

Edgar Filing: DANA INC - Form 10-K

DANA INC
Form 10-K
February 10, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
Form 10-K
Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year Ended: December 31, 2016
Commission File Number: 1-1063

Dana Incorporated
(Exact name of registrant as specified in its charter)

| | |
|--|--------------------------------------|
| Delaware | 26-1531856 |
| (State of incorporation) | (IRS Employer Identification Number) |
| 3939 Technology Drive, Maumee, OH 43537 | |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (419) 887-3000

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|--|---|
| Common Stock, par value \$0.01 per share | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Edgar Filing: DANA INC - Form 10-K

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.

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 Act). Yes ☐ No ☐

The aggregate market value of the common stock held by non-affiliates of the registrant computed by reference to the closing price of the common stock on June 30, 2016 was \$1,512,538,357.

APPLICABLE ONLY TO CORPORATE ISSUERS:

There were 144,016,355 shares of the registrant's common stock outstanding at January 31, 2017.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to stockholders in connection with the Annual Meeting of Stockholders to be held on April 27, 2017 are incorporated by reference into Part III.

DANA INCORPORATED
FORM 10-K
YEAR ENDED DECEMBER 31, 2016

Table of Contents

| | Pages |
|---|-----------|
| PART I | |
| Item 1 Business | <u>1</u> |
| Item 1A Risk Factors | <u>5</u> |
| Item 1B Unresolved Staff Comments | <u>10</u> |
| Item 2 Properties | <u>11</u> |
| Item 3 Legal Proceedings | <u>11</u> |
| PART II | |
| Item 5 Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities | <u>11</u> |
| Item 6 Selected Financial Data | <u>13</u> |
| Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations | <u>14</u> |
| Item 7A Quantitative and Qualitative Disclosures about Market Risk | <u>39</u> |
| Item 8 Financial Statements and Supplementary Data | <u>41</u> |
| Item 9 Changes in and Disagreements With Accountants on Accounting and Financial Disclosure | <u>94</u> |
| Item 9A Controls and Procedures | <u>94</u> |
| Item 9B Other Information | <u>94</u> |
| PART III | |
| Item 10 Directors, Executive Officers and Corporate Governance | <u>94</u> |
| Item 11 Executive Compensation | <u>94</u> |
| Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters | <u>95</u> |
| Item 13 Certain Relationships and Related Transactions, and Director Independence | <u>95</u> |
| Item 14 Principal Accountant Fees and Services | <u>95</u> |
| PART IV | |
| Item 15 Exhibits and Financial Statement Schedules | <u>96</u> |
| Signatures | <u>97</u> |
| Exhibit | <u>98</u> |
| Index | |
| Exhibits | |

Forward-Looking Information

Statements in this report (or otherwise made by us or on our behalf) that are not entirely historical constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements can often be identified by words such as “anticipates,” “expects,” “believes,” “intends,” “plans,” “predicts,” “seeks,” “estimates,” “projects,” “outlook,” “may,” “will,” “should,” “would,” “could,” “potential,” “continue,” “on” expressions, variations or negatives of these words. These statements represent the present expectations of Dana Incorporated and its consolidated subsidiaries (Dana) based on our current information and assumptions. Forward-looking statements are inherently subject to risks and uncertainties. Our plans, actions and actual results could differ materially from our present expectations due to a number of factors, including those discussed below and elsewhere in this report and in our other filings with the Securities and Exchange Commission (SEC). All forward-looking statements speak only as of the date made and we undertake no obligation to publicly update or revise any forward-looking statement to reflect events or circumstances that may arise after the date of this report.

PART I

(Dollars in millions, except per share amounts)

Item 1. Business

General

Dana Incorporated (Dana) is headquartered in Maumee, Ohio and was incorporated in Delaware in 2007. As a global provider of high technology driveline (axles, driveshafts and transmissions), sealing and thermal-management products our customer base includes virtually every major vehicle manufacturer in the global light vehicle, medium/heavy vehicle and off-highway markets. As of December 31, 2016 we employed approximately 24,900 people, operated in 25 countries and had 91 major facilities around the world.

The terms “Dana,” “we,” “our” and “us,” when used in this report are references to Dana. These references include the subsidiaries of Dana unless otherwise indicated or the context requires otherwise.

Overview of our Business

We have aligned our organization around four operating segments: Light Vehicle Driveline Technologies (Light Vehicle), Commercial Vehicle Driveline Technologies (Commercial Vehicle), Off-Highway Driveline Technologies (Off-Highway) and Power Technologies. These operating segments have global responsibility and accountability for business commercial activities and financial performance.

External sales by operating segment for the years ended December 31, 2016, 2015 and 2014 are as follows:

| | 2016 | | 2015 | | 2014 | |
|--------------------|---------|------------|---------|------------|---------|------------|
| | Dollars | % of Total | Dollars | % of Total | Dollars | % of Total |
| Light Vehicle | \$2,607 | 44.8% | \$2,482 | 40.9% | \$2,496 | 37.7% |
| Commercial Vehicle | 1,254 | 21.5% | 1,533 | 25.3% | 1,838 | 27.8% |
| Off-Highway | 909 | 15.6% | 1,040 | 17.2% | 1,231 | 18.6% |
| Power Technologies | 1,056 | 18.1% | 1,005 | 16.6% | 1,052 | 15.9% |
| Total | \$5,826 | | \$6,060 | | \$6,617 | |

Refer to Segment Results of Operations in Item 7 and Note 19 to our consolidated financial statements in Item 8 for further financial information about our operating segments.

Edgar Filing: DANA INC - Form 10-K

Our business is diversified across end-markets, products and customers. The following table summarizes the markets, products and largest customers of each of our operating segments as of December 31, 2016.

| Segment | Markets | Products | Largest Customers |
|--------------------|------------------------------|------------------------|------------------------------------|
| Light Vehicle | Light vehicle market: | Front axles | Ford Motor Company |
| | Light trucks (full frame) | Rear axles | Fiat Chrysler Automobiles* |
| | Sport utility vehicles | Driveshafts/Propshafts | Renault-Nissan Alliance |
| | Crossover utility vehicles | Differentials | Toyota Motor Company |
| | Vans | Torque couplings | General Motors Company |
| | Passenger cars | Modular assemblies | Tata Motors |
| Commercial Vehicle | Medium/heavy vehicle market: | Steer axles | PACCAR Inc |
| | Medium duty trucks | Drive axles | Ford Motor Company |
| | Heavy duty trucks | Driveshafts | AB Volvo |
| | Buses | Tire inflation systems | Daimler AG |
| | Specialty vehicles | | Navistar International Corporation |
| Off-Highway | Off-Highway market: | Front axles | Deere & Company |
| | Construction | Rear axles | AGCO Corporation |
| | Earth moving | Driveshafts | Manitou Group |
| | Agricultural | Transmissions | Oshkosh Corporation |
| | Mining | Torque converters | Sandvik AB |
| | Forestry | Tire inflation systems | |
| | Rail | Electronic controls | |
| | Material handling | | |
| Power Technologies | Light vehicle market | Gaskets | Ford Motor Company |
| | Medium/heavy vehicle market | Cover modules | General Motors Company |
| | Off-Highway market | Heat shields | Renault-Nissan Alliance |
| | | Engine sealing systems | Mahle GmbH |
| | | Cooling | Volkswagen AG |
| | | Heat transfer products | |

* Via a directed supply relationship with Hyundai Mobis.

Geographic Operations

We maintain administrative and operational organizations in North America, Europe, South America and Asia Pacific to support our operating segments, assist with the management of affiliate relations and facilitate financial and statutory reporting and tax compliance on a worldwide basis. Our operations are located in the following countries:

| North America | | Europe | South America | Asia Pacific | |
|---------------|--|---------|----------------|--------------|-------------|
| Canada | | Belgium | South Africa | Argentina | Australia |
| Mexico | | France | Spain | Brazil | China |
| United States | | Germany | Sweden | Colombia | India |
| | | Hungary | Switzerland | Ecuador | Japan |
| | | Italy | United Kingdom | | South Korea |
| | | Russia | | | Taiwan |
| | | | | | Thailand |

Our non-U.S. subsidiaries and affiliates manufacture and sell products similar to those we produce in the United States. Operations outside the U.S. may be subject to a greater risk of changing political, economic and social

environments, changing governmental laws and regulations, currency revaluations and market fluctuations than our domestic operations. See the discussion of risk factors in Item 1A.

Sales reported by our non-U.S. subsidiaries comprised \$3,131 of our 2016 consolidated sales of \$5,826. A summary of sales and long-lived assets by geographic region can be found in Note 19 to our consolidated financial statements in Item 8.

Customer Dependence

We are largely dependent on light vehicle, medium- and heavy-duty vehicle and off-highway original equipment manufacturer (OEM) customers. Ford Motor Company (Ford) was the only individual customer accounting for 10% or more of our consolidated sales in 2016. As a percentage of total sales from operations, our sales to Ford were approximately 22% in