067) | 16.57 |
| Forfeited | (21,825) | 9.86 | (23,406) | 15.02 | (24,572) | 16.91 |
| Unvested - end of year | 507,835 | $ 6.35 | 343,919 | $ 9.37 | 349,885 | $ 10.62 |

At December 31, 2020 and 2019, there was $1,614,000 and $1,923,000, respectively, of total unrecognized compensation expense related to restricted stock granted under the 2006 Plan. That cost is expected to be recognized over the weighted-average period of 1.9 years. Total compensation expense related to restricted stock grants for the years ended December 31, 2020, 2019 and 2018 was $1,254,000, $1,369,000, and $1,774,000, respectively, and is recorded as selling, general and administrative expense.

Tax deficiencies in connection with payment of taxes upon the vesting of restricted stock previously issued to employees for the years ended December 31, 2020, 2019 and 2018 were a tax deficiency of $97,000, $98,000, and $110,000, respectively.

During 2020, 2019 and 2018, employees surrendered 4,574, 16,047 and 17,180 shares, respectfully, of the Company's common stock to satisfy income tax withholding obligations in connection with the vesting of restricted stock.

**Stock Appreciation Rights**

As part of the Company's 2019 annual grant, Stock Appreciation Rights (SARs) were granted with a grant price of $10. These awards have a contractual term of five years and vest ratably over a period of three years or immediately vest if the recipient is over 65 years of age. These awards are valued using the Black-Scholes option pricing model.

A summary of the Company's stock appreciation rights activity for the years ended December 31, 2020 and 2019 is as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Number of Shares | Wtd. Avg. Grant Date Fair Value | Number of Shares | Wtd. Avg. Grant Date Fair Value |
| Outstanding - beginning of year | 222,112 | $ 2.57 | — | $ — |
| Granted | — | — | 226,021 | 2.57 |
| Vested | — | — | — | — |
| Forfeited | (41,187) | 2.57 | (3,909) | 2.57 |
| Outstanding - end of year | 180,925 | $ 2.57 | 222,112 | $ 2.57 |
| Exercisable - end of year | 73,888 | $ 2.57 | 29,028 | $ 2.57 |

The average remaining contractual term for SARs outstanding at December 31, 2020 is 3.3 years, with $114,000 aggregate intrinsic value. At December 31, 2020 and 2019, there was $179,000 and $386,000, respectively, of total unrecognized compensation expense, net of estimated forfeitures, related to SARs. That cost is expected to be recognized over the weighted-average period of 1.3 years.

Total compensation cost related to SARs for the twelve months ended December 31, 2020 and 2019 was $101,000 and $185,000, respectively, all of which was recorded to selling, general and administrative expense.

**11. Income Taxes**

Components of the provision for income taxes are as follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Current: | | | |
| Federal | $ (8,378,000) | $ — | $ 11,000 |
| Foreign | 2,660,000 | 685,000 | 1,023,000 |
| State and local | 5,000 | 20,000 | 14,000 |
| | (5,713,000) | 705,000 | 1,048,000 |
| Deferred: | | | |
| Federal | 955,000 | 738,000 | (1,355,000) |
| Foreign | 1,098,000 | (1,824,000) | (289,000) |
| State and local | 42,000 | 26,000 | (68,000) |
| | 2,095,000 | (1,060,000) | (1,712,000) |
| Provision (benefit) for income taxes | $ (3,618,000) | $ (355,000) | $ (664,000) |

A reconciliation of the income tax provision based on the federal statutory income tax rate to the Company's income tax provision for the years ended December 31 is as follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Provision at United States federal statutory rate | $ 954,000 | $ (3,274,000) | $ (1,145,000) |
| Valuation allowance | (2,074,000) | 3,267,000 | — |
| Net operating loss carryback at 34% tax rate | (3,205,000) | — | — |
| Effect of foreign taxes | 790,000 | (209,000) | 213,000 |
| Adoption of ASC 606 | — | — | 236,000 |
| State and local tax expense | (372,000) | (102,000) | (54,000) |
| Other | 289,000 | (37,000) | 86,000 |
| Provision (benefit) for income taxes | $ (3,618,000) | $ (355,000) | $ (664,000) |

The Company evaluates the balance of deferred tax assets that will be realized based on the premise that the Company is more likely than not to realize deferred tax benefits through the generation of future taxable income. Management makes assumptions, judgments, and estimates to determine our current and deferred tax provision and also the deferred tax assets and liabilities. The Company evaluates provisions and deferred tax assets quarterly to determine if adjustments to our valuation allowance are required based on the consideration of all available evidence.

As of December 31, 2020 the Company had a net deferred tax asset of $53,000 consisting of a liability of $876,000 related to tax positions in the United States, an asset of $460,000 related to tax positions in Canada and an asset of $469,000 related to tax positions in Mexico. The deferred tax liabilities are in other noncurrent liabilities on the Consolidated Balance Sheet. During 2020, the Company recorded a valuation allowance of $1,193,000 against the entire state and local net loss carryforward and a portion of the interest limitation carryforward, due to cumulative losses in the United States over the last three years and uncertainty related to the Company’s ability to realize the deferred assets. The Company believes that the deferred tax assets associated with the Canadian and Mexican tax jurisdictions are more-likely-than-not to be realizable based on estimates of future taxable income.

Deferred tax assets consist of the following at December 31:

| | 2020 | 2019 |
|---|---|---|
| Net operating loss carryforwards | $ 535,000 | $ 4,928,000 |
| Interest limitation carryforwards | 1,033,000 | 686,000 |
| Accrued liabilities | 391,000 | 477,000 |
| Accounts receivable | 40,000 | 108,000 |
| Inventory | 322,000 | 587,000 |
| Property, plant, and equipment | (5,509,000) | (5,580,000) |
| Post retirement benefits | 2,068,000 | 2,090,000 |
| Goodwill and finite-lived assets, net | 2,210,000 | 1,973,000 |
| Other, net | 156,000 | 24,000 |
| Total deferred tax asset | 1,246,000 | 5,293,000 |
| Valuation allowance for deferred tax assets | (1,193,000) | (3,267,000) |
| Total deferred tax asset, net | $ 53,000 | $ 2,026,000 |

At December 31, 2020, the Company had estimated net operating loss carryforwards in the state and local tax jurisdictions of $25,990,000 and interest limitation carryforwards in United States federal jurisdictions of $4,697,000. Both carryforwards do not expire. At December 31, 2020, the Company had no net operating loss carryforwards in Canada, Mexico or United States federal jurisdictions.

At December 31, 2020 and 2019 the Company had no liability for unrecognized tax benefits under guidance relating to tax uncertainties. The Company does not anticipate that the unrecognized tax benefits will significantly change within the next twelve months.

The Company files income tax returns in the United States, Mexico, Canada and various state and local jurisdictions. The Company is not subject to United States federal and state income tax examinations by tax authorities for the years before 2017, not subject to Mexican income tax examinations by Mexican authorities for the years before 2015 and not subject to Canadian income 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 States and Canadian employees, including contributions to a multi-employer defined benefit pension plan, health care and life insurance benefits, and contributions to several defined retirement contribution plans.

The Company contributes to a multi-employer defined benefit pension plan for its employees represented by the International Association of Machinists and Aerospace Workers ("IAM") at the Company's Columbus, Ohio production facility. The Company does not administer this plan and contributions are determined in accordance with provisions of the collective bargaining agreement. The risks of participating in this multi-employer plan are different from a single-employer plan in the following aspects:

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

The Company's participation in the multi-employer defined benefit pension plan for the years ended December 31, 2020 and 2019 is outlined in the table below. The most recent Pension Protection Act ("PPA") zone status is for the plan's year-end at December 31, 2020. The zone status is based on information the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates whether a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented.

| Pension Fund | EIN/Pension Plan Number | Pension Protection Act Zone Status 2020 | Pension Protection Act Zone Status 2019 | FIP/RP Status Pending/ Implemented | Contributions of the Company 2020 | Contributions of the Company 2019 | Surcharge Imposed | Expiration Date of Collective Bargaining Agreement |
|---|---|---|---|---|---|---|---|---|
| IAM National Pension Fund / National Pension Plan [(A)] | 51-6031295 - 002 | as of 12/31/19 | as of 12/31/18 | Implemented | $ 676,000 | $ 971,000 | Yes | 8/7/2022 |
| | | | | **Total Contributions:** | $ 676,000 | $ 971,000 | | |

[(A)] The plan re-certified its zone status after using the amortization provisions of the Code. The Company's contributions to the plan did not represent more than 5% of total contributions to the plan as indicated in the plan's most recently available annual report for the plan year ended December 31, 2019. Under the terms of the collective-bargaining agreement, the Company is required to make contributions to the plan for each hour worked up to a maximum of 40 hours per person, per week at $1.55 per hour from August 10, 2019 through August 6, 2022. The Company is paying a surcharge of $2.40.

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

The Company also sponsors a post retirement health and life insurance benefit plan for certain union retirees of its Columbus, Ohio production facility. In August 2010, as part of a new collective-bargaining agreement, the post retirement health and life insurance benefits for all current and future represented employees who were not retired were eliminated in exchange for a one-time cash payment. Individuals who retired prior to August 2010 remain eligible for post retirement health and life insurance benefits.

The elimination of post retirement health and life insurance benefits described above resulted in a reduction of the Company's post retirement benefits liability of approximately $10,282,000 in 2010. This reduction in post retirement benefits liability was treated as a negative plan amendment and is being amortized as a reduction to net periodic benefit cost over approximately twenty years, the actuarial life expectancy of the remaining participants in the plan at the time of the amendment. This negative plan amendment resulted in net periodic benefit cost reductions of approximately $496,000 in 2020, 2019 and 2018, and will result in net periodic benefit cost reductions of approximately $496,000 in 2021 and each year thereafter during the amortization period.

The funded status of the Company's post retirement health and life insurance benefits plan as of December 31, 2020 and 2019 and reconciliation with the amounts recognized in the consolidated balance sheets are provided below:

| | Post Retirement Benefits | |
|---|---|---|
| | **2020** | **2019** |
| **Change in benefit obligation:** | | |
| Benefit obligation at January 1 | $ 9,160,000 | $ 8,076,000 |
| Interest cost | 237,000 | 285,000 |
| Unrecognized loss (gain) | (102,000) | 1,099,000 |
| Benefits paid, net | (186,000) | (300,000) |
| **Benefit obligation at December 31** | $ 9,109,000 | $ 9,160,000 |
| **Plan Assets** | — | — |
| **Amounts recorded in accumulated other comprehensive income:** | | |
| Prior service credit | $ (5,114,000) | $ (5,610,000) |
| Net loss | 3,351,000 | 3,634,000 |
| Total | $ (1,763,000) | $ (1,976,000) |
| **Weighted-average assumptions as of December 31:** | | |
| Discount rate used to determine benefit obligation and net periodic benefit cost | 2.0 % | 2.9 % |

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

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Pension expense:** | | | |
| Multi-employer plan | $ 676,000 | $ 971,000 | $ 760,000 |
| Defined contribution plans | 1,173,000 | 1,258,000 | 1,059,000 |
| Total pension expense | 1,849,000 | 2,229,000 | 1,819,000 |
| **Health and life insurance:** | | | |
| Interest cost | 235,000 | 285,000 | 277,000 |
| Amortization of prior service costs | (496,000) | (496,000) | (496,000) |
| Amortization of net loss | 181,000 | 117,000 | 171,000 |
| Net periodic benefit cost | (80,000) | (94,000) | (48,000) |
| **Total post retirement benefits expense** | $ 1,769,000 | $ 2,135,000 | $ 1,771,000 |

The Company accounts for post retirement benefits under FASB ASC 715, which requires the recognition of the funded status of a defined benefit pension or post retirement plan in the consolidated balance sheets. For the year ended December 31, 2020, the Company recognized a net actuarial gain of $102,000 which is comprised of differences between actual and expected benefit payments, expenses and balance sheet accruals resulting in a gain of $1,047,000, offset by an actuarial loss of $945,000. For the year ended December 31, 2019, the Company recognized a net actuarial loss of $1,099,000, which is comprised of an actuarial loss of $1,956,000, offset by differences between actual and expected benefit payments, expenses and balance sheet accrual resulting in a gain of $857,000. The net actuarial gain and loss for the years ended December 31, 2020 and 2019, respectively, were recorded in accumulated other comprehensive income.

Amounts not yet recognized as a component of net periodic benefit costs at December 31, 2020 and 2019 were a net credit of $1,763,000 and $1,976,000, respectively. The amount in accumulated other comprehensive income expected to be recognized as components of net periodic post retirement cost during 2021 consists of a prior service credit of $496,000 and a net loss of $173,000. In addition, 2021 interest expense related to post retirement healthcare is expected to be $161,000, for a total post retirement healthcare net gain of approximately $162,000 in 2021. The Company expects benefits paid in 2021 to be consistent with estimated future benefit payments as shown in the table below.

The weighted average rate of increase in the per capita cost of covered health care benefits is projected to be 5.1%. The rate is projected to decrease gradually to medical pre age 65 of 5.0%, medical post age 65 of 4.25% and drugs – all ages of 5.0% by the year 2027 and remain at that level thereafter. The comparable assumptions for the prior year were 6.0% and 5.0%, respectively.

The effect of changing the health care cost trend rate by one-percentage point for each future year is as follows:

| | 1- Percentage Point Increase | 1-Percentage Point Decrease |
|---|---|---|
| Effect on total of service and interest cost components | $ 34,000 | $ (29,000) |
| Effect on post retirement benefit obligation | $ 1,081,000 | $ (924,000) |

The estimated future benefit payments of the health care plan for the next ten years are as follows:

| | | Postretirement Health Care Benefits Plan |
|---|---|---|
| 2021 | $ | 1,286,000 |
| 2022 | | 459,000 |
| 2023 | | 500,000 |
| 2024 | | 473,000 |
| 2025 | | 471,000 |
| 2026 - 2030 | | 2,265,000 |

**13. Commitments and Contingencies**

From time to time, the Company is involved in litigation incidental to the conduct of its business. However, the Company is presently not involved in any legal proceedings which in the opinion of management are likely to have a material adverse effect on the Company's consolidated financial 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 paid to transfer a liability in a transaction between market participants as of the measurement date. Fair value is measured using the fair value hierarchy and related valuation methodologies as defined in the authoritative literature. This guidance provides a fair value framework that requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally 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 for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are observable in active markets.
- Level 3 - Significant unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

The Company's financial instruments historically consisted of cash and cash equivalents, accounts receivable, accounts payable, debt, interest rate swaps and foreign currency derivatives. Cash and cash equivalents, accounts receivable and accounts payable carrying values as of December 31, 2020 and December 31, 2019 approximate fair value due to the short-term maturities of these financial instruments. As of December 31, 2020, the carrying amounts of the WF Term Loans and WF Revolving Loan approximate fair value due to the short-term nature of the underlying variable rate LIBOR agreements. The FGI Term Loan approximate fair value as of December 31, 2020, due to the immaterial movement in interest rates since the Company entered into the Promissory Note on of October 20, 2020. The carrying amounts of long-term debt and the revolving line of credit approximate fair value as of December 31, 2019 due to the short-term nature of the underlying variable rate LIBOR agreements. The Company had Level 2 fair value measurements at December 31, 2019 relating to the Company's interest rate swaps and foreign currency derivatives.

**Derivative and hedging activities**

*Foreign currency derivatives*

The Company conducts business in foreign countries and pays certain expenses in foreign currencies; therefore, the Company is exposed to foreign currency exchange risk between the U.S. Dollar and foreign currencies, which could impact the Company's operating income and cash flows. To mitigate risk associated with foreign currency exchange, the Company entered into forward contracts to exchange a fixed amount of U.S. Dollars for a fixed amount of foreign currency, which were used to fund future reign currency cash flows. At inception, all forward contracts were formally documented as cash flow hedges and were measured at fair value each reporting period.

Derivatives are formally assessed both at inception and at least quarterly thereafter, to ensure that derivatives used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged item. If it is determined that a derivative ceases to be a highly effective hedge, or if the anticipated transaction is no longer probable of occurring, hedge accounting is discontinued, and any future mark-to-market adjustments are recognized in earnings. The effective portion of gain or loss is reported in accumulated other comprehensive income and the ineffective portion is reported in earnings. The impacts of these contracts were largely offset by gains and losses resulting from the impact of changes in exchange rates on transactions denominated in the foreign currency. As of December 31, 2020, the Company had no outstanding foreign currency derivatives.

*Interest Rate Swaps*

The Company entered into interest rate swap contracts to fix the interest rate on an initial aggregate amount of $35,000,000 thereby reducing exposure to interest rate changes. The Company paid a fixed rate of 2.49% to the counterparty and receives 30 day LIBOR for both cash flow hedges. At inception, all interest rate swaps were formally documented as cash flow hedges and are measured at fair value each reporting period. During the 2020 year, the Company closed the positions, see *Note 9 – Debt*, for additional information.

**Financial statements impacts**

The following tables detail amounts related to our derivatives designated as hedging instruments as of December 31, 2019:

| | Fair Values of Derivatives Instruments | | | |
|---|---|---|---|---|
| | Asset Derivatives | | Liability Derivatives | |
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| Foreign exchange contracts | Prepaid expense other current assets | $ 452,000 | Accrued liabilities other | $ — |
| Notional contract values | | $ 15,358,000 | | $ — |
| Interest rate swaps | Other non-current assets | $ — | Other non-current liabilities | $ 706,000 |
| Notional swap values | | $ — | | $ 29,750,000 |

As of December 31, 2019, the Company had foreign exchange contracts related to the Mexican Peso and the Canadian Dollar with exchange rates ranging from 19.53 to 20.58 and 1.32, respectively.

The following tables summarize the amount of unrealized / realized gain and loss recognized in Accumulated Comprehensive Income (AOCI) for the years ended December 31, 2020, 2019 and 2018:

| 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 Accumulated Other Comprehensive Income[(A)] | Amount of Realized Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income | | |
|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | | 2020 | 2019 | 2018 |
| Foreign exchange contracts | $ 142,000 | $ 1,499,000 | $ (385,000) | Cost of goods sold | $ 526,000 | $ 272,000 | $ 68,000 |
| | | | | Selling, general and administrative expense | $ 68,000 | $ 25,000 | $ — |
| Interest rate swaps | $ (915,000) | $ (708,000) | $ (223,000) | Interest Expense | $ (1,620,000) | $ (67,000) | $ (159,000) |

(A) The foreign currency derivative activity reclassified from Accumulated Other Comprehensive Income is allocated to cost of goods sold and selling, general and administrative expense based on the percentage of Mexican Peso spend.

## 15. Accumulated Other Comprehensive Income

The following table presents changes in Accumulated Other Comprehensive Income by component, net of tax, for the years ended December 31, 2020 and 2019:

| | Hedging Derivative Activities | Post Retirement Benefit Plan Items[(A)] | Total |
|---|---|---|---|
| **2019:** | | | |
| Balance at January 1, 2019 | $ (612,000) | $ 2,729,000 | $ 2,117,000 |
| Other comprehensive income before reclassifications | 791,000 | (1,102,000) | (311,000) |
| Amounts reclassified from accumulated other comprehensive income | (230,000) | (379,000) | (609,000) |
| Income tax (expense) benefit | (140,000) | 313,000 | 173,000 |
| Balance at December 31, 2019 | $ (191,000) | $ 1,561,000 | $ 1,370,000 |
| **2020:** | | | |
| Balance at January 1, 2020 | $ (191,000) | $ 1,561,000 | $ 1,370,000 |
| Other comprehensive income before reclassifications | (773,000) | 102,000 | (671,000) |
| Amounts reclassified from accumulated other comprehensive income | 1,026,000 | (315,000) | 711,000 |
| Income tax (expense) benefit | (62,000) | 27,000 | (35,000) |
| Balance at December 31, 2020 | $ — | $ 1,375,000 | $ 1,375,000 |

(A) The effect of post-retirement benefit items reclassified from Accumulated Other Comprehensive Income is included in other income and expense on the Consolidated Statements of Operations. These Accumulated Other Comprehensive Income components are included in the computation of net periodic benefit cost (see *Note 12 - Post Retirement Benefits* for additional details). The tax effect of post-retirement benefit items reclassified from Accumulated Other Comprehensive Income is included in income tax expense on the Consolidated Statements of Operations.

**16. Quarterly Results of Operations (Unaudited)**

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 2020, 2019 and 2018.

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Total Year |
|---|---|---|---|---|---|
| **2020:** | | | | | |
| **Product sales** | $ 61,930,000 | 35,847,000 | 54,240,000 | 58,563,000 | 210,580,000 |
| Tooling sales | 2,093,000 | 1,959,000 | 5,633,000 | 2,091,000 | 11,776,000 |
| **Net sales** | 64,023,000 | 37,806,000 | 59,873,000 | 60,654,000 | 222,356,000 |
| **Gross margin** | 10,766,000 | 2,903,000 | 10,838,000 | 9,967,000 | 34,474,000 |
| Operating income (loss) | 4,261,000 | (1,206,000) | 4,321,000 | 3,014,000 | 10,390,000 |
| **Net income (loss)** | 7,961,000 | (2,272,000) | 3,343,000 | (867,000) | 8,165,000 |
| **Net income (loss) per common share:** | | | | | |
| Basic (1) | $ 0.97 | $ (0.29) | $ 0.39 | $ (0.10) | $ 0.98 |
| Diluted (1) | $ 0.97 | $ (0.29) | $ 0.39 | $ (0.10) | $ 0.98 |
| **2019:** | | | | | |
| **Product sales** | $ 71,451,000 | $ 75,440,000 | $ 67,511,000 | $ 54,585,000 | $ 268,987,000 |
| Tooling sales | 815,000 | 5,807,000 | 7,144,000 | 1,537,000 | 15,303,000 |
| **Net sales** | 72,266,000 | 81,247,000 | 74,655,000 | 56,122,000 | 284,290,000 |
| **Gross margin** | 3,149,000 | 8,491,000 | 6,484,000 | 3,382,000 | 21,506,000 |
| Operating income (loss) | (4,017,000) | 1,267,000 | (4,657,000) | (4,121,000) | (11,528,000) |
| **Net income (loss)** | (3,845,000) | 209,000 | (6,125,000) | (5,462,000) | (15,223,000) |
| **Net income (loss) per common share:** | | | | | |
| Basic (1) | $ (0.49) | $ 0.03 | $ (0.78) | $ (0.69) | $ (1.94) |
| Diluted (1) | $ (0.49) | $ 0.03 | $ (0.78) | $ (0.69) | $ (1.94) |
| **2018:** | | | | | |
| **Product sales** | $ 59,712,000 | $ 65,225,000 | $ 62,305,000 | $ 68,975,000 | $ 256,217,000 |
| Tooling sales | 3,334,000 | 3,376,000 | 2,371,000 | 4,187,000 | 13,268,000 |
| **Net sales** | 63,046,000 | 68,601,000 | 64,676,000 | 73,162,000 | 269,485,000 |
| **Gross margin** | 7,885,000 | 7,897,000 | 4,862,000 | 6,497,000 | 27,141,000 |
| Operating income (loss) | 1,125,000 | 1,418,000 | (1,487,000) | (4,156,000) | (3,100,000) |
| **Net income (loss)** | 518,000 | 445,000 | (1,803,000) | (3,942,000) | (4,782,000) |
| **Net income (loss) per common share:** | | | | | |
| Basic (1) | $ 0.07 | $ 0.06 | $ (0.23) | $ (0.51) | $ (0.62) |
| Diluted (1) | $ 0.07 | $ 0.06 | $ (0.23) | $ (0.51) | $ (0.62) |

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

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING 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 out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and its Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based upon this evaluation, the Company's management, including its Chief Executive Officer and its Chief Financial Officer, concluded that the Company's disclosure controls and procedures were (i) effective to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act were accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures, and (ii) effective to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

### Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Company's Chief Executive Officer and Chief Financial Officer and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of the Company's financial statements would be prevented or detected.

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's internal controls over financial reporting based on the criteria established in the *2013 Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This evaluation included a review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2020.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

### Changes in Internal Controls

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

## ITEM 9B. OTHER INFORMATION

None.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information required by this Part III, Item 10 is incorporated by reference from the Company's definitive proxy statement for its annual meeting of stockholders to be held on or about June 15, 2021, which is expected to be filed with the SEC pursuant to Regulation 14A of the Securities Exchange Act of 1934 within 120 days after the end of the fiscal year covered by this report.

### ITEM 11. EXECUTIVE COMPENSATION

The information required by this Part III, Item 11 is incorporated by reference from the Company's definitive proxy statement for its annual meeting of stockholders to be held on or about June 15, 2021, which is expected to be filed with the SEC pursuant to Regulation 14A of the Securities Exchange Act of 1934 within 120 days after the end of the fiscal year covered by this report.

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

The information required by this Part III, Item 12 is incorporated by reference from the Company's definitive proxy statement for its annual meeting of stockholders to be held on or about June 15, 2021, which is expected to be filed with the SEC pursuant to Regulation 14A of the Securities Exchange Act of 1934 within 120 days after the end of the fiscal year covered by this report.

### ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Part III, Item 13 is incorporated by reference from the Company's definitive proxy statement for its annual meeting of stockholders to be held on or about June 15, 2021, which is expected to be filed with the SEC pursuant to Regulation 14A of the Securities Exchange Act of 1934 within 120 days after the end of the fiscal year covered by this report.

### ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Part III, Item 14 is incorporated by reference from the Company's definitive proxy statement for its annual meeting of stockholders to be held on or about June 15, 2021, which is expected to be filed with the SEC pursuant to Regulation 14A of the Securities Exchange Act of 1934 within 120 days after the end of the fiscal year covered by this report.

## 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 Annual Report on Form 10-K:

Schedule II — Valuation and Qualifying Accounts and Reserves for the Years Ended December 31, 2020, 2019, and 2018

All other schedules are omitted because of the absence of the conditions under which they are required.

**(3) Exhibits**

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

## ITEM 16. FORM 10-K SUMMARY

Not Applicable.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CORE MOLDING TECHNOLOGIES, INC.

By /s/ David L. Duvall
David L. Duvall
President and Chief Executive Officer
March 11, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

| | | |
|---|---|---|
| /s/ David L. Duvall<br>David L. Duvall | President, Chief Executive Officer, and Director (Principal Executive Officer) | March 11, 2021 |
| /s/ John P. Zimmer<br>John P. Zimmer | Vice President, Secretary, Treasurer, and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer) | March 11, 2021 |
| *<br>Sandra L. Kowaleski | Director | March 11, 2021 |
| *<br>Thomas R. Cellitti | Director | March 11, 2021 |
| *<br>James F. Crowley | Director | March 11, 2021 |
| *<br>Ralph O. Hellmold | Director | March 11, 2021 |
| *<br>Matthew Jauchius | Director | March 11, 2021 |
| *<br>Andrew O. Smith | Director | March 11, 2021 |
| *By /s/ John P. Zimmer<br>John P. Zimmer | Attorney-In-Fact | March 11, 2021 |

**Core Molding Technologies, Inc. and Subsidiaries**

**Schedule II**

Consolidated valuation and qualifying accounts and reserves for the years ended December 31, 2020, 2019 and 2018.

Reserves deducted from asset to which it applies:

Allowance for Doubtful Accounts

| | | Additions | | | |
|---|---|---|---|---|---|
| | Balance at Beginning of Year | (Recovered)/ Charged to Costs & Expenses | Charged to Other Accounts | Deductions [A] | Balance at End of Year |
| Year Ended December 31, 2020 | $ 50,000 | $ 27,000 | $ | $ 36,000 | $ 41,000 |
| Year Ended December 31, 2019 | $ 25,000 | $ 4,000 | $ 36,000 | $ 15,000 | $ 50,000 |
| Year Ended December 31, 2018 | $ — | $ 25,000 | $ — | $ — | $ 25,000 |

Customer Chargeback Allowance

| | | Additions | | | |
|---|---|---|---|---|---|
| | Balance at Beginning of Year | (Recovered)/ Charged to Costs & Expenses | Charged to Other Accounts | Deductions (B) | Balance at End of Year |
| Year Ended December 31, 2020 | $ 476,000 | $ 291,000 | $ — | $ 588,000 | $ 179,000 |
| Year Ended December 31, 2019 | $ 2,344,000 | $ 1,316,000 | $ — | $ 3,184,000 | $ 476,000 |
| Year Ended December 31, 2018 | $ 857,000 | $ 2,639,000 | $ — | $ 1,152,000 | $ 2,344,000 |

[A] Amount represents uncollectible accounts written off.

[B] Amount represents customer returns and deductions, discounts and price adjustments accepted.

# INDEX TO EXHIBITS

| Exhibit No. | Description | Location |
|---|---|---|
| 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] | Incorporated by reference to Exhibit 2-A to Registration Statement on Form S-4 (Registration No. 333-15809) |
| 2(a)(2) | Second Amendment to Asset Purchase Agreement dated December 16, 1996[1] | Incorporated by reference to Exhibit 2(a)(2) to Annual Report on Form 10-K for the year-ended December 31, 2001 |
| 2(b)(1) | Agreement and Plan of Merger dated as of November 1, 1996, between Core Molding Technologies, Inc. and RYMAC Mortgage Investment Corporation | Incorporated by reference to Exhibit 2-B to Registration Statement on Form S-4 (Registration No. 333-15809) |
| 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 | Incorporated by reference to Exhibit 2(b)(2) to Annual Report on Form 10-K for the year ended December 31, 2002 |
| 2(c) | Asset Purchase Agreement dated as of October 10, 2001, between Core Molding Technologies, Inc. and Airshield Corporation | Incorporated by reference to Exhibit 1 to Form 8-K filed October 31, 2001 |
| 2(d) | Asset Purchase Agreement dated as of March 20, 2015, between Core Molding Technologies, Inc. and CPI Binani, Inc. | Incorporated by reference to Exhibit 2.1 to Form 8-K filed March 23, 2015 |
| 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 | Incorporate by reference to Exhibit 2.1 to Current Report on Form 8-K filed January 19, 2018 |
| 3(a)(1) | Certificate of Incorporation of Core Molding Technologies, Inc. as filed with the Secretary of State of Delaware on October 8, 1996 | Incorporated by reference to Exhibit 4(a) to Registration Statement on Form S-8 (Registration No. 333-29203) |
| 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 | Incorporated by reference to Exhibit 4(b) to Registration Statement on Form S-8 (Registration No. 333-29203) |
| 3(a)(3) | Certificate of Amendment of Certificate of Incorporation as filed with the Secretary of State of Delaware on August 28, 2002 | Incorporated by reference to Exhibit 3(a)(4) to Quarterly Report on Form 10-Q for the quarter ended September 30, 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 | Incorporated by reference to Exhibit 3.1 to Form 8-K filed July 19, 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 | Incorporated by reference to Exhibit 3(a)(5) to Form 8-K filed April 2, 2015 |
| 3(b)(1) | Amended and Restated By-Laws of Core Molding Technologies, Inc. | Incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed January 4, 2008 |
| 3(b)(2) | Amendment No. 1 to the Amended and Restated By-Laws of Core Molding Technologies, Inc. | Incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed December 17, 2013 |
| 4(a)(1) | Certificate of Incorporation of Core Molding Technologies, Inc. as filed with the Secretary of State of Delaware on October 8, 1996 | Incorporated by reference to Exhibit 4(a) to Registration Statement on Form S-8 (Registration No. 333-29203) |

| 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 | Incorporated by reference to Exhibit 4(b) to Registration Statement on Form S-8 (Registration No. 333-29203) |
| 4(a)(3) | Certificate of Amendment of Certificate of Incorporation as filed with the Secretary of State of Delaware on August 28, 2002 | Incorporated by reference to Exhibit 3(a)(4) to Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 |
| 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 | Incorporated by reference to Exhibit 3.1 to Form 8-K filed July 19, 2007 |
| 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 | Incorporated by reference to Exhibit 3(a)(5) to Form 8-K filed April 2, 2015 |
| 4(a)(6) | Certificate of Designation, Preferences and Rights of Series B Junior Participating Preferred Stock, as filed with the Secretary of State of the State of Delaware on April 21, 2020 | Incorporated by reference to Exhibit 3.1 to Form 8-K filed April 22, 2020 |
| 4(a)(7) | Rights Agreement, dated as of April 21, 2020, by and between Core Molding Technologies, Inc. and American Stock Transfer & Trust Company, as Rights Agent | Incorporated by reference to Exhibit 4.1 to Form 8-K filed April 22, 2020 |
| 10(a) | Supply Agreement, dated August 4, 2014 between Core Molding Technologies, Inc. and Core Composites Corporation and Navistar, Inc.[3] | Incorporated by reference to Exhibit 10(a) to Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 |
| 10(b) | Credit Agreement, dated October 27, 2020, between Core Molding Technologies, Inc. and Wells Fargo Bank, National Association, as administrative agent, lead arranger and book runner, and the lenders party thereto. | Incorporated by reference to Exhibit 10.1 to Form 8-K filed November 2, 2020 |
| 10 (b)(1) | Master Security Agreement, dated as of October 20, 2020, among FGI Equipment Finance LLC, Core Molding Technologies, Inc. as debtor, and each of Core Composites Corporation and CC HPM, S. de R.L. de C.V., as guarantors | Incorporated by reference to Exhibit 10.2 to Form 8-K filed November 2, 2020 |
| 10 (b)(2) | Promissory Note, dated October 20, 2020, between Core Molding Technologies, Inc. and FGI Equipment Finance LLC. | Incorporated by reference to Exhibit 10.3 to Form 8-K filed November 2, 2020 |
| 10(c) | Reimbursement Agreement, dated April 1, 1998, by and between Core Molding Technologies, Inc. and KeyBank National Association | Incorporated by reference to Exhibit 10(h) to Annual Report on Form 10-K for the year ended December 31, 2003 |
| 10(d) | Core Molding Technologies, Inc. Employee Stock Purchase Plan[2] | Incorporated by reference to Exhibit 4(c) to Registration Statement on Form S-8 (Registration No. 333-60909). |
| 10(d)(1) | 2002 Core Molding Technologies, Inc. Employee Stock Purchase Plan (as amended May 17, 2006) [2] | Incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K dated May 23, 2006 |
| 10(e) | Letter Agreement Regarding Terms and Conditions of Interest Rate Swap Agreement between KeyBank National Association and Core Molding Technologies, Inc. | Incorporated by reference to Exhibit 10(j) to Annual Report on Form 10-K for the year ended December 31, 2003 |
| 10(e)(1) | Letter Agreement Regarding Terms and Conditions of Interest Rate Swap Agreement between KeyBank National Association and Core Molding Technologies, Inc. | Incorporated by reference to Exhibit 10(i)(1) to Annual Report on Form 10-K for the year ended December 31, 2008 |
| 10(f) | 2006 Core Molding Technologies, Inc. Long Term Equity Incentive Plan as amended and restated effective May 12, 2017[2] | Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K dated May 15, 2017 |

| Exhibit No. | Description | Location |
|---|---|---|
| 10(h) | Core Molding Technologies, Inc. Salaried Employee Bonus Plan | Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K dated December 9, 2020 |
| 10(g) | Core Molding Technologies, Inc. Executive Cash Incentive Plan[2] | Incorporated by reference to Exhibit A to Definitive Proxy Statement on Schedule 14A, dated April 8, 2016 |
| 10(i) | Form of Amended and Restated Executive Severance Agreement between Core Molding Technologies, Inc. and certain executive officers[2] | Incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K dated December 29, 2008 |
| 10(j) | Form of Amended and Restated Restricted Stock Agreement between Core Molding Technologies, Inc. and certain executive officers[2] | Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K dated January 4, 2008 |
| 10(k) | Form of Executive Severance Agreement between Core Molding Technologies, Inc. and certain executive officers[2] | Incorporated by reference to Exhibit 10.4 to Current Report on Form 8-K dated May 23, 2006 |
| 10(l) | Form of Restricted Stock Agreement between Core Molding Technologies, Inc. and certain executive officers[2] | Incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K dated May 15, 2012 |
| 10(m) | Form of Award for Stock Appreciation Rights between Core Molding Technologies, Inc. and certain executive officers | Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed May 20, 2019 |
| 10(n) | Form of Executive Employment Agreement, dated October 3, 2018, between David L. Duvall and Core Molding Technologies, Inc. | Incorporated by reference to Exhibit 10.1 to current report on Form 8-K filed November 16, 2018. |
| 10(o) | First Amendment to Executive Employment Agreement, effective as of December 30, 2019, by and between Core Molding Technologies, Inc. and David L. Duvall | Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed January 3, 2020. |
| 10(p) | Confidential Release Agreement, dated as of January 28, 2020, by and between Core Molding Technologies, Inc. and Terrence J. O'Donovan | Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K dated January 30, 2020 |
| 11 | Computation of Net Income per Share | Exhibit 11 omitted because the required information is Included in Notes to Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K |
| 21 | List of Subsidiaries | Filed Herein |
| 23 | Consent of Crowe LLP | Filed Herein |
| 24 | Powers of Attorney | Filed Herein |
| 31(a) | Section 302 Certification by David L. Duvall, President, Chief Executive Officer, and Director | Filed Herein |
| 31(b) | Section 302 Certification by John P. Zimmer, Vice President, Secretary, Treasurer, and Chief Financial Officer | Filed Herein |
| 32(a) | Certification of David L. Duvall, Chief Executive Officer of Core Molding Technologies, Inc., dated March 11, 2021, pursuant to 18 U.S.C. Section 1350 | Filed Herein |
| 32(b) | Certification of John P. Zimmer, Chief Financial Officer of Core Molding Technologies, Inc., dated March 11, 2021, pursuant to 18 U.S.C. Section 1350 | Filed Herein |
| 101.INS | XBRL Instance Document | Filed Herein |
| 101.SCH | XBRL Taxonomy Extension Schema Document | Filed Herein |

| Exhibit No. | Description | Location |
| --- | --- | --- |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase | Filed Herein |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase | Filed Herein |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase | Filed Herein |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase | Filed Herein |

1. The Asset Purchase Agreement, as filed with the Securities and Exchange Commission at Exhibit 2-A to Registration Statement on Form S-4 (Registration No. 333-15809), omits the exhibits (including, the Buyer Note, Special Warranty Deed, Supply Agreement, Registration Rights Agreement and Transition Services Agreement, identified in the Asset Purchase Agreement) and schedules (including, those identified in Sections 1, 3, 4, 5, 6, 8 and 30 of the Asset Purchase Agreement. Core Molding Technologies, Inc. will provide any omitted exhibit or schedule to the Securities and Exchange Commission upon request.

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

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

**Exhibit 21**

**SUBSIDIARIES OF REGISTRANT**

The Company's principal affiliates as of December 31, 2020, are listed below. All other affiliates, if considered in the aggregate as a single affiliate, would not constitute a significant subsidiary.

| | **Percentage of voting securities directly or indirectly owned by registrant** | **State or Country of incorporation or organization** |
|---|---|---|
| Core Composites Corporation | 100 | Delaware |
| Horizon Plastics International Inc. | 100 | Canada |

**Exhibit 23**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statements No. 333-105819, No. 333-107143, No. 333-136123, and No. 333-174349 on Forms S-8 and Registration Statement No. 333-221561 on Form S-3 of Core Molding Technologies, Inc. of our report dated March 13, 2020, relating to the consolidated financial statements and Schedule II and effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K.

/s/ Crowe LLP

Columbus, Ohio
March 11, 2021

**EXHIBIT 24**
**POWERS OF ATTORNEY**

**POWER OF ATTORNEY**

KNOWN ALL MEN BY THESE PRESENTS, that the undersigned officer and/or director of Core Molding Technologies, Inc., a Delaware corporation which is about to file with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, as amended, an Annual Report on Form 10-K for the fiscal year ended December 31, 2020, hereby constitutes and appoints David L. Duvall and John P. Zimmer, and each of them, his true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him and in his name, place and stead in any and all capacities, to sign such Annual Report on Form 10-K, and to file the same with all exhibits and financial statements and schedules thereto, and other documents in connection therewith, including any amendment thereto, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunder set his hand this 9th day of March 2021.

/s/ Thomas R. Cellitti

Thomas R. Cellitti
Director

**POWER OF ATTORNEY**

KNOWN ALL MEN BY THESE PRESENTS, that the undersigned officer and/or director of Core Molding Technologies, Inc., a Delaware corporation which is about to file with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, as amended, an Annual Report on Form 10-K for the fiscal year ended December 31, 2020, hereby constitutes and appoints David L. Duvall and John P. Zimmer, and each of them, his true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him and in his name, place and stead in any and all capacities, to sign such Annual Report on Form 10-K, and to file the same with all exhibits and financial statements and schedules thereto, and other documents in connection therewith, including any amendment thereto, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunder set his hand this 9th day of March 2021.

/s/ Sandra L Kowaleski

Sandra L Kowaleski
Director

**POWER OF ATTORNEY**

KNOWN ALL MEN BY THESE PRESENTS, that the undersigned officer and/or director of Core Molding Technologies, Inc., a Delaware corporation which is about to file with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, as amended, an Annual Report on Form 10-K for the fiscal year ended December 31, 2020, hereby constitutes and appoints David L. Duvall and John P. Zimmer, and each of them, his true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him and in his name, place and stead in any and all capacities, to sign such Annual Report on Form 10-K, and to file the same with all exhibits and financial statements and schedules thereto, and other documents in connection therewith, including any amendment thereto, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunder set his hand this 9th day of March 2021.

/s/ James F. Crowley

James F. Crowley
Director

**POWER OF ATTORNEY**

KNOWN ALL MEN BY THESE PRESENTS, that the undersigned officer and/or director of Core Molding Technologies, Inc., a Delaware corporation which is about to file with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, as amended, an Annual Report on Form 10-K for the fiscal year ended December 31, 2020, hereby constitutes and appoints David L. Duvall and John P. Zimmer, and each of them, his true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him and in his name, place and stead in any and all capacities, to sign such Annual Report on Form 10-K, and to file the same with all exhibits and financial statements and schedules thereto, and other documents in connection therewith, including any amendment thereto, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunder set his hand this 9th day of March 2021.

/s/ Ralph O. Hellmold

Ralph O. Hellmold
Director

**POWER OF ATTORNEY**

KNOWN ALL MEN BY THESE PRESENTS, that the undersigned officer and/or director of Core Molding Technologies, Inc., a Delaware corporation which is about to file with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, as amended, an Annual Report on Form 10-K for the fiscal year ended December 31, 2020, hereby constitutes and appoints David L. Duvall and John P. Zimmer, and each of them, his true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him and in his name, place and stead in any and all capacities, to sign such Annual Report on Form 10-K, and to file the same with all exhibits and financial statements and schedules thereto, and other documents in connection therewith, including any amendment thereto, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunder set his hand this 9th day of March 2021.

/s/ Andrew O. Smith

Andrew O. Smith
Director

**POWER OF ATTORNEY**

KNOWN ALL MEN BY THESE PRESENTS, that the undersigned officer and/or director of Core Molding Technologies, Inc., a Delaware corporation which is about to file with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, as amended, an Annual Report on Form 10-K for the fiscal year ended December 31, 2020, hereby constitutes and appoints David L. Duvall and John P. Zimmer, and each of them, his true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him and in his name, place and stead in any and all capacities, to sign such Annual Report on Form 10-K, and to file the same with all exhibits and financial statements and schedules thereto, and other documents in connection therewith, including any amendment thereto, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunder set his hand this 9th day of March 2021.

/s/ Matthew E. Jauchius

Matthew E. Jauchius
Director

**Exhibit 31(a)**

**SECTION 302 CERTIFICATION**

I, David L. Duvall, certify that:

1. I have reviewed this annual report on Form 10-K of Core Molding Technologies, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2021

/s/ David L. Duvall

David L. Duvall
President, Chief Executive Officer, and Director

**Exhibit 31(b)**

## SECTION 302 CERTIFICATION

I, John P. Zimmer, certify that:

1. I have reviewed this annual report on Form 10-K of Core Molding Technologies, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2021

/s/ John P. Zimmer

John P. Zimmer
Vice President, Secretary, Treasurer and Chief Financial Officer

**Exhibit 32(a)**

**CORE MOLDING TECHNOLOGIES, INC.**
**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Core Molding Technologies, Inc. (the "Company") on Form 10-K for the period ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David L. Duvall, President, Chief Executive Officer, and Director of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David L. Duvall
David L. Duvall
President, Chief Executive Officer, and Director
March 11, 2021

**Exhibit 32(b)**

# CORE MOLDING TECHNOLOGIES, INC.
# CERTIFICATION PURSUANT TO
# 18 U.S.C. SECTION 1350,
# AS ADOPTED PURSUANT TO
# SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Core Molding Technologies, Inc. (the "Company") on Form 10-K for the period ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John P. Zimmer, Vice President, Secretary, Treasurer, and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John P. Zimmer

John P. Zimmer
Vice President, Secretary, Treasurer and Chief Financial Officer
March 11, 2021

# INVESTOR INFORMATION

**Share Trading**
Shares of Core Molding Technologies common stock are traded on the NYSE American LLC under the symbol "CMT."

**Notice of Annual Meeting**
The Company's 2021 annual meeting will be held on May 13, 2021. The meeting will be held at the Company's Columbus, Ohio facility, 800 Manor Park Drive Columbus, Ohio 43228 and will convene at 9:00 a.m.

**Investor Relations**
Investor inquiries, including requests to obtain copies without charge of the Company's annual report as filed with the Securities & Exchange Commission, should be directed to:

Core Molding Technologies, Inc.
Investor Relations
800 Manor Park Drive
Columbus, OH 43228
Website: www.coremt.com

**Stockholder Inquiries**
Questions such as changes of address, name changes or lost certificates should be directed to the Company's stock transfer agent:

American Stock Transfer & Trust Co., LLC
6201 15th Avenue
Brooklyn, NY 11219
(800) 937-5449
info@amstock.com

## CORPORATE OFFICERS

**David L. Duvall**
President and Chief Executive Officer

**Renee R. Anderson**
Executive Vice President of Human Resources

**J. Chris Highfield**
Executive Vice President of Sales and Marketing

**Eric Palomaki**
Executive Vice President of Operations

**John P. Zimmer**
Executive Vice President, Secretary,
Treasurer and Chief Financial Officer

## BOARD OF DIRECTORS

**Thomas R. Cellitti,** Chairman

**James F. Crowley**

**David L. Duvall**

**Ralph O. Hellmold**

**Matthew E. Jauchius**

**Sandra L. Kowaleski**

**Andrew O. Smith**

800 Manor Park Drive
Columbus, OH 43228
www.coremt.com