

AMERICAN AXLE & MANUFACTURING HOLDINGS INC  
Form 10-Q  
May 03, 2019

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  
p 1934

For the quarterly period ended March 31, 2019

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-14303

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AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.  
(Exact Name of Registrant as Specified in Its Charter)

Delaware 38-3161171  
(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

One Dauch Drive, Detroit, Michigan 48211-1198  
(Address of Principal Executive Offices) (Zip Code)

(313) 758-2000  
(Registrant's Telephone Number, Including Area Code)

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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 every Interactive Data File required to be submitted 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 such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  
 Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

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

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

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

As of April 30, 2019, the latest practicable date, the number of shares of the registrant's Common Stock, par value \$0.01 per share, outstanding was 112,472,237 shares.

#### Internet Website Access to Reports

The website for American Axle & Manufacturing Holdings, Inc. is [www.aam.com](http://www.aam.com). Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Exchange Act are available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

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AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.  
 FORM 10-Q  
 FOR THE QUARTER ENDED MARCH 31, 2019  
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## FORWARD-LOOKING STATEMENTS

In this Quarterly Report on Form 10-Q (Quarterly Report), we make statements concerning our expectations, beliefs, plans, objectives, goals, strategies, and future events or performance. Such statements are “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995 and relate to trends and events that may affect our future financial position and operating results. The terms such as “will,” “may,” “could,” “would,” “plan,” “believe,” “expect,” “anticipate,” “intend,” “project,” “target,” and similar words or expressions, as well as statements in future tense, are intended to identify forward-looking statements.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management’s good faith belief as of that time with respect to future events and are subject to risks and may differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

- reduced purchases of our products by General Motors Company (GM), FCA US LLC (FCA), or other customers;
- our ability to respond to changes in technology, increased competition or pricing pressures;
- our ability to develop and produce new products that reflect market demand;
- our ability or our customers' and suppliers' ability to successfully launch new product programs on a timely basis;
- lower-than-anticipated market acceptance of new or existing products;
- our ability to attract new customers and programs for new products;
- an impairment of our goodwill, other intangible assets, or long-lived assets if our business or market conditions indicate that the carrying values of those assets exceed their fair values;
- reduced demand for our customers' products (particularly light trucks and sport utility vehicles (SUVs) produced by GM and FCA);
- risks inherent in our global operations (including tariffs and the potential consequences thereof to us, our suppliers, and our customers and their suppliers, adverse changes in trade agreements, such as NAFTA or USMCA, immigration policies, political stability, taxes and other law changes, potential disruptions of production and supply, and currency rate fluctuations);
- a significant disruption in operations at one or more of our key manufacturing facilities;
- global economic conditions;
- liabilities arising from warranty claims, product recall or field actions, product liability and legal proceedings to which we are or may become a party, or the impact of product recall or field actions on our customers;
- risks related to a failure of our information technology systems and networks, and risks associated with current and emerging technology threats and damage from computer viruses, unauthorized access, cyber attack and other similar disruptions;
- supply shortages or price increases in raw material and/or freight, utilities or other operating supplies for us or our customers as a result of natural disasters or otherwise;
- our ability to successfully integrate the business and information systems of MPG and to realize the anticipated benefits of the merger;
- negative or unexpected tax consequences;
- our ability to achieve the level of cost reductions required to sustain global cost competitiveness;
- our ability to realize the expected revenues from our new and incremental business backlog;
- our ability to maintain satisfactory labor relations and avoid work stoppages;
- our suppliers', our customers' and their suppliers' ability to maintain satisfactory labor relations and avoid work stoppages;
- price volatility in, or reduced availability of, fuel;
- potential liabilities or litigation relating to, or assumed in, the MPG merger;

potential adverse reactions or changes to business relationships resulting from the completion of the merger with MPG;

- our ability to protect our intellectual property and successfully defend against assertions made against us;
- our ability to attract and retain key associates;
- availability of financing for working capital, capital expenditures, research and development (R&D) or other general corporate purposes including acquisitions, as well as our ability to comply with financial covenants;
- our customers' and suppliers' availability of financing for working capital, capital expenditures, R&D or other general corporate purposes;
- changes in liabilities arising from pension and other postretirement benefit obligations;
  - risks of noncompliance with environmental laws and regulations or risks of environmental issues that could result in unforeseen costs at our current and former facilities, or reputational damage;
- adverse changes in laws, government regulations or market conditions affecting our products or our customers' products;
- our ability or our customers' and suppliers' ability to comply with regulatory requirements and the potential costs of such compliance; and
- other unanticipated events and conditions that may hinder our ability to compete.

It is not possible to foresee or identify all such factors and we make no commitment to update any forward-looking statement or to disclose any facts, events or circumstances after the date hereof that may affect the accuracy of any forward-looking statement.

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	Three Months Ended March 31,	
	2019	2018
	(in millions, except per share data)	
Net sales	\$1,719.2	\$1,858.4
Cost of goods sold	1,497.0	1,542.1
Gross profit	222.2	316.3
Selling, general and administrative expenses	90.7	97.3
Amortization of intangible assets	25.0	24.9
Restructuring and acquisition-related costs	12.1	18.3
Operating income	94.4	175.8
Interest expense	(53.4 )	(53.2 )
Investment income	0.7	0.5
Other income (expense)		
Debt refinancing and redemption costs	—	(10.3 )
Other expense, net	(3.0 )	(5.4 )
Income before income taxes	38.7	107.4
Income tax expense (benefit)	(3.0 )	17.9
Net income	\$41.7	\$89.5
Net income attributable to noncontrolling interests	(0.1 )	(0.1 )
Net income attributable to AAM	\$41.6	\$89.4
Basic earnings per share	\$0.36	\$0.78
Diluted earnings per share	\$0.36	\$0.78

See accompanying notes to condensed consolidated financial statements.

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AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (Unaudited)

	Three Months Ended March 31, 2019 2018 (in millions)	
Net income	\$41.7	\$89.5
Other comprehensive income (loss)		
Defined benefit plans, net of tax <sup>(a)</sup>	0.7	1.3
Foreign currency translation adjustments	(2.5 )	37.9
Changes in cash flow hedges, net of tax <sup>(b)</sup>	(2.5 )	15.1
Other comprehensive income (loss)	(4.3 )	54.3
Comprehensive income	\$37.4	\$143.8
Net income attributable to noncontrolling interests	(0.1 )	(0.1 )
Comprehensive income attributable to AAM	\$37.3	\$143.7

<sup>(a)</sup> Amounts are net of tax of \$(0.3) million and \$(0.4) million for the three months ended March 31, 2019 and March 31, 2018, respectively.

<sup>(b)</sup> Amounts are net of tax of \$1.5 million and \$(1.1) million for the three months ended March 31, 2019 and March 31, 2018, respectively.

See accompanying notes to condensed consolidated financial statements.



AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, December 31, 2019 2018 (Unaudited) (in millions)	
Assets		
Current assets		
Cash and cash equivalents	\$252.1	\$ 476.4
Accounts receivable, net	1,202.1	966.5
Inventories, net	452.5	459.7
Prepaid expenses and other	132.2	127.2
Total current assets	2,038.9	2,029.8
Property, plant and equipment, net	2,537.6	2,514.4
Deferred income taxes	45.6	45.5
Goodwill	1,138.3	1,141.8
Other intangible assets, net	1,087.5	1,111.1
GM postretirement cost sharing asset	221.9	219.4
Other assets and deferred charges	545.7	448.7
Total assets	\$7,615.5	\$ 7,510.7
Liabilities and Stockholders' Equity		
Current liabilities		
Current portion of long-term debt	\$118.6	\$ 121.6
Accounts payable	882.1	840.2
Accrued compensation and benefits	155.7	179.0
Deferred revenue	39.0	44.3
Accrued expenses and other	196.1	171.7
Total current liabilities	1,391.5	1,356.8
Long-term debt, net	3,678.9	3,686.8
Deferred revenue	76.7	77.6
Deferred income taxes	75.1	92.6
Postretirement benefits and other long-term liabilities	869.5	810.6
Total liabilities	6,091.7	6,024.4
Stockholders' equity		
Common stock, par value \$0.01 per share; 150.0 million shares authorized; 120.1 million shares issued as of March 31, 2019 and 118.9 million shares issued as of December 31, 2018	1.2	1.2
Paid-in capital	1,298.1	1,292.6
Retained earnings	774.7	703.5
Treasury stock at cost, 7.6 million shares as of March 31, 2019 and 7.2 million shares as of December 31, 2018	(209.1 )	(201.8 )
Accumulated other comprehensive loss		
Defined benefit plans, net of tax	(240.9 )	(213.9 )
Foreign currency translation adjustments	(99.1 )	(96.6 )
Unrecognized loss on cash flow hedges, net of tax	(3.6 )	(1.1 )

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Total AAM stockholders' equity	1,521.3	1,483.9
Noncontrolling interests in subsidiaries	2.5	2.4
Total stockholders' equity	1,523.8	1,486.3
Total liabilities and stockholders' equity	\$7,615.5	\$ 7,510.7

See accompanying notes to condensed consolidated financial statements.

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AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)

	Three Months Ended March 31, 2019 2018 (in millions)	
Operating activities		
Net income	\$41.7	\$89.5
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	140.8	127.8
Deferred income taxes	(17.4 )	13.4
Stock-based compensation	5.5	6.7
Pensions and other postretirement benefits, net of contributions	(3.4 )	1.6
Loss on disposal of property, plant and equipment, net	0.2	0.4
Debt refinancing and redemption costs	—	10.3
Changes in operating assets and liabilities		
Accounts receivable	(235.0)	(191.0)
Inventories	6.9	(8.7 )
Accounts payable and accrued expenses	40.8	60.8
Deferred revenue	(5.3 )	(2.1 )
Other assets and liabilities	(55.0 )	(41.8 )
Net cash provided by (used in) operating activities	(80.2	