

SUPERIOR INDUSTRIES INTERNATIONAL INC

Form 10-Q

November 13, 2017

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended October 1, 2017

**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: 1-6615

SUPERIOR INDUSTRIES INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of	95-2594729 (I.R.S. Employer
Incorporation or Organization)	Identification No.)
26600 Telegraph Road, Suite 400 Southfield, Michigan (Address of Principal Executive Offices)	48033 (Zip Code)
Registrant's Telephone Number, Including Area Code: (248) 352-7300	

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, a smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

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.

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

Number of shares of common stock outstanding as of November 9, 2017: 24,907,458

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Table of Contents**PART I****FINANCIAL INFORMATION****Item 1. Financial Statements
Superior Industries International, Inc.****Condensed Consolidated Statements of Operations**

(Dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	October 1, 2017	September 25, 2016	October 1, 2017	September 25, 2016
NET SALES	\$ 331,404	\$ 175,580	\$ 746,252	\$ 544,354
Cost of sales:				
Cost of sales	307,511	164,537	682,920	475,869
Restructuring costs (Note 4)		62	130	249
	307,511	164,599	683,050	476,118
GROSS PROFIT	23,893	10,981	63,202	68,236
Selling, general and administrative expenses	18,135	5,731	55,498	24,724
INCOME FROM OPERATIONS	5,758	5,250	7,704	43,512
Interest (expense) income, net	(13,422)	41	(28,447)	152
Other income (expense), net	3,082	(381)	10,220	(486)
Change in fair value of redeemable preferred stock embedded derivative liability	4,081		4,081	
CONSOLIDATED (LOSS) INCOME BEFORE INCOME TAXES	(501)	4,910	(6,442)	43,178
Income tax benefit (provision)	3,355	1,064	4,880	(9,576)
CONSOLIDATED NET INCOME (LOSS)	2,854	5,974	(1,562)	33,602
Less: Net (income) loss attributable to non-controlling interest	(239)		8	
NET INCOME (LOSS) ATTRIBUTABLE TO SUPERIOR	\$ 2,615	\$ 5,974	\$ (1,554)	\$ 33,602
	\$ (0.22)	\$ 0.24	\$ (0.50)	\$ 1.32

**(LOSS) EARNINGS PER SHARE ATTRIBUTABLE
TO SUPERIOR- BASIC**

(LOSS) EARNINGS PER SHARE ATTRIBUTABLE
TO SUPERIOR- DILUTED

\$ (0.22) \$ 0.23 \$ (0.50) \$ 1.31

DIVIDENDS DECLARED PER SHARE

\$ 0.09 \$ 0.18 \$ 0.36 \$ 0.54

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

Table of Contents**Superior Industries International, Inc.****Condensed Consolidated Statements of Comprehensive Income**

(Dollars in thousands)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	October 1, 2017	September 25, 2016	October 1, 2017	September 25, 2016
Net income (loss) attributable to Superior	\$ 2,615	\$ 5,974	\$ (1,554)	\$ 33,602
Other comprehensive income (loss), net of tax:				
Foreign currency translation gain (loss), net of tax	8,149	(4,211)	31,494	(12,877)
Change in unrecognized (losses) gains on derivative instruments:				
Change in fair value of derivatives	(2,189)	(2,545)	25,773	(7,961)
Tax provision			(335)	(266)
Change in unrecognized (losses) gains on derivative instruments, net of tax	(2,189)	(2,545)	25,438	(8,227)
Defined benefit pension plan:				
Actuarial gains on pension obligation, net of curtailments and amortization	88	84	273	252
Tax provision	(25)	(31)	(74)	(93)
Pension changes, net of tax	63	53	199	159
Other comprehensive income (loss), net of tax	6,023	(6,703)	57,131	(20,945)
Comprehensive income (loss) attributable to Superior	\$ 8,638	\$ (729)	\$ 55,577	\$ 12,657

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

Table of Contents**Superior Industries International, Inc.****Condensed Consolidated Balance Sheets**

(Dollars in thousands)

(Unaudited)

	October 1, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 30,424	\$ 57,786
Short-term investments	750	750
Accounts receivable, net	174,294	99,331
Inventories	178,097	82,837
Income taxes receivable	7,304	3,682
Other current assets	19,965	9,695
Total current assets	410,834	254,081
Property, plant and equipment, net	518,258	227,403
Investment in unconsolidated affiliate		2,000
Deferred income tax assets, net	60,350	28,838
Goodwill	321,671	
Intangibles	213,524	
Other non-current assets	38,718	30,434
Total assets	\$ 1,563,355	\$ 542,756
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 98,941	\$ 37,856
Short term debt	5,800	
Accrued expenses	67,861	46,315
Income taxes payable	1,724	1,793
Total current liabilities	174,326	85,964
Long-term debt (less current portion)	675,104	
Embedded derivative liability	6,768	
Non-current income tax liabilities	5,719	5,301
Deferred income tax liabilities, net	34,799	3,628
Other non-current liabilities	41,961	49,637
Mezzanine equity:		
Preferred stock, \$.01 par value		
Authorized 1,000,000 shares; issued and outstanding - 150,000 shares (no shares at December 25, 2016)	140,641	

Shareholders' equity:

Common stock, \$.01 par value		
Authorized - 100,000,000 shares; Issued and outstanding - 24,903,622 shares (25,143,950 shares at December 25, 2016)	88,705	89,916
Accumulated other comprehensive loss	(67,794)	(124,925)
Retained earnings	407,265	433,235
Superior shareholders' equity	428,176	398,226
Noncontrolling interests	55,861	
Total shareholders' equity	484,037	398,226
Total liabilities, mezzanine and shareholders' equity	\$ 1,563,355	\$ 542,756

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

Table of Contents**Superior Industries International, Inc.****Condensed Consolidated Statements of Cash Flows**

(Dollars in thousands)

(Unaudited)

	Nine Months Ended	
	October 1, 2017	September 25, 2016
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$ 17,170	\$ 39,261
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(56,826)	(30,165)
Acquisition of Uniwheels, net of cash acquired	(701,224)	
Proceeds from sales and maturities of investments		200
Proceeds from sale of property, plant and equipment	118	1
NET CASH USED IN INVESTING ACTIVITIES	(757,932)	(29,964)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	975,571	
Proceeds from issuance of redeemable preferred shares	150,000	
Debt repayment	(321,103)	
Cash dividends paid	(13,340)	(13,783)
Cash paid for common stock repurchase	(5,014)	(13,527)
Payments related to tax withholdings for stock-based compensation	(1,467)	
Net increase (decrease) in short term debt	(9,032)	
Proceeds from borrowings on revolving credit facility	70,750	
Repayments on borrowings on revolving credit facility	(99,650)	
Proceeds from exercise of stock options	41	1,616
Redeemable preferred shares issuance costs	(3,737)	
Financing costs paid	(30,460)	
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	712,559	(25,694)