

HARMAN INTERNATIONAL INDUSTRIES INC /DE/

Form 10-Q

November 03, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2010

OR

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

For the Transition Period from _____ to _____

Commission File Number: 1-9764

Harman International Industries, Incorporated

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
400 Atlantic Street, Suite 1500
Stamford, CT
(Address of principal executive offices)

11-2534306
(I.R.S. Employer
Identification No.)

06901
(Zip code)

(203) 328-3500
(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 (§ 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, or a non-accelerated filer. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

As of October 31, 2010, 69,570,498 shares of common stock, par value \$.01, were outstanding.

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HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED AND SUBSIDIARIES

Form 10-Q

September 30, 2010

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References to Harman International, the Company, we, us, and our in this Form 10-Q refer to Harman International Industries, Incorporated and its subsidiaries, unless the context requires otherwise.

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Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. You should not place undue reliance on these statements. Forward-looking statements include information concerning possible or assumed future results of operations, cash flows, capital expenditures, the outcome of pending legal proceedings and claims, goals and objectives for future operations, including descriptions of our business strategies and purchase commitments from customers. These statements are typically identified by words such as believe, anticipate, expect, plan, intend, estimate, should, similar expressions. We base these statements on particular assumptions that we have made in light of our industry experience, as well as our perception of historical trends, current conditions, expected future developments and other factors that we believe are appropriate under the circumstances. As you read and consider the information in this report, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties and assumptions. In light of these risks and uncertainties, we cannot assure you that the results and events contemplated by the forward-looking statements contained in, or incorporated by reference into, this report will in fact transpire.

You should carefully consider the risks described below and the other information in this report because they identify important factors that could cause actual results to differ materially from those predicted in any such forward-looking statements. Our operating results may fluctuate significantly and may not meet our expectations or those of securities analysts or investors. The price of our stock would likely decline if this occurs. Factors that may cause fluctuations in our operating results include, but are not limited to, the following:

our ability to maintain profitability in our automotive division if there are delays in our product launches which may give rise to significant penalties and increased engineering expense;

the loss of one or more significant customers, or the loss of a significant platform with an automotive customer;

warranty obligations for defects in our products;

fluctuations in currency exchange rates, particularly with respect to the value of the U.S. Dollar and the Euro;

our ability to successfully implement our global footprint initiative, including achieving cost reductions and other benefits in connection with the restructuring of our manufacturing, engineering, procurement and administrative organizations;

the inability of our suppliers to deliver products at the scheduled rate and disruptions arising in connection therewith;

our ability to attract and retain qualified senior management and to prepare and implement an appropriate succession plan for our critical organizational positions;

our failure to implement and maintain a comprehensive disaster recovery program;

our failure to comply with governmental rules and regulations, including the Foreign Corrupt Practices Act and U.S. export control laws, and the cost of compliance with such laws;

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our ability to maintain a competitive technological advantage through innovation and leading product designs;

acceptance of our mid-platform infotainment systems by original equipment manufacturers and consumers;

the outcome of pending or future litigation and other claims, including, but not limited to, the current stockholder and Employee Retirement Income Security Act of 1974 lawsuits;

our ability to enforce or defend our ownership and use of intellectual property rights; and

our ability to achieve the intended benefits and anticipated savings of our STEP Change cost reduction initiatives.

Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual results of operations and could cause actual results to differ materially from those expressed in the forward-looking statements. As a result, the foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this and other reports we file with the Securities and Exchange Commission including the information in Item 1A, under the caption

Risk Factors of Part I to our Annual Report on Form 10-K for the fiscal year ended June 30, 2010. We undertake no obligation to publicly update or revise any forward-looking statement (except as required by law).

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****CONDENSED CONSOLIDATED BALANCE SHEETS****HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED AND SUBSIDIARIES****(In thousands)**

	September 30, 2010 (Unaudited)	June 30, 2010
Assets		
Current assets		
Cash and cash equivalents	\$ 567,676	\$ 645,570
Short-term investments	81,804	
Receivables, net	551,402	517,092
Inventories, net	439,206	353,123
Other current assets	155,473	158,194
Total current assets	1,795,561	1,673,979
Property, plant and equipment, net	436,821	421,949
Goodwill	114,650	105,922
Deferred tax assets, long-term	229,979	247,602
Other assets	116,510	106,763
Total assets	\$ 2,693,521	\$ 2,556,215
Liabilities and Equity		
Current liabilities		
Current portion of long-term debt	\$ 376	\$ 463
Short-term debt	4,467	13,472
Accounts payable	391,941	382,985
Accrued liabilities	387,873	363,261
Accrued warranties	119,134	99,329
Income taxes payable	7,057	3,941
Total current liabilities	910,848	863,451
Convertible senior notes	366,652	362,693
Other senior debt	953	1,209
Other non-current liabilities	194,799	193,970
Total liabilities	1,473,252	1,421,323
Preferred stock		
Common stock	952	952
Additional paid-in capital	896,772	892,129
Accumulated other comprehensive income	57,012	3,666

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Retained earnings	1,313,103	1,285,715
Less: Common stock held in treasury	(1,047,570)	(1,047,570)
Total equity	1,220,269	1,134,892
Total liabilities and equity	\$ 2,693,521	\$ 2,556,215

See accompanying Notes to the Condensed Consolidated Financial Statements.

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(In thousands, except per share data)

(Unaudited)

	Three Months Ended September 30,	
	2010	2009
Net sales	\$ 836,946	\$ 748,428
Cost of sales	612,375	556,200
Gross profit	224,571	192,228
Selling, general and administrative expenses	181,825	196,325
Operating income (loss)	42,746	(4,097)
Other expenses:		
Interest expense, net	6,146	9,563
Miscellaneous, net	1,527	1,244
Income (loss) from continuing operations before income taxes	35,073	(14,904)
Income tax expense (benefit), net	7,685	(5,003)
Income (loss) from continuing operations, net of income taxes	27,388	(9,901)
Income from discontinued operations, net of income taxes		2,103
Net income (loss)	27,388	(7,798)
Less: Net income attributable to noncontrolling interest		1,675
Net income (loss) attributable to Harman International Industries, Incorporated	\$ 27,388	\$ (9,473)
Net income (loss) from continuing operations attributable to Harman International Industries, Incorporated:		
Income (loss) from continuing operations, net of income taxes	\$ 27,388	\$ (9,901)
Less: Net income attributable to noncontrolling interest		1,675
Net income (loss) from continuing operations attributable to Harman International Industries, Incorporated	\$ 27,388	\$ (11,576)
Earnings (loss) per share from continuing operations attributable to Harman International Industries, Incorporated:		
Basic	\$ 0.39	\$ (0.17)
Diluted	\$ 0.39	\$ (0.17)
Earnings per share from discontinued operations:		
Basic	\$	\$ 0.03

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Diluted	\$	\$	0.03
Earnings (loss) per share:			
Basic	\$	0.39	\$ (0.14)
Diluted	\$	0.39	\$ (0.14)
Weighted average shares outstanding:			
Basic		70,655	69,254
Diluted		71,094	69,254

See accompanying Notes to the Condensed Consolidated Financial Statements.

Table of Contents**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED AND SUBSIDIARIES****(Unaudited)****(In thousands)**

	Three Months Ended	
	September 30,	
	2010	2009
Cash Flows from operating activities:		
Net income (loss) attributable to Harman International Industries, Incorporated	\$ 27,388	\$ (9,473)
Adjustments to reconcile net income (loss) attributable to Harman International Industries, Incorporated to net cash provided by operating activities:		
Income from discontinued operations, net of income taxes		(2,103)
Depreciation and amortization	28,157	36,581
Deferred income tax benefit	(290)	(8,282)
Noncontrolling interest		1,675
Loss (gain) on disposition of assets	252	(20)
Share-based compensation	4,353	5,155
Non-cash interest expense	4,868	4,393
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	1,693	(81,322)
Inventories	(58,878)	(22,449)
Other current assets	6,935	(511)
Increase (decrease) in:		
Accounts payable	(16,782)	36,197
Accrued warranties	19,805	(17,171)
Accrued other liabilities	(37,122)	15,039
Income taxes payable	2,351	(10,906)
Other operating activities	(4,720)	4,225
Net cash from continuing operations used in operating activities	(21,990)	(48,972)