

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) **November 19, 2015**

Appliance Recycling Centers of America, Inc.

(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction
of incorporation)

000-19621
(Commission
File Number)

41-1454591
(IRS Employer
Identification No.)

175 Jackson Avenue North, Suite 102, Minneapolis, Minnesota

(Address of principal executive offices)

55343-4565

(Zip Code)

Registrant's telephone number, including area code **(952) 930-9000**

7400 Excelsior Blvd., Minneapolis, MN 55426-4517
(Former name or former address, if changed since last report.)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition

On November 19, 2015, Appliance Recycling Centers of America, Inc. issued a press release announcing its results of operation and financial condition for the third quarter ended October 3, 2015. A copy of the press release dated November 19, 2015, is attached hereto as Exhibit 99.1 and incorporated herein by reference.

The information contained in the press release attached as Exhibit 99.1 hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall such press release be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements, Pro Forma Financial Information and Exhibits

(d) Exhibits

| Exhibit Number | Description |
|---------------------------|--|
| 99.1 | Press Release dated November 19, 2015. |

SIGNATURE

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

Appliance Recycling Centers of America, Inc.

Date: November 19, 2015

/s/ Jeffery Ostapeic

Jeffery Ostapeic
Chief Financial Officer



FOR IMMEDIATE RELEASE

Appliance Recycling Centers of America Reports Third Quarter 2015 Operating Results

Minneapolis, MN—November 19, 2015—Appliance Recycling Centers of America, Inc. (NASDAQ: ARCI), a leading provider of appliance recycling and retailing services, today reported operating results for the third quarter ended October 3, 2015.

Revenues for the third quarter of 2015 were \$28.1 million, down 15.3% compared with the same period in 2014, as a result of decreased recycling division program sales and lower byproduct revenues. Net loss for the third quarter of 2015 was \$(0.8) million, or \$(0.13) per diluted share, compared with earnings of \$0.3 million, or \$0.05 per diluted share, reported in the third quarter of last year, due mainly to lower volumes under certain appliance replacement programs and the significant drop in scrap steel and other nonferrous metal prices in the markets in which the company operates.

For the nine months ended October 3, 2015, total revenues decreased 13.4% to \$85.8 million, compared with revenues of \$99.2 million for the same period in the prior year. Overall, the company reported a net loss for the nine months ended October 3, 2015, of \$(1.9) million, or \$(0.32) per diluted share, compared with net income of \$1.4 million, or \$0.24 per diluted share, for the same period in the prior year.

Third Quarter Highlights

During the third quarter of 2015, the company experienced:

- Decreases in energy efficiency program revenues from utilities, municipalities and others by \$2.3 million.
- Declines in byproduct revenues of \$2.3 million as a result of the significant drop in the price of scrap steel and other nonferrous metals.
- Overall decrease in selling, general and administrative expenses of \$0.3 million as a result of cost reduction efforts in spite of a \$0.3 million in spend related to professional fees associated with the defense of our class action lawsuit.

“We continue to report declines in our financial results for the third quarter as result of lower levels of activity within our appliance recycling programs in fiscal 2015 and the impact the strong U.S. dollar and weak demand has had on the price of commodities we sell,” commented Edward R. (Jack) Cameron, President and Chief Executive Officer of ARCA, Inc. Cameron commented further, “During the third quarter the scrap steel industry witnessed a significant step backwards in the selling price of scrap steel and nonferrous metal prices. This has been precipitated by changes in demand in Turkey and China and the strength of the U.S. dollar, resulting in the reduction of U.S. exports of certain commodities that we sell. We continue to work with our vendors and customers to secure favorable pricing on the products that we sell and to adjust the pricing of our services. We have been working with a vendor to complete the destruction of refrigerants that should yield approximately \$1.6 million from our carbon offset programs in early 2016.”

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Retail Appliance Sales

ApplianceSmart, Inc., the company's retail division, posted sales of \$16.3 million for the third quarter, a decrease of \$0.4 million when compared with the same period of 2014. ApplianceSmart reported a \$0.2 million operating loss for the third quarter of 2015 as compared to an operating loss of \$0.6 million in the same period of 2014.

Brad Bremer, President of ApplianceSmart, commented, "In the third quarter although our top line sales declined slightly due to the highly competitive retail landscape, our retail margins as a percentage of sales improved to 27.4% from 24.9% in the same period in 2014." Bremer added "We continue to be encouraged by the growth of the LG and Napoleon lines, which we launched earlier in the year. This has brought some additional traffic into our stores and will certainly strengthen our brand portfolio as LG and Napoleon continue to be integrated into our sales mix. We have recently signed an agreement to add Marvel to our assortment, which will further enhance our mix and bring an additional line of product for customers we currently are not serving. The availability of out-of-carton product also continues to be strong, and with that we expect additional opportunities to improve our margins."

Recycling Revenues

ARCA Recycling, Inc. saw third quarter reductions in the combination of appliance recycling fees and appliance replacement revenues by \$2.3 million to \$9.5 million in the third quarter of 2015 when compared to the third quarter of 2014. The decline from the prior year third quarter results can be attributed to lower volumes on certain utility energy efficiency programs. The Company believes the Clean Power Plan (Section 111(d) of the Clean Air Act) will increase the demand for energy efficiency programs in the long term.

Cameron said, "We're very pleased with the success of our appliance recycling programs and are happy to report that in October 2015 we entered into a new contract with our largest replacement program customer."

Byproduct Revenues

The Company's byproduct revenues decreased from \$4.7 million in the third quarter of 2014 to \$2.3 million in the third quarter of 2015. The decline in byproduct revenues was the result of decreased scrap steel and nonferrous metal pricing. Metal prices experienced a significant drop during the first and third quarters of 2015. Scrap steel selling prices have fallen as much as \$207 per ton in our largest market (or 56%) at the end of the third quarter of 2015 when compared with the prior year's average selling price. Nonferrous pricing has seen dramatic declines as well. Lower pricing is being driven by weak demand in steel intensive industries like oil and gas production, a stronger dollar, and over-production of iron ore and steel around the world.

ARCA's declines in byproduct revenues include decreases of \$0.7 million in commodities sold. Revenues from the ARCA Advanced Processing, LLC ("AAP") joint venture in Philadelphia also reported a \$1.3 million decline in commodity revenues to \$1.6 million, compared with \$2.9 million in the third quarter of 2014. The decline was due primarily to decreased scrap steel and nonferrous metal revenues for the same reasons noted above.

Liquidity and Capital Resources

Cash and cash equivalents were \$3.4 million as of October 3, 2015, compared with \$3.5 million as of January 3, 2015. As of October 3, 2015, the Company had excess available borrowing capacity under its revolving line of credit of \$1.9 million. Net working capital decreased \$4.0 million to \$5.6 million as of October 3, 2015. As a result of the loss in the first quarter, ARCA reported to its bank that it was not in compliance with the Company's revolving credit facility. The credit facility is scheduled to expire in January 2016. ARCA is working with its bank to enter into a replacement facility for 2016.

About ARCA

ARCA's three business components are uniquely positioned in the industry to work together to provide a full array of appliance-related services. ARCA Advanced Processing, LLC employs advanced technology to refine traditional appliance recycling techniques to achieve optimal revenue-generating and environmental benefits. ARCA is also the exclusive North American distributor for UNTHA Recycling Technology (URT), one of the world's leading manufacturers of technologically advanced refrigerator recycling systems and recycling facilities for electrical household appliances and electronic scrap. ARCA's regional centers process appliances at end of life to remove environmentally damaging substances and produce material byproducts for recycling for utilities in the U.S. and Canada. Eighteen company-owned stores under the name ApplianceSmart, Inc.® sell new appliances directly to consumers and provide affordable ENERGY STAR® options for energy efficiency appliance replacement programs.

This press release contains statements that are forward-looking statements as defined within the Private Securities Litigation Reform Act of 1995, including statements regarding ARCA's future success. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements made, including the risks associated with general economic conditions, competition in the retail and recycling industries and regulatory risks. Other factors that could cause operating and financial results to differ are described in ARCA's periodic reports filed with the Securities and Exchange Commission. Other risks may be detailed from time to time in reports to be filed with the SEC.

FOR MORE INFORMATION, CONTACT:

Edward (Jack) R. Cameron, CEO
(952) 930-9000

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APPLIANCE RECYCLING CENTERS OF AMERICA, INC.
CONSOLIDATED BALANCE SHEETS
(In Thousands)

| | <u>October 3, 2015</u> | <u>January 3, 2015</u> |
|--|----------------------------|----------------------------|
| | (unaudited) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 3,364 | \$ 3,523 |
| Accounts receivable | 11,773 | 10,954 |
| Inventories | 16,278 | 16,113 |
| Income taxes receivable | 1,405 | 709 |
| Other current assets | 905 | 1,096 |
| Deferred income tax assets | 1,889 | 2,082 |
| Total current assets | 35,614 | 34,477 |
| Property and equipment, net | 11,125 | 11,761 |
| Restricted cash | 500 | — |
| Other assets | 708 | 708 |
| Deferred income taxes | 3 | 14 |
| Total assets (a) | <u>\$ 47,950</u> | <u>\$ 46,960</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 7,670 | \$ 6,380 |
| Accrued expenses | 7,561 | 8,133 |
| Line of credit | 12,407 | 9,237 |
| Current maturities of long-term obligations | 2,363 | 1,138 |
| Total current liabilities | 30,001 | 24,888 |
| Long-term obligations, less current maturities | 3,649 | 5,118 |
| Other noncurrent liabilities | 270 | 369 |
| Deferred income tax liabilities | 1,048 | 1,048 |
| Total liabilities (a) | <u>34,968</u> | <u>31,423</u> |
| Commitments and contingencies | — | — |
| Shareholders' equity: | | |
| Shareholders' equity | 11,821 | 13,602 |
| Noncontrolling interest | 1,161 | 1,935 |
| | 12,982 | 15,537 |
| Total liabilities and shareholders' equity | <u>\$ 47,950</u> | <u>\$ 46,960</u> |

(a) Assets of ARCA Advanced Processing, LLC (AAP), ARCA's consolidated variable interest entity (VIE), that can only be used to settle obligations of AAP were \$9,027 and \$9,814 as of October 3, 2015 and January 3, 2015, respectively. Liabilities of AAP for which creditors do not have recourse to the general credit of Appliance Recycling Centers of America, Inc. were \$2,454 and \$2,338 as of October 3, 2015 and January 3, 2015, respectively.

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APPLIANCE RECYCLING CENTERS OF AMERICA, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Amounts)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-----------------------|--------------------|-----------------------|
| | October 3, 2015 | September 27, 2014 | October 3, 2015 | September 27, 2014 |
| Revenues: | | | | |
| Retail | \$ 16,253 | \$ 16,712 | \$ 50,845 | \$ 50,774 |
| Recycling | 9,528 | 11,833 | 26,717 | 34,678 |
| Byproduct | 2,348 | 4,682 | 8,269 | 13,716 |
| Total revenues | 28,129 | 33,227 | 85,831 | 99,168 |
| Costs of revenues | | | | |
| | 21,907 | 24,937 | 65,864 | 73,691 |
| Gross profit | 6,222 | 8,290 | 19,967 | 25,477 |
| Selling, general and administrative expenses | 7,330 | 7,612 | 22,453 | 22,283 |
| Operating income (loss) | (1,108) | 678 | (2,486) | 3,194 |
| Other income (expense): | | | | |
| Interest expense, net | (312) | (219) | (878) | (708) |
| Other income (expense), net | (34) | (67) | (175) | (55) |
| Income (loss) before income taxes and noncontrolling interest | (1,454) | 392 | (3,539) | 2,431 |
| Provision for (benefit from) income taxes | (308) | 145 | (894) | 976 |
| Net income (loss) | (1,146) | 247 | (2,645) | 1,455 |
| Net loss (income) attributable to noncontrolling interest | 373 | 51 | 774 | (78) |
| Net income (loss) attributable to controlling interest | \$ (773) | \$ 298 | \$ (1,871) | \$ 1,377 |
| Income (loss) per common share: | | | | |
| Basic | \$ (0.13) | \$ 0.05 | \$ (0.32) | \$ 0.24 |
| Diluted | \$ (0.13) | \$ 0.05 | \$ (0.32) | \$ 0.24 |
| Weighted average common shares outstanding: | | | | |
| Basic | 5,836 | 5,749 | 5,811 | 5,635 |
| Diluted | 5,836 | 5,869 | 5,811 | 5,747 |