

EXIDE TECHNOLOGIES

Form 10-Q

February 06, 2015

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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, 2014

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)

(678) 566-9000

(Registrant's telephone number, including area code)

30004

(Zip 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 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, 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

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

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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, 2015, 77,998,699 shares of common stock were outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

EXIDE TECHNOLOGIES AND SUBSIDIARIES
 DEBTOR-IN-POSSESSION
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited, in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Net sales	\$692,568	\$759,666	\$1,999,128	\$2,139,710
Cost of sales	603,214	649,642	1,744,731	1,856,913
Gross profit	89,354	110,024	254,397	282,797
Selling and administrative expenses	85,523	94,668	269,074	275,532
Restructuring and impairments, net	278	3,329	17,910	14,653
Operating income (loss)	3,553	12,027	(32,587	) (7,388
Other (income) expense, net	11,992	(3,648	) 28,704	(5,990
Interest expense, net	33,443	31,810	104,550	83,694
Loss before reorganization items, net	(41,882	) (16,135	) (165,841	) (85,092
Reorganization items, net	18,391	16,998	55,765	75,943
Loss before income taxes	(60,273	) (33,133	) (221,606	) (161,035
Income tax provision	3,007	1,344	9,377	4,628
Net loss	(63,280	) (34,477	) (230,983	) (165,663
Net income (loss) attributable to noncontrolling interests	245	215	(15	) 336
Net loss attributable to Exide Technologies	\$(63,525	) \$(34,692	) \$(230,968	) \$(165,999
Loss per share				
Basic	\$(0.81	) \$(0.44	) \$(2.95	) \$(2.13
Diluted	\$(0.81	) \$(0.44	) \$(2.95	) \$(2.13
Weighted average shares				
Basic	78,246	78,265	78,243	78,033
Diluted	78,246	78,265	78,243	78,033

The accompanying notes are an integral part of these statements.

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EXIDE TECHNOLOGIES AND SUBSIDIARIES
 DEBTOR-IN-POSSESSION
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
 (Unaudited, in thousands)

	Three Months Ended		Nine Months Ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Net loss	\$ (63,280	) \$ (34,477	) \$ (230,983	) \$ (165,663
Other comprehensive loss:				
Foreign currency translation adjustment	(22,343	) 5,422	(59,382	) 24,977
Change in defined benefit liabilities, net	1,216	80	3,188	(338
Total comprehensive loss	(84,407	) (28,975	) (287,177	) (141,024
Comprehensive income (loss) attributable to noncontrolling interests	239	215	(17	) 336
Comprehensive loss attributable to Exide Technologies	\$ (84,646) \$ (29,190) \$ (287,160) \$ (141,360

The accompanying notes are an integral part of these statements.

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EXIDE TECHNOLOGIES AND SUBSIDIARIES
DEBTOR-IN-POSSESSION
CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands, except per share data)

	December 31, 2014	March 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$54,979	\$103,711
Accounts receivable, net	454,871	495,447
Inventories	488,895	483,218
Prepaid expenses and other current assets	43,044	47,874
Deferred income taxes	14,741	16,339
Total current assets	1,056,530	1,146,589
Property, plant and equipment, net	544,378	576,412
Other assets:		
Goodwill and intangibles, net	126,217	142,381
Deferred income taxes	86,587	116,736
Other noncurrent assets	106,847	50,670
Total other assets	319,651	309,787
Total assets	\$1,920,559	\$2,032,788
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Short-term borrowings	\$2,690	\$4,058
Current maturities of long-term debt	484,465	288,386
Accounts payable	249,218	268,828
Accrued expenses	261,132	263,904
Deferred income taxes	3,130	4,435
Total current liabilities	1,000,635	829,611
Long-term debt	13,750	15,533
Noncurrent retirement obligations	141,207	166,692
Deferred income taxes	13,862	25,332
Other noncurrent liabilities	58,370	64,493
Liabilities not subject to compromise	1,227,824	1,101,661
Liabilities subject to compromise	998,317	950,643
STOCKHOLDERS' DEFICIT		
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, 78,000 and 79,078 shares issued and outstanding	780	791
Additional paid-in capital	1,140,602	1,139,850
Accumulated deficit	(1,388,092)	(1,157,124)
Accumulated other comprehensive loss	(67,641)	(11,449)
Total stockholders' deficit attributable to Exide Technologies	(314,351)	(27,932)
Noncontrolling interests	8,769	8,416
Total stockholders' deficit	(305,582)	(19,516)
Total liabilities and stockholders' deficit	\$1,920,559	\$2,032,788

The accompanying notes are an integral part of these statements.

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EXIDE TECHNOLOGIES AND SUBSIDIARIES
DEBTOR-IN-POSSESSION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Nine Months Ended	
	December 31, 2014	December 31, 2013
Cash Flows From Operating Activities:		
Net loss	\$(230,983	\$(165,663
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	58,785	60,129
Loss (gain) on asset sales / impairments, net	13,491	(4,693
Non-cash reorganization items	—	12,301
Deferred income taxes	5,841	(2,213
Provision for doubtful accounts	2,101	1,018
Non-cash stock compensation	753	2,566
Amortization of deferred financing costs	24,509	18,074
Currency remeasurement (gain) loss	28,821	(4,843
Changes in assets and liabilities:		
Receivables	(11,249	(5,544
Inventories	(43,740	(19,294
Other current assets	(6,999	(22,704
Payables	17,516	(111,070
Accrued expenses	69,921	52,694
Other noncurrent liabilities	(11,059	157
Other, net	(68,329	(10,408
Net cash used in operating activities	(150,621	(199,493
Cash Flows From Investing Activities:		
Capital expenditures	(76,936	(51,378
Insurance proceeds	—	3,461
Proceeds from asset sales	7,624	4,191
Net cash used in investing activities	(69,312	(43,726
Cash Flows From Financing Activities:		
Decrease in short-term borrowings	(3,074	(14,996
Increase in other debt	196,240	270,009
Financing fees and other	(16,057	(29,221
Net cash provided by financing activities	177,109	225,792
Effect of exchange rate changes on cash and cash equivalents	(5,908	1,474
Net decrease in cash and cash equivalents	(48,732	(15,953
Cash and cash equivalents, beginning of period	103,711	104,289
Cash and cash equivalents, end of period	\$54,979	\$88,336

Supplemental Disclosures of Cash Flow Information:

Cash paid during the period:

Interest	\$31,006	\$19,188
Income taxes (net of refunds)	5,929	8,490

The accompanying notes are an integral part of these statements.

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EXIDE TECHNOLOGIES AND SUBSIDIARIES
DEBTOR-IN-POSSESSION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) PROCEEDINGS UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

Reorganization under Chapter 11 of the U.S. Bankruptcy Code

The 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. 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 2015" refers to the period beginning April 1, 2014 and ending March 31, 2015).

On June 10, 2013 ("Petition Date"), Exide Technologies ("Debtor") filed a voluntary petition for relief ("Chapter 11 Case") under Chapter 11 of the United States Bankruptcy Code ("Bankruptcy Code" or "Chapter 11"), in the United States Bankruptcy Court for the District of Delaware ("Bankruptcy Court") under the caption In re Exide Technologies, case number 13-11482. The Company's subsidiaries, foreign and domestic, have been excluded from the Chapter 11 Case, continue to operate their businesses without supervision from the Bankruptcy Court, and are not subject to the requirements of the Bankruptcy Code.

The Company filed for reorganization under Chapter 11 as it offered the most efficient alternative to restructure the Company's balance sheet and access new working capital while continuing to operate in the ordinary course. Factors leading to the reorganization included the Company's significant debt burden, the adverse impact of economic conditions on the Company's markets, particularly the U.S. and European markets, ongoing competitive pressures, loss of key customers over several years, the unplanned production shut down of one of the Company's facilities, and higher commodity costs including lead and purchased spent batteries. These factors contributed to higher costs and lower revenues and have resulted in significant operating losses and material adverse reductions in cash flows, severely affecting the Company's financial condition and its ability to make debt payments coming due. Downgrades of the Company's credit rating and loss of credit insurance used by certain suppliers adversely affected supplier trade credit terms, further impacting the Company's liquidity.

Exide is currently operating as a Debtor-in-Possession ("DIP") under the jurisdiction of the Bankruptcy Court and the applicable provisions of the Bankruptcy Code. In general, as a DIP, Exide is authorized to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court. The Bankruptcy Code enables the Company to continue to operate its business without interruption and the Bankruptcy Court has granted a number of first day motions allowing Exide to pay pre-petition obligations to, among other parties, (i) employees, (ii) taxing authorities, (iii) insurance providers, (iv) independent contractors, (v) foreign vendors, and