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MERITOR INC

Form 10-K/A

December 15, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A (Amendment No. 1)

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

For the Fiscal Year Ended October 1, 2017

Commission file number 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

48084-7186

Troy, Michigan

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (248) 435-1000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
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Common Stock, \$1 Par Value	New York Stock Exchange
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SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark whether 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 Section 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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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.

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 "accelerated filer," "large accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

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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" Nox

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates of the registrant on March 31, 2017 (the last business day of the most recently completed second fiscal quarter) was approximately \$1,487,830,039

89,183,060 shares of the registrant's Common Stock, par value \$1 per share, were outstanding on December 13, 2017.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the definitive Proxy Statement for the Annual Meeting of Shareowners of the registrant to be held on January 24, 2018 is incorporated by reference into Part III.

EXPLANATORY NOTE - AMENDMENT

Meritor, Inc. ("Meritor") is filing this Amendment No.1 on Form 10-K/A (this "Form 10-K/A") to include in its Annual Report on Form 10-K for the fiscal year ended October 1, 2017 (the "Annual Report"), pursuant to Rule 3-09 of Regulation S-X under the Securities Exchange Act of 1934, consolidated financial statements and related notes of Meritor WABCO Vehicle Control Systems ("MWVCS"). On October 1, 2017, Meritor completed the sale of its interest in MWVCS to a subsidiary of its joint venture partner, WABCO Holdings Inc. The total purchase price for the sale was \$250 million, and Meritor also received a final partnership distribution of \$8 million immediately prior to closing.

Rule 3-09 of Regulation S-X provides that if a 50% or less-owned person accounted for by the equity method meets the first or third condition of the significant subsidiary tests set forth in Rule 1-02(w) of Regulation S-X, substituting 20% for 10%, separate annual financial statements for such 50% or less-owned person corresponding to the periods covered by the financial statements of Meritor included in the Annual Report shall be filed. Such statements are required to be audited only for the years in which such person met such test. If the 50 percent or less owned person is not an accelerated filer, the required financial statements may be filed as an amendment to the report.

Meritor has included in this Form 10-K/A the unaudited consolidated financial statements of MWVCS for fiscal year 2017 and audited consolidated financial statements for fiscal years 2016 and 2015. MWVCS, which is not an accelerated filer, met the significance test for the 2015 fiscal year and Meritor is required to file audited consolidated financial statements of MWVCS as of and for the fiscal year ended September 27, 2015. MWVCS did not meet the significance test for fiscal years 2017 and 2016; therefore, MWVCS consolidated statements are required to be included for that period but are not required to be audited. However, MWVCS was audited for the 2016 fiscal year and as those audited consolidated statements are available, they are included in this Form 10-K/A as audited.

Item 15 is the only portion of the Annual Report being supplemented or amended by this Form 10-K/A. Additionally, in connection with the filing of this Form 10-K/A and pursuant to SEC rules, Meritor is including the consent of the independent auditors of MWVCS and currently dated certifications. This Form 10-K/A does not otherwise update any exhibits as originally filed and does not otherwise reflect events occurring after the original filing date of the Annual Report. Accordingly, this Form 10-K/A should be read in conjunction with Meritor's filings with the SEC subsequent to the filing of the Annual Report.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Financial Statements, Financial Statement Schedules and Exhibits.

(1) Financial Statements.

Meritor

The following financial statements and related notes were filed as part of the Annual Report filed with the SEC on November 16, 2017 (all financial statements listed below are those of the Company and its consolidated subsidiaries):

Consolidated Statement of Operations, years ended September 30, 2017, 2016 and 2015.

Consolidated Statement of Comprehensive Income, years ended September 30, 2017, 2016 and 2015.

Consolidated Balance Sheet, September 30, 2017 and 2016.

Consolidated Statement of Cash Flows, years ended September 30, 2017, 2016 and 2015.

Consolidated Statement of Equity (Deficit), years ended September 30, 2017, 2016 and 2015.

Notes to Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm.

Meritor WABCO Vehicle Control Systems

The following consolidated financial statements and related notes of Meritor WABCO Vehicle Control Systems are included in this Amendment No. 1 on Form 10-K/A pursuant to Rule 3-09 of Regulation S-X:

Consolidated Balance Sheets, September 30, 2017 (Unaudited) and 2016.

Consolidated Statements of Net Income and Comprehensive Income, years ended September 30, 2017 (Unaudited), 2016 and 2015.

Consolidated Statements of Cash Flows, years ended September 30, 2017 (Unaudited), 2016 and 2015.

Independent Auditors' Report.

Meritor WABCO Vehicle Control Systems

Consolidated Financial Statements

as of

September 30, 2017 (Unaudited) and 2016, and for the Years Ended September 30, 2017 (Unaudited), 2016, and 2015, and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To Meritor WABCO Vehicle Control Systems:

We have audited the accompanying consolidated financial statements of Meritor WABCO Vehicle Control Systems (the "Company"), which comprise the consolidated balance sheet as of September 30, 2016, and the related consolidated statements of net income and comprehensive income and cash flows for each of the two years in the period ended September 30, 2016, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2016, and the results of its operations and its cash flows for each of the two years in the period ended September 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The accompanying consolidated balance sheet of the Company as of September 30, 2017, and the related consolidated statements of net income and comprehensive income and cash flows for the year then ended were not audited, reviewed, or compiled by us and, accordingly, we do not express an opinion or any other form of assurance on them.

/s/ DELOITTE & TOUCHE LLP
DELOITTE & TOUCHE LLP

Detroit, Michigan
December 15, 2016

MERITOR WABCO VEHICLE CONTROL SYSTEMS

CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2017 (UNAUDITED) AND 2016

	2017	2016
ASSETS	(Unaudited)	
CURRENT ASSETS:		
Cash and cash equivalents	\$ 16,442,508	\$ 4,279,670
Accounts receivable:		
Trade -- net of allowance for doubtful accounts of \$83,083 and \$86,982 as of September 30, 2017 (Unaudited) and 2016, respectively	28,925,120	22,465,347
Related parties:		
Meritor Brake Systems, Inc.	9,659,051	8,706,730
WABCO Automotive Control Systems, Inc.	61,362	134,949
Inventories	36,590,211	34,782,628
Prepaid and other current assets	277,214	263,339
Total current assets	91,955,466	70,632,663
PROPERTY AND EQUIPMENT:		
Machinery and equipment	6,052,855	5,953,272
Autos and trailers	1,858,425	2,082,154
Furniture and fixtures	5,956,253	5,858,109
Facility improvements	1,450,922	1,422,193
Construction in progress	124,199	361,776
Total property and equipment	15,442,654	15,677,504
Less: accumulated depreciation	(13,313,930)	(13,549,853)
Property and equipment, net	2,128,724	2,127,651
OTHER LONG TERM ASSETS		
Warranty recoveries:		
Vendor responsibility	25,323	29,894
WABCO Automotive Control Systems, Inc.	1,537,275	1,507,442
Total warranty recoveries	1,562,598	1,537,336
Capitalized costs, net	181,446	192,380
TOTAL	\$ 95,828,234	\$ 74,490,030
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Accounts payable:		
Trade	\$ 3,465,569	\$ 2,275,918
Related parties:		
Meritor Brake Systems, Inc.	11,735,474	7,526,294
WABCO Automotive Control Systems, Inc.	47,182,541	24,224,174
Accrued liabilities:		
Warranty and policy	4,430,692	5,462,074
Compensation	2,474,117	1,636,163
Customer incentives	867,118	593,298

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Other	1,527,848	748,366
Total current liabilities	71,683,359	42,466,287
CONTINGENCIES AND COMMITMENTS (Note 7)		
OTHER LIABILITIES - Warranty and policy	3,077,874	3,569,693
PARTNERS' CAPITAL:		
Meritor Brake Systems, Inc.	6,546,989	14,296,690
WABCO Automotive Control Systems, Inc.	14,546,989	14,296,690
Accumulated other comprehensive income (loss)	(26,977) (139,330)
Total partners' capital	21,067,001	28,454,050
TOTAL	\$95,828,234	\$74,490,030

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See notes to consolidated financial statements.

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MERITOR WABCO VEHICLE CONTROL SYSTEMS
CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED SEPTEMBER 30, 2017 (UNAUDITED), 2016, AND 2015

	2017 (Unaudited)	2016	2015
NET SALES	\$320,515,280	\$312,210,984	\$361,629,354
COST OF GOODS SOLD	237,279,038	234,446,060	278,275,729
GROSS PROFIT	83,236,242	77,764,924	83,353,625
OPERATING EXPENSES:			
Services purchased from related parties:			
Salary and benefits	12,304,223	12,970,674	12,036,040
Selling and promotion	2,695,854	2,693,493	2,881,268
Research and development	4,311,887	1,271,747	2,051,790
Rent	406,237	410,663	410,382
Other	629,633	577,962	553,579
Total services purchased from related parties	20,347,834	17,924,539	17,933,059
Selling and promotion	1,062,641	1,129,029	1,159,939
Travel	872,956	995,720	908,195
Other purchased services	3,901,210	3,378,978	3,301,615
Depreciation and amortization	184,684	226,332	233,902
Other operating expenses	1,938,434	2,024,591	2,239,794
Total operating expenses	28,307,759	25,679,189	25,776,504
INCOME FROM OPERATIONS	54,928,483	52,085,735	57,577,121
OTHER INCOME	1,572,115	333,733	532,275
NET INCOME	\$56,500,598	\$52,419,468	\$58,109,396
OTHER COMPREHENSIVE INCOME (LOSS)- Foreign currency translation adjustment	\$112,353	\$(139,330)	\$—
TOTAL COMPREHENSIVE INCOME	\$56,612,951	\$52,280,138	\$58,109,396

See notes to consolidated financial statements.

MERITOR WABCO VEHICLE CONTROL SYSTEMS
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 (UNAUDITED), 2016, AND 2015

	2017 (Unaudited)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$56,500,598	\$52,419,468	\$58,109,396
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	803,351	1,000,977	937,907
Changes in assets and liabilities (used in) provided by cash:			
Trade and related-party accounts receivable	(7,338,507)	8,443,513	(7,543,336)
Inventories	(1,807,583)	13,011,903	(7,976,370)
Prepaid and other current assets and warranty recoveries	(28,203)	1,718,522	1,371,187
Trade and related-party accounts payable	27,865,379	(7,516,624)	5,481,152
Accrued liabilities	859,874	(3,330,944)	(2,782,467)
Net cash provided by operating activities	76,854,909	65,746,815	47,597,469
CASH FLOWS USED IN INVESTING ACTIVITIES - Acquisition of property and equipment			
Net cash used in investing activities	(804,424)	(742,443)	(1,165,702)
CASH FLOWS USED IN FINANCING ACTIVITIES - Partners' distributions:			
Meritor Brake Systems, Inc.	(36,000,000)		