

STONERIDGE INC  
Form 10-Q  
November 01, 2013

**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 September 30, 2013**

**Commission file number: 001-13337**

**STONERIDGE, INC.**

*(Exact name of registrant as specified in its charter)*

<b>Ohio</b> <i>(State or other jurisdiction of incorporation or organization)</i>	<b>34-1598949</b> <i>(I.R.S. Employer Identification No.)</i>
--	--

<b>9400 East Market Street, Warren, Ohio</b> <i>(Address of principal executive offices)</i>	<b>44484</b> <i>(Zip Code)</i>
---	-----------------------------------

**(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 October 25, 2013 was 28,483,366.

**STONERIDGE, INC. AND SUBSIDIARIES**

<b>INDEX</b>	<b>Page</b>
<b>PART I—FINANCIAL INFORMATION</b>	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets as of September 30, 2013 (Unaudited) and December 31, 2012	2
Condensed Consolidated Statements of Operations (Unaudited) for the Three and Nine Months Ended September 30, 2013 and 2012	3
Condensed Consolidated Statements of Comprehensive Income (Unaudited) for the Three and Nine Months Ended September 30, 2013 and 2012	4
Condensed Consolidated Statements of Cash Flows (Unaudited) for the Nine Months Ended September 30, 2013 and 2012	5
Notes to Condensed Consolidated Financial Statements (Unaudited)	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3. Quantitative and Qualitative Disclosures About Market Risk	34
Item 4. Controls and Procedures	34
<b>PART II—OTHER INFORMATION</b>	
Item 1. Legal Proceedings	34
Item 1A. Risk Factors	35
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	35
Item 3. Defaults Upon Senior Securities	35
Item 4. Mine Safety Disclosure	35
Item 5. Other Information	35
Item 6. Exhibits	35
Signatures	35
Index to Exhibits	36
EX – 31.1	
EX – 31.2	
EX – 32.1	
EX – 32.2	
101 <b>XBRL Exhibits :</b>	
101.INS XBRL Instance Document	
101.SCH XBRL Schema Document	
101.CAL XBRL Calculation Linkbase Document	
101.DEF XBRL Definition Linkbase Document	
101.LAB XBRL Labels Linkbase Document	
101.PRE XBRL Presentation Linkbase Document	

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

(in thousands)	September 30, 2013 (Unaudited)	December 31, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 46,057	\$44,555
Accounts receivable, less reserves of \$3,185 and \$3,394, respectively	150,988	141,503
Inventories, net	118,976	96,032
Prepaid expenses and other current assets	29,709	28,964
Total current assets	345,730	311,054
Long-term assets:		
Property, plant and equipment, net	112,953	119,147
Other assets:		
Intangible assets, net	73,570	84,397
Goodwill	61,235	66,381
Investments and other long-term assets, net	10,116	11,712
Total long-term assets	257,874	281,637
Total assets	\$ 603,604	\$592,691
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of debt	\$ 9,210	\$ 18,925
Revolving credit facilities	-	1,160
Accounts payable	86,368	76,303
Accrued expenses and other current liabilities	65,856	57,081
Total current liabilities	161,434	153,469
Long-term liabilities:		
Long-term debt, net	187,452	181,311
Deferred income taxes	55,407	59,819
Other long-term liabilities	4,123	4,258
Total long-term liabilities	246,982	245,388
Shareholders' equity:		

Edgar Filing: STONERIDGE INC - Form 10-Q

Preferred Shares, without par value, authorized 5,000 shares, none issued	-	-
Common Shares, without par value, authorized 60,000 shares, issued 28,803 and 28,433 shares and outstanding 28,484 and 27,913 shares at September 30, 2013 and December 31, 2012, respectively, with no stated value	-	-
Additional paid-in capital	186,857	184,822
Common Shares held in treasury, 319 and 520 shares at September 30, 2013 and December 31, 2012, respectively, at cost	(519 )	(1,885 )
Accumulated deficit	(7,975 )	(22,902 )
Accumulated other comprehensive loss	(24,598 )	(10,282 )
Total Stoneridge Inc. shareholders' equity	153,765	149,753
Noncontrolling interest	41,423	44,081
Total shareholders' equity	195,188	193,834
Total liabilities and shareholders' equity	\$ 603,604	\$ 592,691

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net sales	\$233,511	\$219,256	\$712,006	\$715,788
Costs and expenses:				
Cost of goods sold	179,992	168,018	539,538	545,753
Selling, general and administrative	42,814	44,623	139,646	149,954
Operating income	10,705	6,615	32,822	20,081
Interest expense, net	4,544	4,878	13,693	15,395
Equity in earnings of investees	(99 )	(207 )	(396 )	(443 )
Other (income) expense, net	(269 )	972	178	3,375
Income before income taxes	6,529	972	19,347	1,754
Provision for income taxes	1,016	383	3,160	717
Net income	5,513	589	16,187	1,037
Net income (loss) attributable to noncontrolling interest	466	170	1,260	(1,703 )
Net income attributable to Stoneridge, Inc.	\$5,047	\$419	\$14,927	\$2,740
Earnings per share attributable to Stoneridge, Inc.:				
Basic	\$0.19	\$0.02	\$0.56	\$0.10
Diluted	\$0.19	\$0.02	\$0.55	\$0.10
Weighted-average shares outstanding:				
Basic	26,692	26,430	26,663	26,358
Diluted	27,177	27,144	27,236	27,009

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

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

(in thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2013	2012	September 30, 2013	2012
Net income	\$ 5,513	\$ 589	\$16,187	\$ 1,037
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	167	1,018	(11,947 )	(9,327 )
Unrealized gain (loss) on derivatives	309	3,979	(2,369 )	9,464
Other comprehensive income (loss), net of tax:	476	4,997	(14,316 )	137
Consolidated comprehensive income	5,989	5,586	1,871	1,174
Income (loss) attributable to noncontrolling interest	466	170	1,260	(1,703 )
Comprehensive income attributable to Stoneridge, Inc.	\$ 5,523	\$ 5,416	\$611	\$2,877

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

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

Nine Months Ended September 30 (in thousands)	2013	2012
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 16,187	\$1,037
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	21,706	21,632
Amortization, including accretion of debt discount	4,762	5,430
Deferred income taxes	(2,872 )	(911 )
Earnings of equity method investees	(396 )	(443 )
Loss (gain) on sale of fixed assets	44	(236 )
Share-based compensation expense	4,142	3,583
Changes in operating assets and liabilities:		
Accounts receivable, net	(11,918)	7,444
Inventories, net	(26,292)	8,579
Prepaid expenses and other	(2,492 )	(1,106 )
Accounts payable	10,672	(8,611 )
Accrued expenses and other	8,901	3,631
Net cash provided by operating activities	22,444	40,029
<b>INVESTING ACTIVITIES:</b>		
Capital expenditures	(18,522)	(20,243)
Proceeds from sale of fixed assets	94	490
Payment for additional interest in PST	-	(19,779)
Net cash used for investing activities	(18,428)	(39,532)
<b>FINANCING ACTIVITIES:</b>		
Revolving credit facility borrowings	-	11,420
Revolving credit facility payments	(1,160 )	(38,433)
Proceeds from issuance of other debt	21,574	21,315
Repayments of other debt	(22,262)	(37,973)
Other financing costs	-	(134 )
Repurchase of Common Shares to satisfy employee tax withholding	(729 )	(1,135 )
Net cash used for financing activities	&nbs	