

EXIDE TECHNOLOGIES

Form 10-Q

February 06, 2013

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

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(Mark One)

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

For the quarterly period ended December 31, 2012

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

Commission File Number 1-11263

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EXIDE TECHNOLOGIES

(Exact name of registrant as specified in its charter)

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Delaware

(State or other jurisdiction of incorporation or organization)

23-0552730

(I.R.S. Employer Identification Number)

13000 Deerfield Parkway,

Building 200

Milton, Georgia

(Address of principal executive offices)

(678) 566-9000

(Registrant's telephone number, including area code)

30004

(Zip Code)

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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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or 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  Smaller reporting company

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

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

As of January 28, 2013, 79,334,230 shares of common stock were outstanding.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

EXIDE TECHNOLOGIES AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (Unaudited, in thousands, except per-share data)

	For the Three Months Ended		For the Nine Months Ended		
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	
Net sales	\$804,879	\$784,051	\$2,210,009	\$2,302,099	
Cost of sales	684,809	657,540	1,892,025	1,940,325	
Gross profit	120,070	126,511	317,984	361,774	
Selling and administrative expenses	99,568	96,182	288,968	295,058	
Restructuring and impairments, net	15,776	2,145	16,400	3,722	
Operating income	4,726	28,184	12,616	62,994	
Other (income) expense, net	(2,001	) 3,403	(903	) 9,273	
Interest expense, net	18,366	17,194	49,692	52,929	
(Loss) income before income taxes	(11,639	) 7,587	(36,173	) 792	
Income tax provision (benefit)	3,644	(60,313	) 99,343	(57,685	)
Net (loss) income	(15,283	) 67,900	(135,516	) 58,477	
Net income (loss) attributable to noncontrolling interests	160	(315	) 300	(958	)
Net (loss) income attributable to Exide Technologies	\$(15,443	) \$68,215	\$(135,816	) \$59,435	
(Loss) earnings per share					
Basic	(0.20	) 0.88	(1.76	) 0.77	
Diluted	(0.20	) 0.84	(1.76	) 0.72	
Weighted average shares					
Basic	77,344	77,738	77,234	77,628	
Diluted	77,344	81,610	77,234	82,198	

The accompanying notes are an integral part of these statements.

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EXIDE TECHNOLOGIES AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME  
 (Unaudited, in thousands)

	For the Three Months Ended		For the Nine Months Ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Consolidated net (loss) income	\$(15,283	) \$67,900	\$(135,516	) \$58,477
Other comprehensive (loss) income:				
Foreign currency translation adjustment	10,389	(7,600	) (3,094	) (41,281
(Loss) gain on derivatives qualifying as hedges, net	(975	) 2,283	291	(1,451
Change in defined benefit liabilities, net	(185	) (236	) 96	(306
Total comprehensive (loss) income	(6,054	) 62,347	(138,223	) 15,439
Comprehensive income (loss) attributable to noncontrolling interests	172	(279	) 312	(730
Comprehensive (loss) income attributable to Exide Technologies	\$(6,226	) \$62,626	\$(138,535	) \$16,169

The accompanying notes are an integral part of these statements.

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EXIDE TECHNOLOGIES AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Unaudited, in thousands, except per-share data)

	December 31, 2012	March 31, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$80,015	\$155,368
Accounts receivable, net	553,804	500,375
Inventories	548,459	479,467
Prepaid expenses and other current assets	25,976	21,840
Deferred income taxes	10,368	30,804
Total current assets	1,218,622	1,187,854
Property, plant and equipment, net	633,022	622,975
Other assets:		
Goodwill and intangibles, net	150,783	164,039
Deferred income taxes	97,753	174,601
Other noncurrent assets	46,502	45,517
	295,038	384,157
Total assets	\$2,146,682	\$2,194,986
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term borrowings	\$61,056	\$20,014
Current maturities of long-term debt	59,151	3,787
Accounts payable	440,830	390,549
Accrued expenses	293,887	276,809
Total current liabilities	854,924	691,159
Long-term debt	690,215	752,930
Noncurrent retirement obligations	223,748	236,312
Deferred income taxes	14,671	17,158
Other noncurrent liabilities	95,846	95,075
Total liabilities	1,879,404	1,792,634
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$0.01 par value, 1,000 shares authorized, 0 shares issued and outstanding	—	—
Common stock, \$0.01 par value, 200,000 shares authorized, 79,298 and 78,351 shares issued and outstanding	793	783
Additional paid-in capital	1,136,544	1,133,417
Accumulated deficit	(851,729	) (715,913
Accumulated other comprehensive loss	(19,200	) (16,493
Total stockholders' equity attributable to Exide Technologies	266,408	401,794
Noncontrolling interests	870	558
Total stockholders' equity	267,278	402,352
Total liabilities and stockholders' equity	\$2,146,682	\$2,194,986
The accompanying notes are an integral part of these statements.		





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EXIDE TECHNOLOGIES AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited, in thousands)

	For the Nine Months Ended	
	December 31, 2012	December 31, 2011
Cash Flows From Operating Activities:		
Net (loss) income	\$(135,516	) \$58,477
Adjustments to reconcile net (loss) income to net cash used in operating activities		
Depreciation and amortization	58,873	63,990
Net loss on asset sales / impairments	9,534	1,618
Deferred income taxes	93,523	(78,340
Provision for doubtful accounts	948	986
Non-cash stock compensation	3,916	3,684
Amortization of deferred financing costs	3,202	3,233
Currency remeasurement (gain) loss	(1,616	) 12,949
Changes in assets and liabilities		
Receivables	(44,221	) (10,804
Inventories	(70,861	) (32,200
Other current assets	(6,619	) 1,219
Payables	52,814	(24,326
Accrued expenses	9,645	(886
Other noncurrent liabilities	(10,214	) (11,447
Other, net	(1,582	) 10,159
Net cash used in operating activities	(38,174	) (1,688
Cash Flows From Investing Activities:		
Capital expenditures	(74,838	) (71,931
Proceeds from asset sales	4,359	563
Net cash used in investing activities	(70,479	) (71,368
Cash Flows From Financing Activities:		
Increase in short-term borrowings	41,137	13,722
(Decrease) increase in other debt	(6,810	) 5,439
Other	(779	) (486
Net cash provided by financing activities	33,548	18,675
Effect of exchange rate changes on cash and cash equivalents	(248	) (4,314
Net decrease in cash and cash equivalents	(75,353	) (58,695
Cash and cash equivalents, beginning of period	155,368	161,363
Cash and cash equivalents, end of period	\$80,015	\$102,668
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period		
Interest	\$35,423	\$37,357
Income taxes (net of refunds)	\$7,350	\$21,698

The accompanying notes are an integral part of these statements.



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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

(Unaudited)

## (1) BASIS OF PRESENTATION

The Condensed Consolidated Financial Statements include the accounts of Exide Technologies (referred to together with its subsidiaries, unless the context requires otherwise, as “Exide” or the “Company”) and all of its majority-owned subsidiaries. These statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by U.S. generally accepted accounting principles (“GAAP”), or those disclosures normally made in the Company’s annual report on Form 10-K. Accordingly, the reader of this Form 10-Q should refer to the Company’s annual report on Form 10-K for the fiscal year ended March 31, 2012 for further information.

The financial information has been prepared in accordance with the Company’s customary accounting practices. In the Company’s opinion, the accompanying Condensed Consolidated Financial Statements include all adjustments of a normal recurring nature necessary for a fair statement of the results of operations, comprehensive income (loss), financial position, and cash flows for the periods presented. This includes accounting and disclosures related to any subsequent events occurring from the balance sheet date through the date the financial statements were issued.

Unless otherwise indicated or unless the context otherwise requires, references to “fiscal year” refer to the period ended March 31 of that year (e.g., “fiscal 2013” refers to the period beginning April 1, 2012 and ending March 31, 2013).

## (2) STOCKHOLDERS’ EQUITY

The stockholders’ equity accounts for both the Company and noncontrolling interests consist of:

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Stockholders’ Equity
	(In thousands)					
Balance at April 1, 2012	\$783	\$1,133,417	\$ (715,913 )	\$ (16,493 )	\$ 558	\$402,352
Net (loss) income	—	—	(135,816 )	—	300	(135,516 )
Defined benefit plans, net of tax of (\$30)	—	—	—	96	—	96
Translation adjustment	—	—	—	(3,094 )	12	(3,082 )
Net recognition of unrealized gain on derivatives, net of tax of (\$114)	—	—	—	291	—	291
Common stock issuance/other	10	(10 )	—	—	—	—
Stock compensation (equity-based)	—	3,137	—	—	—	3,137
Balance at December 31, 2012	\$793	\$1,136,544	\$ (851,729 )	\$ (19,200 )	\$ 870	\$267,278

## (3) ACCOUNTING FOR DERIVATIVES

The Company uses derivative contracts to hedge the volatility arising from changes in the fair value of certain assets and liabilities that are subject to market risk, such as interest rates on debt instruments, foreign currency exchange rates, and certain commodities. The Company does not enter into derivative contracts for trading or speculative purposes.

The Company recognizes outstanding derivative instruments as assets or liabilities, based on measurements of their fair values. If a derivative qualifies for hedge accounting, gains or losses in its fair value that offset changes in the fair

value of the asset or liability being hedged (“effective” gains or losses) are reported in accumulated other comprehensive income, and subsequently recorded to earnings only as the related variability on the hedged transaction is recorded in earnings. If a derivative does not qualify for hedge accounting, changes in its fair value are reported in earnings immediately upon occurrence, and the classification of cash flows from these instruments is consistent with that of the transactions being hedged. Derivatives qualify for hedge accounting if they are designated as hedging instruments at their inception, and if they are highly effective in achieving changes in fair value that offset the fair value changes in the assets or liabilities being hedged. Regardless of a derivative’s accounting designation, changes in its fair value that are not offset by changes in the fair value of the asset or liability being hedged are considered ineffective, and are recognized in earnings immediately.

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The following tables set forth information on the presentation of the derivative instruments in the Company's Condensed Consolidated Financial Statements:

	Balance Sheet Location	Fair Value As of December 31, 2012 (In thousands)	March 31, 2012
Asset Derivatives:			
Foreign exchange forwards	Current assets	\$—	\$104
Commodity swaps / forwards	Current assets	563	320
Interest rate swaps	Current assets	—	1,755
Interest rate swaps	Noncurrent assets	—	2,323
Liability Derivatives:			
Foreign exchange forwards	Current liabilities	1	5,725
Commodity swaps / forwards	Current liabilities	—	697

	Statement of Operations Location	For the Three Months Ended		For the Nine Months Ended	
		December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
(In thousands)					
Foreign Exchange Forwards					
Loss (gain)	Other (income) expense, net	\$163	\$(3,124)	\$(2,678)	\$(9,287)
Commodity Swaps / Forwards					
(Gain) loss	Cost of sales	(962)	2,998	1,580	3,808
Interest Rate Swaps					
Gain	Interest expense, net	(142)	(1,028)	(1,912)	(1,546)

At December 31, 2012, an approximately \$0.2 million gain is expected to be reclassified from accumulated other comprehensive income ("OCI") to cost of sales during the remainder of fiscal 2013.

**(4) GOODWILL AND INTANGIBLE ASSETS**

Goodwill and intangible assets consist of:

	Goodwill (not subject to amortization)	Trademarks and Tradenames (not subject to amortization)	Trademarks and Tradenames	Customer Relationships	Technology	Total
(In thousands)						
As of December 31, 2012						
Gross amount	\$1,001	\$ 61,232	\$13,915	\$107,671	\$30,883	\$214,702
Accumulated amortization	—	—	(9,524)	(38,241)	(16,154)	(63,919)
Net	\$1,001	\$ 61,232	\$4,391	\$69,430	\$14,729	\$150,783
As of March 31, 2012						

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Gross amount	\$4,000	\$ 61,470	\$13,971	\$115,520	\$30,958	\$225,919
Accumulated amortization	—	—	(8,734	) (37,936	) (15,210	) (61,880
Net	\$4,000	\$ 61,470	\$5,237	\$77,584	\$15,748	\$164,039

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Amortization of intangible assets for the first nine months of fiscal 2013 and 2012 was \$5.3 million and \$6.5 million, respectively. Excluding the impact of any future acquisitions, the Company anticipates annual amortization of intangible assets for each of the next five years will be approximately \$7.0 million. Intangible assets have been recorded at the legal entity level and are subject to foreign currency fluctuation.

**(5) INVENTORIES**

Inventories, valued using the first-in, first-out (“FIFO”) method, consist of:

	December 31, 2012 (In thousands)	March 31, 2012
Raw materials	\$104,607	\$85,116
Work-in-process	135,971	123,723
Finished goods	307,881	270,628
	<b>\$548,459</b>	<b>\$479,467</b>

**(6) OTHER NONCURRENT ASSETS**

Other noncurrent assets consist of the following:

	December 31, 2012 (In thousands)	March 31, 2012
Deposits (a)	\$4,271	\$4,566
Deferred financing costs	17,143	20,326
Investment in affiliates	1,892	1,963
Capitalized software, net	2,553	2,003
Loan to affiliate	1,005	1,005
Retirement plans	13,005	7,474
Financial instruments	—	2,323
Other	6,633	5,857
	<b>\$46,502</b>	<b>\$45,517</b>

Deposits principally represent amounts held by beneficiaries as cash collateral for the Company’s contingent (a) obligations with respect to certain environmental matters, workers compensation insurance, and operating lease commitments.

**(7) DEBT**

At December 31, 2012 and March 31, 2012, short-term borrowings of \$61.1 million and \$20.0 million, respectively, consisted of borrowings under various operating lines of credit, the Company’s senior secured asset-backed revolving credit facility (the “ABL facility”), and working capital facilities maintained by certain of the Company’s non-U.S. subsidiaries. Certain of these borrowings are collateralized by receivables, inventories and/or property. Excluding the ABL facility, these borrowing facilities are typically for one-year renewable terms and generally bear interest at current local market rates plus up to one percent per annum. The weighted average interest rate on short-term borrowings was approximately 5.5% and 5.4% at December 31, 2012 and March 31, 2012, respectively. Total long-term debt consists of:

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	December 31, 2012 (In thousands)	March 31, 2012
8 5/8% Senior Secured Notes due 2018	\$675,000	\$675,000
Floating Rate Convertible Senior Subordinated Notes due 2013 (a)	55,750	60,000
Other, including capital lease obligations and other loans at interest rates generally ranging up to 6.2% due in installments through 2018	15,686	18,363
	746,436	753,363
Fair value adjustments on hedged debt	2,930	3,354
Total	749,366	756,717
Less-current maturities (a)	59,151	3,787
Total long-term debt	\$690,215	\$752,930
Total debt, including short-term borrowings, at December 31, 2012 and March 31, 2012 was \$810.4 million and \$776.7 million, respectively.		

(a) Included in current maturities at December 31, 2012 are the Company's floating rate Convertible Senior Subordinated Notes, which mature on September 18, 2013.

**(8) INTEREST EXPENSE, NET**

Interest income is included in interest expense, net. Such interest income amounted to \$0.2 million for both the three months ended December 31, 2012 and 2011 and \$0.8 million and \$1.1 million for the nine months ended December 31, 2012 and 2011, respectively.

**(9) OTHER (INCOME) EXPENSE, NET**

Other (income) expense net consist of:

	For the Three Months Ended		For the Nine Months Ended		
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	
	(In thousands)				
Currency remeasurement (gain) loss (a)	\$(1,868	) \$3,566	\$(1,616	) \$12,949	
Reorganization items (b)	267	204	1,068	1,069	
Gain on interest rate swap	—	(208	) —	(4,503	)
Other	(400	) (159	) (355	) (242	)
	\$ (2,001	) \$3,403	\$ (903	) \$9,273	

(a) The currency remeasurement loss (gain) relates primarily to intercompany loans to foreign subsidiaries denominated in Euros, the Australian dollar, Belarusian ruble, and various other foreign currencies.

(b) Reorganization items primarily consist of professional fees and claim settlements related to the Company's prior bankruptcy filing from which the successor Company emerged in May 2004.





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## (10) EMPLOYEE BENEFITS

The components of the Company's net periodic pension and other post-retirement benefit costs are as follows:

	Pension Benefits		For the Nine Months Ended	
	For the Three Months Ended December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	(In thousands)			
Components of net periodic benefit cost:				
Service cost	\$603	\$618	\$1,776	\$1,847
Interest cost	7,423	8,182	22,112	24,509
Expected return on plan assets	(7,252	) (7,727	) (21,621	) (23,139
Amortization of:				
Prior service cost	15	21	46	64
Actuarial loss	504	168	1,508	503
Net periodic benefit cost	\$1,293	\$1,262	\$3,821	\$3,784