

STONERIDGE INC
Form 10-Q
August 03, 2015

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 quarter ended June 30, 2015

Commission file number: 001-13337

STONERIDGE, INC.

(Exact name of registrant as specified in its charter)

Ohio <i>(State or other jurisdiction of incorporation or organization)</i>	34-1598949 <i>(I.R.S. Employer Identification No.)</i>
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9400 East Market Street, Warren, Ohio <i>(Address of principal executive offices)</i>	44484 <i>(Zip Code)</i>
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(330) 856-2443
Registrant's telephone number, including area code

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 website, 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, or a non-accelerated filer. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

The number of Common Shares, without par value, outstanding as of July 24, 2015 was 27,913,194.

STONERIDGE, INC. AND SUBSIDIARIES

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PART I – FINANCIAL INFORMATION**Item 1. Financial Statements****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands)	June 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 22,860	\$ 43,021
Accounts receivable, less reserves of \$1,464 and \$2,017, respectively	114,456	105,102
Inventories, net	82,117	71,253
Prepaid expenses and other current assets	26,924	26,135
Total current assets	246,357	245,511
Long-term assets:		
Property, plant and equipment, net	86,930	85,311
Other assets:		
Intangible assets, net	46,697	56,637
Goodwill	1,003	1,078
Investments and other long-term assets, net	10,511	10,214
Total long-term assets	145,141	153,240
Total assets	\$ 391,498	\$ 398,751
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt	\$ 20,618	\$ 19,655
Accounts payable	66,682	58,593
Accrued expenses and other current liabilities	39,832	42,066
Total current liabilities	127,132	120,314
Long-term liabilities:		
Revolving credit facility	100,000	100,000
Long-term debt, net	7,014	10,651
Deferred income taxes	45,157	50,006
Other long-term liabilities	3,741	3,974
Total long-term liabilities	155,912	164,631
Shareholders' equity:		
Preferred Shares, without par value, 5,000 shares authorized, none issued	-	-

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Common Shares, without par value, 60,000 shares authorized, 28,900 and 28,853 shares issued and 27,913 and 28,221 shares outstanding at June 30, 2015 and December 31, 2014, respectively, with no stated value	-	-
Additional paid-in capital	197,042	192,892
Common Shares held in treasury, 987 and 632 shares at June 30, 2015 and December 31, 2014, respectively, at cost	(4,134)	(1,284)
Accumulated deficit	(45,556)	(54,879)
Accumulated other comprehensive loss	(57,251)	(45,473)
Total Stoneridge Inc. shareholders' equity	90,101	91,256
Noncontrolling interest	18,353	22,550
Total shareholders' equity	108,454	113,806
Total liabilities and shareholders' equity	\$ 391,498	\$ 398,751

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

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**(Unaudited)**

(in thousands, except per share data)	Three months ended		Six months ended	
	June 30, 2015	2014	June 30, 2015	2014
Net sales	\$165,289	\$162,099	\$328,114	\$323,430
Costs and expenses:				
Cost of goods sold	119,343	113,814	238,520	227,007
Selling, general and administrative	28,482	31,617	59,224	62,383
Design and development	10,049	10,589	19,829	21,527
Goodwill impairment	-	29,300	-	29,300
Operating income (loss)	7,415	(23,221)	10,541	(16,787)
Interest expense, net	1,658	5,072	2,936	10,001
Equity in earnings of investee	(143)	(144)	(332)	(382)
Other (income) expense, net	(47)	330	(260)	2,246
Income (loss) before income taxes from continuing operations	5,947	(28,479)	8,197	(28,652)
Provision (benefit) for income taxes from continuing operations	(381)	90	(234)	385
Income (loss) from continuing operations	6,328	(28,569)	8,431	(29,037)
Discontinued operations:				
Income from discontinued operations, net of tax	-	594	-	1,647
Gain (loss) on disposal, net of tax	55	(1,138)	(113)	(1,233)
Income (loss) from discontinued operations	55	(544)	(113)	414
Net income (loss)	6,383	(29,113)	8,318	(28,623)
Net loss attributable to noncontrolling interest	(596)	(7,221)	(1,005)	(8,199)
Net income (loss) attributable to Stoneridge, Inc.	\$6,979	\$(21,892)	\$9,323	\$(20,424)
Earnings (loss) per share from continuing operations attributable to Stoneridge, Inc.:				
Basic	\$0.26	\$(0.79)	\$0.35	\$(0.78)
Diluted	\$0.25	\$(0.79)	\$0.34	\$(0.78)
Earnings (loss) per share attributable to discontinued operations:				

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Basic	\$0.00	\$(0.02)	\$0.00	\$0.02
Diluted	\$0.00	\$(0.02)	\$0.00	\$0.02
Earnings (loss) per share attributable to Stoneridge, Inc.:				
Basic	\$0.26	\$(0.81)	\$0.35	\$(0.76)
Diluted	\$0.25	\$(0.81)	\$0.34	\$(0.76)
Weighted-average shares outstanding:				
Basic	27,308	26,934	27,227	26,894
Diluted	27,945	26,934	27,863	26,894

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**(Unaudited)**

(in thousands)	Three months ended		Six months ended	
	June 30, 2015	2014	June 30, 2015	2014
Net income (loss)	\$6,383	\$(29,113)	\$8,318	\$(28,623)
Less: Loss attributable to noncontrolling interest	(596)	(7,221)	(1,005)	(8,199)
Net income (loss) attributable to Stoneridge, Inc.	6,979	(21,892)	9,323	(20,424)
Other comprehensive income (loss), net of tax attributable to Stoneridge, Inc.:				
Foreign currency translation	3,022	2,186	(11,940)	6,364
Benefit plan liability adjustment	-	-	(45)	-
Unrealized gain (loss) on derivatives	(728)	238	207	95
Other comprehensive income (loss), net of tax attributable to Stoneridge, Inc.	2,294	2,424	(11,778)	6,459
Comprehensive income (loss) attributable to Stoneridge, Inc.	\$9,273	\$(19,468)	\$(2,455)	\$(13,965)

The Company has combined comprehensive income (loss) from continuing operations and comprehensive income (loss) from discontinued operations herein.

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**(Unaudited)**

Six months ended June 30	2015	2014
OPERATING ACTIVITIES:		
Net income (loss)	\$8,318	\$(28,623)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation	9,998	13,322
Amortization, including accretion of debt discount	2,101	2,958
Deferred income taxes	(1,355)	572
Earnings of equity method investee	(332)	(382)
Loss on sale of fixed assets	59	18
Share-based compensation expense	4,482	2,300
Goodwill impairment	-	29,300
Loss on disposal of Wiring business	113	-
Wiring business asset group write-down	-	1,000
Changes in operating assets and liabilities, net of effect of business acquisition:		
Accounts receivable, net	(14,637)	(10,626)
Inventories, net	(16,920)	(15,253)
Prepaid expenses and other	(2,920)	(3,433)
Accounts payable	12,935	3,931
Accrued expenses and other	(210)	(2,143)
Net cash provided by (used for) operating activities		