

EXIDE TECHNOLOGIES

Form 10-Q

February 07, 2011

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(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, 2010

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

Commission File Number 1-11263

EXIDE TECHNOLOGIES

(Exact Name of Registrant as Specified in Its Charter)

**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)**

**30004
(Zip Code)**

(678) 566-9000

(Registrant's telephone number, including area code)

Indicate by a 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 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
(Do not check if 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

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, 2011, 77,401,457 shares of common stock were outstanding.

**EXIDE TECHNOLOGIES AND SUBSIDIARIES
TABLE OF CONTENTS**

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1 FINANCIAL STATEMENTS</u>	3
<u>CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE AND NINE MONTH PERIODS ENDED DECEMBER 31, 2010 AND 2009</u>	3
<u>CONDENSED CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2010 AND MARCH 31, 2010</u>	4
<u>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTH PERIODS ENDED DECEMBER 31, 2010 AND 2009</u>	5
<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	6
<u>Item 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	20
<u>Item 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	30
<u>Item 4 CONTROLS AND PROCEDURES</u>	30
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. LEGAL PROCEEDINGS</u>	33
<u>Item 1A. RISK FACTORS</u>	33
<u>Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	33
<u>Item 3. DEFAULTS UPON SENIOR SECURITIES</u>	33
<u>Item 4 [REMOVED AND RESERVED]</u>	33
<u>Item 5. OTHER INFORMATION</u>	33
<u>Item 6. EXHIBITS</u>	33
<u>SIGNATURES</u>	35
<u>EX-10.6</u>	
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32</u>	

Table of Contents**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, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Net sales	\$ 800,296	\$ 746,472	\$ 2,112,970	\$ 1,971,141
Cost of sales	634,697	588,274	1,690,277	1,576,353
Gross profit	165,599	158,198	422,693	394,788
Selling and administrative expenses	111,866	110,011	318,734	328,429
Restructuring and impairments, net	4,081	11,624	17,524	63,895
Operating income	49,652	36,563	86,435	2,464
Other income, net	(3,480)	(1,248)	(2,111)	(16,949)
Interest expense, net	15,298	15,266	45,441	44,803
Income (loss) before income taxes	37,834	22,545	43,105	(25,390)
Income tax provision	6,613	12,524	2,800	26,526
Net income (loss)	31,221	10,021	40,305	(51,916)
Net income attributable to noncontrolling interests	11	249	181	275
Net income (loss) attributable to Exide Technologies	\$ 31,210	\$ 9,772	\$ 40,124	\$ (52,191)
Earnings (loss) per share				
Basic	\$ 0.41	\$ 0.13	\$ 0.52	\$ (0.69)
Diluted	\$ 0.38	\$ 0.12	\$ 0.50	\$ (0.69)
Weighted average shares				
Basic	76,675	76,028	76,508	75,923
Diluted	81,479	80,792	80,893	75,923

The accompanying notes are an integral part of these statements.

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

	December 31, 2010	March 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 92,339	\$ 89,558
Accounts receivable, net	504,369	488,942
Inventories, net	457,107	418,396
Prepaid expenses and other current assets	28,703	21,543
Deferred income taxes	28,019	24,386
Total current assets	1,110,537	1,042,825
Property, plant and equipment, net	591,172	603,160
Other assets:		
Goodwill and intangibles, net	174,850	180,428
Deferred income taxes	90,814	85,613
Other noncurrent assets	38,477	44,200
	304,141	310,241
Total assets	\$ 2,005,850	\$ 1,956,226
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term borrowings	\$ 7,857	\$ 7,682
Current maturities of long-term debt	4,839	5,241
Accounts payable	364,314	333,532
Accrued expenses	256,754	267,374
Total current liabilities	633,764	613,829
Long-term debt	635,857	646,604
Noncurrent retirement obligations	218,083	221,248
Deferred income taxes	27,607	23,485
Other noncurrent liabilities	105,099	103,022
Total liabilities	1,620,410	1,608,188
STOCKHOLDERS EQUITY		
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, 77,005 and 75,601 shares issued and outstanding	770	756
Additional paid-in capital	1,126,190	1,119,959

Edgar Filing: EXIDE TECHNOLOGIES - Form 10-Q

Accumulated deficit	(758,971)	(799,095)
Accumulated other comprehensive income	16,619	10,714
Total stockholders' equity attributable to Exide Technologies	384,608	332,334
Noncontrolling interests	832	15,704
Total stockholders' equity	385,440	348,038
Total liabilities and stockholders' equity	\$ 2,005,850	\$ 1,956,226

The accompanying notes are an integral part of these statements.

4

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

	For the Nine Months Ended	
	December 31, 2010	December 31, 2009
Cash Flows From Operating Activities:		
Net income (loss)	\$ 40,305	\$ (51,916)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	62,998	67,357
Unrealized gain on warrants	(168)	(538)
Asset sales / impairments, net	(856)	8,474
Deferred income taxes	(4,174)	9,297
Provision for doubtful accounts	(170)	4,165
Non-cash stock compensation	5,345	8,371
Amortization of deferred financing costs	3,711	3,760
Currency remeasurement gain	(4,036)	(17,158)
Changes in assets and liabilities		
Receivables	(16,650)	14,793
Inventories	(35,088)	7,127
Other current assets	(7,047)	2,620
Payables	28,838	43,195
Accrued expenses	(6,714)	(3,599)
Other noncurrent liabilities	(248)	(3,969)
Other, net	(1,352)	(10,501)
Net cash provided by operating activities	64,694	81,478
Cash Flows From Investing Activities:		
Capital expenditures	(52,401)	(58,556)
Proceeds from sales of assets, net	10,635	805
Net cash used in investing activities	(41,766)	(57,751)
Cash Flows From Financing Activities:		
Increase in short-term borrowings, net	1,106	1,514
Decrease in borrowings under Senior Secured Credit Facility	(8,302)	(2,266)
(Decrease) increase in other debt	(1,442)	7,480
Acquisition of noncontrolling interests / other	(14,924)	(1,651)
Net cash (used in) provided by financing activities	(23,562)	5,077
Effect of exchange rate changes on cash and cash equivalents	3,415	5,200

Edgar Filing: EXIDE TECHNOLOGIES - Form 10-Q

Net increase in cash and cash equivalents	2,781		34,004
Cash and cash equivalents, beginning of period	89,558		69,505
Cash and cash equivalents, end of period	\$ 92,339	\$	103,509

Supplemental Disclosures of Cash Flow Information:

Cash paid during the period -			
Interest	\$ 27,747	\$	27,754
Income taxes (net of refunds)	\$ 7,153	\$	2,986

The accompanying notes are an integral part of these statements.

Table of Contents**EXIDE TECHNOLOGIES AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****December 31, 2010****(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 generally accepted accounting principles in the United States (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, 2010 for further information. 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 2010 refers to the period beginning April 1, 2009 and ending March 31, 2010).

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, financial position, and cash flows for the periods presented. This includes accounting and disclosures related to any subsequent event occurring from the balance sheet date through the date that the financial statements were issued.

(2) STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME (LOSS)

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

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total Stockholders Equity
	(In thousands)					
Balance at April 1, 2010	\$ 756	\$ 1,119,959	\$ (799,095)	\$ 10,714	\$ 15,704	\$ 348,038
Net Income			40,124		181	40,305
Defined benefit plans, net of tax of \$4				476		476
Translation adjustment				2,651	(155)	2,496
Net recognition of unrealized loss on derivatives, net of tax of \$987				2,778		2,778
Increase in ownership of subsidiary		978			(14,898)	(13,920)
Common stock issuance and other	14	(92)				(78)
Stock compensation		5,345				5,345
Balance at December 31, 2010	\$ 770	\$ 1,126,190	\$ (758,971)	\$ 16,619	\$ 832	\$ 385,440

Table of Contents

Total comprehensive income (loss) and its components are as follows:

	For the Three Months Ended		For the Nine Months Ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	(In thousands)			
Net income (loss)	\$ 31,221	\$ 10,021	\$ 40,305	\$ (51,916)
Defined benefit plans	344	7	476	2,181
Cumulative translation adjustment	(2,519)	(1,835)	2,496	29,272
Derivatives qualifying as hedges	1,073	441	2,778	861
Total comprehensive income (loss)	\$ 30,119	\$ 8,634	\$ 46,055	\$ (19,602)

(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 fair value changes that offset the fair value changes of the assets or liabilities being hedged. Regardless of a derivative's accounting designation, changes in its fair value that are not offset by fair value changes in the asset or liability being hedged are considered ineffective, and are recognized in earnings immediately.

In February 2008, the Company entered into an interest rate swap agreement to fix the variable component of interest on \$200.0 million of its floating rate long-term obligations through February 27, 2011. The rate is fixed at 3.3% per annum through the remainder of the agreement. The interest rate swap is designated as a cash-flow hedging instrument.

The Company also enters into foreign currency forward contracts for various time periods ranging from one month to several years. The Company uses these contracts to mitigate the effect of its exposure to foreign currency remeasurement gains and losses on selected transactions that will be settled in a currency other than the functional currency of the transacting entity. Included in these instruments is a contract in the notional amount of \$60.0 million to mitigate the effect of exchange rate fluctuations of a certain foreign subsidiary's debt that is denominated in U.S. dollars, and a contract in the notional amount of approximately \$63.0 million to mitigate similar foreign exchange risk on amounts owed to the Company by a foreign subsidiary that is denominated in Euros. Certain of these contracts have been designated as fair value hedging instruments. Whether or not specifically designated as a fair value hedging instrument, changes in the fair value of these currency forward contracts are recognized immediately in earnings.

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

Table of Contents

	Balance Sheet	Fair Value As of	
		December 31, 2010	March 31, 2010
(In thousands)			
Asset Derivatives:			
Foreign exchange forward	Current assets	\$ 3	\$
Commodity swap	Current assets	572	665
Foreign exchange forward	Noncurrent assets		4,034
Liability Derivatives:			
Foreign exchange forward	Current liabilities	\$ 668	\$ 270
Interest rate swap	Current liabilities	1,296	5,350
Foreign exchange forward	Noncurrent liabilities	2,816	

Statement of Operations	For the Three Months Ended		For the Nine Months Ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
(In thousands)				
Other income, net	\$ (2,019)	\$ (1,343)	\$ (4,843)	\$ 4,170
Commodity Swap Loss (gain)	4		(74)	
Interest Rate Swap Loss	1,467	1,526	4,365	4,536

(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 (subject to amortization)	Customer Relationships	Technology	Total
(In thousands)					

As of December 31, 2010

Edgar Filing: EXIDE TECHNOLOGIES - Form 10-Q

Gross amount	\$ 4,551	\$ 61,453	\$ 13,964	\$ 115,489	\$ 30,974	\$ 226,431
Accumulated amortization			(7,352)	(31,938)	(12,291)	(51,581)
Net	\$ 4,551	\$ 61,453	\$ 6,612	\$ 83,551	\$ 18,683	\$ 174,850
As of March 31, 2010						
Gross amount	\$ 4,538	\$ 61,110	\$ 13,886	\$ 115,175	\$ 30,742	\$ 225,451
Accumulated amortization			(6,489)	(28,517)	(10,017)	(45,023)
Net	\$ 4,538	\$ 61,110	\$ 7,397	\$ 86,658	\$ 20,725	\$ 180,428

Amortization of intangible assets for the third quarter of fiscal 2011 and 2010 was \$2.2 million and \$2.3 million, respectively and for the first nine months of fiscal 2011 and 2010, \$6.5 million and \$6.7 million, respectively.

Excluding the impact of any future acquisitions (if any), the Company anticipates annual amortization of intangible assets for each of the next five years to be approximately \$8.0 million to \$9.0 million. Intangible assets have been recorded at the legal entity level and are subject to foreign currency fluctuation.

Table of Contents

(5) INVENTORIES

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

	December 31, 2010	March 31, 2010
	(In thousands)	
Raw materials	\$ 79,973	\$ 73,337
Work-in-process	126,557	85,838
Finished goods	250,577	