

MERITOR INC
Form 10-Q
January 30, 2014
Index

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 Quarterly Period Ended December 29, 2013
Commission File No. 1-15983

MERITOR, INC.

(Exact name of registrant as specified in its charter)

Indiana	38-3354643
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2135 West Maple Road, Troy, Michigan	48084-7186
(Address of principal executive offices)	(Zip Code)

(248) 435-1000

(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 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 twelve 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	<input checked="" type="checkbox"/>
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 ☒

97,757,436 shares of Common Stock, \$1.00 par value, of Meritor, Inc. were outstanding on December 29, 2013.

INDEX

Page
No.

PART I. FINANCIAL INFORMATION:

Item 1. Financial Statements:

Consolidated Statement of Operations - - Three Months Ended December 31, 2013 and 2012 3

Condensed Consolidated Statement Of Comprehensive Income (Loss) - - Three Months Ended December 31, 2013 and 2012 4

Condensed Consolidated Balance Sheet - - December 31, 2013 and September 30, 2013 5

Condensed Consolidated Statement of Cash Flows - - Three Months Ended December 31, 2013 and 2012 6

Condensed Consolidated Statement of Equity (Deficit) - - Three Months Ended December 31, 2013 and 2012 7

Notes to Consolidated Financial Statements 8

Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations 39

Item 3. Quantitative and Qualitative Disclosures About Market Risk 53

Item 4. Controls and Procedures 54

PART II. OTHER INFORMATION:

Item 1. Legal Proceedings 55

Item 1A. Risk Factors 55

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 55

Item 5. Other Information 56

Item 6. Exhibits 57

Signatures 58

MERITOR, INC.

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

CONSOLIDATED STATEMENT OF OPERATIONS

(in millions, except per share amounts)

	Three Months Ended December 31,	
	2013	2012
	(Unaudited)	
Sales	\$907	\$891
Cost of sales	(804)	(808)
GROSS MARGIN	103	83
Selling, general and administrative	(59)	(62)
Restructuring costs	(1)	(6)
Other operating expense	(1)	(1)
OPERATING INCOME	42	14
Equity in earnings of affiliates	8	9
Interest expense, net	(27)	(29)
INCOME (LOSS) BEFORE INCOME TAXES	23	(6)
Provision for income taxes	(10)	(10)
INCOME (LOSS) FROM CONTINUING OPERATIONS	13	(16)
LOSS FROM DISCONTINUED OPERATIONS, net of tax	—	(5)
NET INCOME (LOSS)	13	(21)
Less: Net income attributable to noncontrolling interests	(2)	—
NET INCOME (LOSS) ATTRIBUTABLE TO MERITOR, INC.	\$11	\$(21)
NET INCOME (LOSS) ATTRIBUTABLE TO MERITOR, INC.		
Net income (loss) from continuing operations	\$11	\$(16)
Loss from discontinued operations	—	(5)
Net income (loss)	\$11	\$(21)
BASIC EARNINGS (LOSS) PER SHARE		
Continuing operations	\$0.11	\$(0.17)
Discontinued operations	—	(0.05)
Basic earnings (loss) per share	\$0.11	\$(0.22)
DILUTED EARNINGS (LOSS) PER SHARE		
Continuing operations	\$0.11	\$(0.17)
Discontinued operations	—	(0.05)
Diluted earnings (loss) per share	\$0.11	\$(0.22)
Basic average common shares outstanding	97.3	96.7
Diluted average common shares outstanding	98.7	96.7

See notes to consolidated financial statements.

MERITOR, INC.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(in millions)

	Three Months Ended December 31,	
	2013	2012
	(Unaudited)	
Net income (loss)	\$ 13	\$(21)
Other comprehensive income (loss):		
Foreign currency translation adjustments	(10)	(4)
Pension and other postretirement benefit related adjustments	10	—
Unrealized losses on investments:		
Unrealized loss on investments and foreign exchange contracts	—	(1)
Other comprehensive loss, net of tax	—	(5)
Total comprehensive income (loss)	13	(26)
Less: Comprehensive income attributable to noncontrolling interest	(2)	(1)
Comprehensive income (loss) attributable to Meritor, Inc.	\$ 11	\$(27)

See notes to consolidated financial statements.

MERITOR, INC.

CONDENSED CONSOLIDATED BALANCE SHEET
(in millions)