Commercial Vehicle Group, Inc.
Form 10-K
March 17, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

þ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
or

¨ **Transition report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended:	**Commission file number:**
December 31, 2013	**001-34365**

COMMERCIAL VEHICLE GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**41-1990662**
(State of Incorporation)	*(I.R.S. Employer Identification No.)*
7800 Walton Parkway **New Albany, Ohio** *(Address of Principal Executive Offices)*	**43054** *(Zip Code)*

Registrant s telephone number, including area code:

(614) 289-5360

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

Title of Each Class	Name of exchange on which registered
Common Stock, par value $.01 per share	The NASDAQ Global Select Market

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Schedule 15(d) of the Act. Yes ¨ No þ

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 þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ 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, 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 þ 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 þ

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold on June 28, 2013, was $234,387,690.

As of March 14, 2014, 29,717,553, shares of Common Stock of the Registrant were outstanding.

Documents Incorporated by Reference

Information required by Items 10, 11, 12, 13 and 14 of Part III of this Annual Report on Form 10-K is incorporated by reference from the Registrant s Proxy Statement for its annual meeting to be held May 15, 2014 (the 2014 Proxy Statement).

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COMMERCIAL VEHICLE GROUP, INC.

Annual Report on Form 10-K

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CERTAIN DEFINITIONS

All references in this Annual Report on Form 10-K to the Company, Commercial Vehicle Group, CVG, we, us, and our refer to Com Vehicle Group, Inc. and its consolidated subsidiaries (unless the context otherwise requires).

FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. For this purpose, any statements contained herein that are not statements of historical fact, including without limitation, certain statements under Item 1 Business and Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations and located elsewhere herein regarding industry outlook, financial covenant compliance, anticipated effects of acquisitions, production of new products, plans for capital expenditures and our results of operations or financial position and liquidity, may be deemed to be forward-looking statements. Without limiting the foregoing, the words believes, anticipates, plans, expects, and similar expressions are intended to identi forward-looking statements. The important factors discussed in Item 1A Risk Factors, among others, could cause actual results to differ materially from those indicated by forward-looking statements made herein and presented elsewhere by management from time to time. Such forward-looking statements represent management s current expectations and are inherently uncertain. Investors are warned that actual results may differ from management s expectations. Additionally, various economic and competitive factors could cause actual results to differ materially from those discussed in such forward-looking statements, including, but not limited to, factors which are outside our control, such as risks relating to (i) general economic or business conditions affecting the markets in which we serve; (ii) our ability to develop or successfully introduce new products; (iii) risks associated with conducting business in foreign countries and currencies; (iv) increased competition in the heavy-duty truck or construction market; (v) our failure to complete or successfully integrate additional strategic acquisitions; (vi) the impact of changes in governmental regulations on our customers or on our business; (vii) the loss of business from a major customer or the discontinuation of particular commercial vehicle platforms; (viii) our ability to obtain future financing due to changes in the lending markets or our financial position and (ix) our ability to comply with the financial covenants in our revolving credit facility. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by such cautionary statements.

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PART I

Item 1. ***Business***

Overview

Commercial Vehicle Group, Inc. is a Delaware (USA) corporation. We were formed as a privately-held company in August 2000. We became a publicly held company in 2004. The Company (and its subsidiaries) is a leading supplier of a full range of cab related products and systems for the global commercial vehicle market, including the heavy-duty (Class 8) truck market, the medium-and heavy-construction vehicle markets, the military, bus, agriculture, specialty transportation, mining, industrial equipment and off-road recreational (ATV/UTV) markets.

The Company has manufacturing operations in the United States, Mexico, United Kingdom, Czech Republic, Ukraine, China, India and Australia. Our products are primarily sold in North America, Europe, China, India and the Asia/Pacific regions. To a lesser extent, the Company also derives revenue from South and Central America, the Middle East and Africa.

Our products include static and suspension seat systems, electronic wire harness assemblies, controls and switches, interior trim systems (including instrument panels, door panels, headliners, cabinetry and floor systems), cab structures and components, interior and exterior finishes and mirrors and wiper systems specifically designed for applications in commercial vehicles.

We are differentiated from automotive industry suppliers by our ability to manufacture low volume, customized products on a sequenced basis to meet the requirements of our customers. We offer complete cab systems, including cab body assemblies, sleeper boxes, seats, interior trim, exterior trim, flooring, wire harnesses, panel assemblies and other structural components. Our products are used by a large number of the North American heavy truck, certain leading global medium/heavy-construction original equipment manufacturers (OEMs), and off-road recreational vehicle manufacturers which we believe creates an opportunity to cross-sell our products and offer a full range of cab related products and systems.

Demand for our heavy truck products is generally dependent on the number of new heavy truck commercial vehicles manufactured in North America, which in turn is a function of general economic conditions, interest rates, changes in governmental regulations, consumer spending, fuel costs and our customers inventory levels and production rates.

New heavy truck commercial vehicle demand has historically been cyclical and is particularly sensitive to the industrial sector of the economy, which generates a significant portion of the freight tonnage hauled by commercial vehicles. In 2010, North American Class 8 production levels increased approximately 30 percent over 2009, indicating a recovery in the heavy truck market. This recovery continued into 2011 as North American Class 8 production levels increased approximately 66 percent from 2010. The North American Class 8 market showed a modest increase in 2012 as production levels increased approximately 9 percent over 2011. According to a January 2014 report by ACT Research, a publisher of industry market research, North American Class 8 production levels in 2013 decreased to 245,496 units from 278,720 in 2012. ACT anticipates production will peak at 290,000 units in 2015 and decline to 285,000 in 2018. We believe the demand for new North American Class 8 vehicles will be driven by several factors, including growth in freight volumes and the replacement of aging vehicles.

New commercial vehicle demand in the global construction equipment market generally follows certain economic conditions around the world. Within the global construction equipment market, there are two classes of construction equipment, the medium/heavy equipment market (weighing over 12 metric tons) and the light construction equipment market (weighing below 12 metric tons). Demand in the medium/heavy construction equipment market is typically related to the level of larger scale infrastructure development projects such as

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highways, dams, water infrastructure, harbors, hospitals, airports, non-residential building and industrial development, as well as activity in the mining, resource extraction, forestry and other raw material based industries. Demand in the light construction equipment market is typically related to certain economic conditions such as the level of housing construction and other smaller-scale developments and projects. Our construction equipment products are primarily used in the medium/heavy construction equipment markets, with a growing emphasis on light and utility machines. The platforms that we currently participate in include: cranes, pavers, planers & profilers, dozers, loaders, graders, haulers, tractors, excavators, backhoes, trucks and compactors. Following a strong 2011, the global construction market continued to improve in the first half of 2012. During the second half of 2012 OEMs responded to softer demand by reducing dealer and channel inventories which negatively impacted their production schedules. In 2013, the global construction market increased by 7 percent. We experienced a decline in our 2013 global construction revenues when compared to 2012, principally due to customer destocking and overall industry declines in all regions we serve. According to Millmark Associates, the global construction equipment market is expected to increase moderately in 2014.

Industry

Within the commercial vehicle industry, we sell our products primarily to the global OEM truck market (approximately 46% of our 2013 revenues), the global construction OEM market (approximately 21% of our 2013 revenues), the military market (approximately 2% of our 2013 revenues) and the aftermarket and original equipment service organizations (approximately 15% of our 2013 revenues). The majority of the remaining 16% of our 2013 revenues was derived from other global commercial vehicle and specialty markets.

Commercial Vehicle Supply Market Overview

Commercial vehicles are used in a wide variety of end markets, including local and long-haul commercial trucking, bus, construction, mining, agricultural, military, general industrial, municipal, off-road recreation (ATV and UTV) and specialty vehicle markets, (e.g., fire and refuse removal vehicles). The commercial vehicle supply industry can generally be separated into two categories: (1) sales to OEMs, in which products are sold in relatively large quantities directly for use by OEMs in new commercial and construction vehicles; and (2) aftermarket sales, in which products are sold as replacements in varying quantities to a wide range of original equipment service organizations, wholesalers, retailers and installers. In the OEM market, suppliers are generally divided into tiers Tier 1 suppliers (similar to our company), that provide products directly to OEMs, and Tier 2 or Tier 3 suppliers, that sell products principally to other suppliers for integration into those suppliers own product offerings.

Our largest end market, the North American commercial truck industry, is supplied by heavy- and medium-duty commercial vehicle suppliers, as well as automotive suppliers. The commercial vehicle supplier industry is fragmented and comprised of several large companies and many smaller companies. In addition, the commercial vehicle supplier industry is characterized by relatively low production volumes and can have considerable barriers to entry, including the following:, (1) specific technical and manufacturing requirements, (2) high transition costs to shift production to new suppliers, (3) just-in-time delivery requirements and (4) strong brand name recognition. Foreign competition is growing with the globalization of the world economy.

Although OEM demand for our products is directly correlated with new vehicle production, suppliers like us can grow by increasing sales through the cross selling and bundling of products, further penetrating existing customers businesses, gaining new customers, expanding into new geographic markets, developing new products to meet changing customer needs and by increasing aftermarket sales. We believe that companies with a global presence, advanced technology, engineering and manufacturing and support capabilities, such as our company, are well positioned to take advantage of these opportunities.

North American Commercial Truck Market

Purchasers of commercial trucks include fleet operators, owner operators, governmental agencies and industrial end users. Commercial vehicles used for local and long-haul commercial trucking are generally

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classified by gross vehicle weight. Class 8 vehicles are trucks with gross vehicle weight in excess of 33,000 lbs. and Class 5 through 7 vehicles are trucks with gross vehicle weight from 16,001 lbs. to 33,000 lbs. The following table shows commercial vehicle production levels from 2009 through 2013 in North America:

	2009	2010	2011	2012	2013
	(Thousands of units)				
Class 8 heavy trucks	118	154	255	279	245
Class 5-7 light and medium-duty trucks	98	118	167	189	153
Total	216	272	422	468	398

Source: *ACT N.A. Commercial Vehicle OUTLOOK* (January 2014).

The following describes the major markets within the commercial vehicle market in which we compete:

Class 8 Truck Market

The global Class 8 or heavy truck manufacturing market is concentrated in three primary regions: North America, Europe and Asia-Pacific. The global Class 8 / heavy truck market is localized in nature due to the following factors: (1) the prohibitive costs of shipping components from one region to another, (2) the high degree of customization of Class 8 trucks to meet the region-specific demands of end-users and (3) the ability to meet just-in-time delivery requirements.

In 2010, North American Class 8 production levels increased approximately 30% over the prior-year period. We believe that the increase from 2009 to 2010 was a result of the strengthening in the North American economy and corresponding increase in the need for commercial vehicles to haul freight tonnage in North America. The strengthening in the North American economy continued into 2011 and 2012 as North American Class 8 production levels increased approximately 9% over 2011. According to ACT, unit production for 2013 decreased 12% from 2012 levels to 245,496 units. ACT estimates 2014 Class 8 truck production in North America to be 275,000 units.

The following table illustrates North American Class 8 truck build for the years 2011 to 2018:

North American Class 8 Truck Build Rates

(In thousands)

E Estimated

Source: *ACT Commercial Vehicle OUTLOOK* (January 2014).

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We believe the following factors are currently driving the North American Class 8 truck market:

Economic Conditions. The North American truck industry is directly influenced by overall economic growth, consumer spending and the ability of our customers to access capital. Since truck OEMs supply the fleet lines of North America, their production levels generally match the demand for freight. The freight carried by these trucks includes consumer goods, machinery, food and beverages, construction equipment and supplies, electronic equipment and a wide variety of other materials. Since most of these items are driven by macroeconomic conditions, the truck industry tends to follow trends of gross domestic product. Generally, given the dependence of North American shippers on trucking as a freight alternative, general economic conditions have been a primary indicator of future truck builds.

Truck Replacement Cycle and Fleet Aging. The average age of active Class 8 trucks is approximately 6.6 years in 2013. The average fleet age tends to run in cycles as freight companies permit their truck fleets to age during periods of lagging demand and then replenish those fleets during periods of increasing demand. Additionally, as truck fleets age, their maintenance costs typically increase. Freight companies must therefore continually evaluate the economics between repair and replacement. We believe that during the recent economic downturn, and following the 2006 pre-buy overbuild, vehicle mileage was reduced disproportionately to chronological age of heavy trucks based on less utilization and may influence future builds over the next several years. The chart below illustrates the approximate average age of active U.S. Class 8 trucks:

Average Age of Active U.S. Class 8 Trucks

(In years)

E Estimated

Source: *ACT N.A. Commercial Vehicle OUTLOOK* (January 2014).

Commercial Truck Aftermarket

Demand for aftermarket products is driven by the quality of OEM parts, the number of vehicles in operation, the average age of the vehicle fleet, vehicle usage and the average useful life of vehicle parts. Aftermarket sales tend to be at a higher margin, as truck component suppliers are able to leverage their already established fixed cost base and exert moderate pricing power with their replacement parts. The recurring nature of aftermarket revenue can be expected to provide some insulation to the overall cyclical nature of the industry, as it tends to provide a more stable stream of revenues. Brand equity and the extent of a company s distribution network also contribute to the level of aftermarket sales. CVG has a widely recognized brand portfolio and participates in most retail sales channels including Original Equipment Dealer networks and independent distributors.

Commercial Construction Vehicle Market

New vehicle demand in the global construction equipment market generally follows certain economic conditions around the world. Within the construction market, there are two classes of construction equipment markets: the

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medium/heavy construction equipment market (weighing over 12 metric tons) and the light construction equipment market (weighing below 12 metric tons). Demand in the medium/heavy construction equipment market is typically related to the level of larger-scale infrastructure development projects such as highways, dams, harbors, hospitals, airports and industrial development as well as activity in the mining, forestry and other raw material based industries. Demand in the light construction equipment market is typically related to certain economic conditions such as the level of housing construction and other smaller scale developments and projects. Our products are primarily used in the medium/heavy construction equipment market. During 2010 and 2011, the global construction market showed signs of recovery following a significant decline in 2009. That recovery continued into the first half of 2012 followed by an overall decline in the market and a lower than expected build rate in the second half of 2012. The global construction market experienced a pickup in 2013 of seven percent. According to a January 2014 report by Millmark Associates, a publisher of industry market research, global production units in the construction market for the primary products we market (pavers, dozers, excavators, graders, skid steers, compactors and loaders), experienced a modest increase of two percent in 2013 and are expected to increase from approximately 1.5 million units in 2014 to 1.8 million in 2018. We, however, did not benefit from the 2013 construction growth due to destocking and industry declines experienced in all regions we serve. The chart below illustrates the continued estimated growth in the global construction market for the products in which we market from 2011 to 2018:

E Estimated

Source: *Millmark Global Equipment Production* (January 2014).

Purchasers of medium/heavy construction equipment include construction companies, municipalities, local governments, rental fleet owners, quarrying and mining companies and forestry related industries. Purchasers of light construction equipment include contractors, rental fleet owners, landscapers, logistics companies and farmers. In the medium/heavy construction equipment market, we primarily supply OEMs with our seating and wire harness products.

Military Equipment Market

We supply products for heavy- and medium-payload tactical trucks that are used by various military customers. Sales and production of these vehicles can be influenced by overall defense spending both by the U.S. government and foreign governments and the presence of military conflicts and potential military conflicts throughout the world. Demand for these vehicles has declined as a result of the United States reduced role in the conflicts in Iraq and Afghanistan and defense budget reductions and sequestration that have resulted in lower demand for tactical wheeled vehicles. Military equipment will continue to be a volatile end market and given current political and governmental budgetary considerations, we do not anticipate it will improve significantly in the near term.

Agricultural Equipment Market

We market and sell most of our full range of products for small, medium and large agricultural equipment across a spectrum of machines including tractors, sprayers, bailers, farm telehandler equipment and harvesters. Sales and

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production of these vehicles can be influenced by rising or falling farm commodity prices, land values, profitability and balance sheet health of farms, and other factors such as increased mechanization in emerging economies, new uses for crop materials such as biofuels and other factors. In the medium to longer term, a combination of factors create the need for more productive agricultural equipment, such as: (1) population growth, (2) an evolving sophistication of dietary habits, (3) constraints on arable land and other macroeconomic and demographic factors.

Commercial Vehicle Industry Trends

Our performance and growth opportunities are related to trends in the commercial vehicle market including globalization, operator retention, operator comfort and safety. These trends include among others:

Globalization of Suppliers. Commercial vehicle OEMs manufacture and sell their products in various geographic markets around the world. Having operations in the geographic markets in which OEMs produce their global platforms enables suppliers to meet OEMs needs more economically and more efficiently.

Increasing Global Competition. Increased global competition is becoming a factor for suppliers in the North American market as manufacturers outside the United States begin to develop opportunities to increase sales through the penetration of the U.S. heavy-truck and construction markets.

Shift of Design, Engineering and Research and Development to Suppliers. OEMs are focusing their efforts on brand development and overall vehicle design, instead of the design of individual vehicle systems. OEMs are increasingly looking to their suppliers to provide suggestions for new products, designs, engineering developments and manufacturing processes. As a result, strategic suppliers are gaining increased access to confidential planning information regarding OEMs future vehicle designs and manufacturing processes. Strategic suppliers with the capability to design and engineer systems have a greater opportunity to increase their percentage of vehicle content.

Broad Manufacturing Capabilities. OEMs are seeking suppliers to manufacture or assemble systems and products utilizing alternative materials and processes in order to meet their demand for customized styling, performance or cost requirements. In addition, while OEMs seek to differentiate their vehicles through the introduction of innovative features, suppliers are proactively developing new products and manufacturing capabilities and processes to meet OEMs requirements.

Ongoing Supplier Consolidation. We believe the worldwide commercial vehicle supply industry is continuing to consolidate as suppliers seek to achieve operating synergies through business combinations, shift production to locations with more flexible labor rules and practices, acquire complementary technologies, build stronger customer relationships and follow their OEM customers as they expand globally. Furthermore, the cost focus of most major OEMs has forced suppliers to reduce costs and improve productivity on an ongoing basis, including economies of scale through consolidation. Financial distress created by the global economic conditions in recent years has also impacted the trend in consolidating suppliers.

Competitive Strengths

Our competitive strengths include, but are not limited to, the following:

Market Positions and Brands. We believe we are a leading supplier of seating systems and soft interior trim products, one of a few non-captive manufacturers of structural components and body systems (which can include cab body assemblies) for the North American commercial vehicle heavy truck market and one of the largest global suppliers of medium/heavy construction vehicle seating systems. Our strong position in the North American truck business leads us to believe we have processes in place to design, manufacture and introduce products that meet customers expectations in that market. Our major product brands include CVG , Sprague Devices®, Moto Mirror®, RoadWatch®, KAB Seating , National Seating , Bostrom Seating®, Stratos , ComforTEK®, FlameTEK , FinishTEK and Mayflower®

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Comprehensive Cab Product and Cab System Solutions. We manufacture a broad base of products, utilized in the interior and the exterior of a commercial vehicle cab. We also utilize a variety of different processes, such as urethane molding, injection molding, large composite molding, thermoforming and vacuum forming, which enable us to meet each customer s unique styling and cost requirements. We believe the breadth of our product offerings provide us with a potential opportunity for further customer penetration through cross-selling initiatives and by bundling our products to provide complete system solutions.

End-User Focused Product Innovation. We believe that commercial vehicle market OEMs continue to focus on interior and exterior product design features that better serve the vehicle operator, and therefore seek suppliers that can provide product innovation. In response, we have built an engineering and research and development organization to assist OEMs in meeting those needs. We believe this helps us secure content on new as well as current platforms and models.

Flexible Manufacturing Capabilities. Because commercial vehicle OEMs permit their customers to select from an extensive menu of cab options, our end users frequently request modified products in low volumes within a limited time frame. We have a variable cost structure and can efficiently leverage our flexible manufacturing capabilities to provide low volume, customized products to meet each customer s styling, cost and just-in-time delivery requirements. We manufacture or assemble our products at facilities in North America, Europe, Asia and Australia.

Global Capabilities. Because many of our customers manufacture and sell their products on a global basis, we believe we have a competitive advantage through dedicated sales, engineering, manufacturing and assembly capabilities on a global basis. We have these capabilities to support our customers in North America, Europe, China, India and Australia.

Relationships with Leading Customers and Major North American Fleets. Because of our comprehensive product offerings, brand names and product features, we believe we are a long-term global supplier to many of the leading heavy truck, construction and specialty commercial vehicle manufacturers such as PACCAR, Caterpillar, Volvo/Mack, Navistar, Daimler Trucks, Deere & Co., Oshkosh Corporation, Komatsu and koda (which is part of the Volkswagen Group). In addition, through our sales and engineering teams, we maintain active relationships with the major heavy-duty truck fleet organizations that are end-users of our products such as Schneider National, Werner, Walmart, FedEx and JB Hunt.

Barriers to Entry. Barriers to entry including investment and specific engineering requirements, transition costs for OEMs to shift production to new suppliers, just-in-time delivery requirements and brand name recognition.

Proven Management Team. We believe that our management team has substantial depth of knowledge and expertise in critical operational areas and has demonstrated success in reducing costs, improving processes and expanding revenue through product, market and customer diversification.

Corporate Strategy

Our primary strategies are as follows:

Geographic Diversification. To reduce our dependence on the cyclical North American Class 8 heavy-truck market, we may selectively pursue strategic acquisitions or develop new business operations in geographic areas outside the United States. We have sought and continue to seek new and independent growth opportunities through marketing and business development activities with local producers in existing and new markets outside the United States. We believe that our larger growth opportunity is based on the development of end markets outside the mature North American market, principally in Asia. We are specifically targeting the Chinese construction, truck and agriculture end markets and have established a [production and research and development facility] in Shanghai to address the needs of multi-national construction equipment manufacturers operating there. While we intend to continue examining acquisition candidates that meet our strategic growth criteria, we currently anticipate more focus will be placed on our organic growth opportunities and global expansion plans.

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End Market Diversification. To reduce our dependence on our current number of product lines, we intend to continue to diversify our product lines and offerings through a combination of acquisitions and engineering and research and development activities. We have recently added capabilities in the application of customized industrial hydrographic films, paints and other interior and exterior finishes for recreational (ATV/UTV) markets, and in the passenger, school and coach bus end markets through acquisitions. In addition, we have developed several new products including the GSX range of global, modular seating for global heavy truck applications; molded thermally and acoustically efficient flooring; blast-resistant seats and fire-resistant interior trim materials for military applications; and impact resistant cladding for medium-duty trucks and vans. We believe we have an opportunity to leverage our expertise with construction and agriculture products into stronger organic growth in North America. We are focused on securing additional sales from our existing customer base, and we actively cross-market a diverse portfolio of products to our customers to increase our content on the vehicles manufactured by OEMs.

Increase Sales to the Aftermarket. While commercial vehicles have a relatively long life, certain components, such as seats, wipers and mirrors, are replaced more frequently. We believe this provides increased opportunities for our aftermarket products as the number of vehicles in operation and the number of miles driven per vehicle increases. We believe that there are opportunities to leverage our brand recognition to increase our sales to the replacement aftermarket.

Develop Industry-Leading Technologies. To enhance our competitiveness and support our end-market diversification efforts, we continue to focus on research and development activities to meet the constantly evolving and market-specific demands of our global customers and their end-users. Current development initiatives include the ergonomics of operator safety and comfort and the management of acoustic, thermal, aerodynamic and weight-saving technologies that are unique to large commercial and construction vehicles. Through these efforts we seek to improve our processes, increase our manufacturing efficiencies and ultimately improve our operating margins with minimized additional capital expenditures.

Capitalize on Operating Leverage. We continuously seek ways to lower costs, enhance product quality and improve manufacturing efficiencies, and we continue to utilize our Lean Manufacturing CVG Operating System (CVGOS) philosophy. We intend to continue to develop and implement operating excellence programs that will drive best practices, improve productivity, maximize efficiencies and improve quality in every one of our manufacturing facilities world-wide. To optimize our manufacturing capacity and operating margins, we continuously review changing customer needs and our manufacturing footprint. We look for opportunities to improve efficiencies through plant consolidations and/or closures, moving to one operating system and opening new plants to continue to provide timely delivery and quality products at competitive prices while improving margins.

Products

We offer OEMs a broad range of products and system solutions for a variety of end market vehicle applications that include local and long-haul commercial trucking, bus, construction, mining, agricultural, military, general industrial, municipal, recreational and specialty vehicle. We believe fleets and OEMs continue to focus on cabs and interiors to help differentiate their products and improve operator comfort and retention. Although a portion of our products are sold directly to OEMs as finished components, we also supply systems or subsystems, which are groups of component parts located throughout the vehicle that operate together to provide a specific vehicle function. Systems currently produced by us include cab bodies, sleeper boxes, seating, interior trim, body panels, storage cabinets, floor covering, mirrors, windshield wipers, headliners, temperature measurement devices and wire harnesses. We classify our products into five general categories: (1) seats and seating systems, (2) electronic wire harnesses and panel assemblies, (3) trim systems and components, (4) cab structures, sleeper boxes, body panels and structural components and (5) mirrors, wipers and controls.

See Notes 2 and 10 to our audited consolidated financial statements in Item 8 in this Annual Report on Form 10-K for information on our significant customer revenues and related receivables, as well as revenues by product category and geographical location.

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Set forth below is a brief description of our products and their applications:

Seats and Seating Systems. We design, engineer and produce seating systems for medium and heavy duty trucks, bus applications, special purpose vehicles, and for commercial vehicles used in the construction and agricultural industries. For the most part, our seats and seating systems are fully-assembled and ready for installation when they are delivered to the OEM. We offer a wide range of seats that include mechanical and air suspension seats, static seats and bus seats. As a result of our product design and product technology, we are a leader in designing seats with convenience features and enhanced safety. Seats and seating systems are the most complex and highly specialized products of our five product categories. Set forth below is a brief description of our principal products in this category:

Heavy Truck Seats. We produce seats and seating systems for heavy trucks primarily in our North American operations, but also in China, Europe and Australia. Our heavy truck seating systems are designed to achieve maximum operator comfort by adding a wide range of manual and power features such as lumbar supports, cushion and back bolsters and leg and thigh supports. Our seats are built to meet customer requirements in low volumes and produced in numerous feature combinations to form a full-range product line with a wide level of price points.

Construction and Other Commercial Vehicle Seats. We produce seats and seating systems for commercial vehicles used in the global construction and agricultural, bus, military, commercial transport and municipal industries. The principal focus of these seating systems is durability and operator safety. These seats are ergonomically designed for difficult working environments and to provide comfort and control throughout the range of seats.

Specialty and Other Seating Products. We also manufacture office seating products. Our office chair was developed as a result of our experience supplying seats for the heavy truck, agricultural and construction industries and is fully adjustable to maximize comfort at work. Our office chairs are designed to suit many different office environments, such as emergency services, call centers, receptions, studios, boardrooms and general office.

Electronic Wire Harnesses and Panel Assemblies. We produce a wide range of electronic wire harnesses and electrical distribution systems and related assemblies as well as panel assemblies used in commercial vehicles, engines, generators and other equipment. Set forth below is a brief description of our principal products in this category.

Electronic Wire Harnesses. We offer a broad range of complex electronic wire harness assemblies that function as the primary current carrying devices used to provide electrical interconnections for gauges, lights, control functions, power circuits, powertrain and transmission sensors, emissions systems and other electronic applications on commercial vehicles. Our wire harnesses are highly customized to fit specific end-user requirements. We provide our wire harnesses for a wide variety of commercial vehicles, tactical vehicles, specialty trucks, automotive and other specialty applications, including heavy construction and forestry machines and mining trucks.

Panel Assemblies. We assemble large, integrated components such as panel assemblies and cabinets for commercial vehicle OEMs and other heavy equipment manufacturers. The panels and cabinets we assemble are installed in key locations on a vehicle or unit of equipment, are integrated with our wire harness assemblies and provide user control over multiple operational functions and features.

Trim Systems and Components. We design, engineer and produce trim systems and components mostly for the interior cabs of commercial vehicles, but have recently increased our product offerings to include exterior cladding as well. Our trim products are designed to provide a comfortable and durable interior for the vehicle

occupants, as well as a variety of functional and safety features. The wide variety of features that can be selected by the heavy truck customer makes trim systems and components a complex and highly specialized product category. Set forth below is a brief description of our principal products in this category:

Trim Products. Our trim products include door panels and other interior trim panels. Specific components include vinyl or cloth-covered appliqués, armrests, map pocket compartments, carpet and sound-reducing insulation. Our products are attractive, lightweight solutions from a traditional cut and sew approach to a contemporary molded styling theme.

Instrument Panels. We produce and assemble instrument panels that can be integrated with the rest of the interior trim. The instrument panel is a complex system of coverings and foam, plastic and metal parts designed to house various components and act as a safety device for the vehicle occupant.

Body Panels (Headliners/Wall Panels). Headliners consist of a substrate and a finished interior layer made of fabrics and other materials. While headliners are an important contributor to interior aesthetics, they also provide insulation from road noise and can serve as carriers for a variety of other components, such as visors, overhead consoles, grab handles, coat hooks, electrical wiring, speakers, lighting and other electronic and electrical products.

Storage Systems. Our modular storage units and custom cabinetry are designed to improve comfort and optimize space for the operator. These storage systems are designed to be integrated with the interior trim. Our storage systems are constructed with durable materials and designed to last the life of the vehicle.

Floor Covering Systems. We have an extensive and comprehensive portfolio of floor covering systems and dash insulators. Carpet flooring systems generally consist of tufted or non-woven carpet with a thermoplastic backcoating. Non-carpeted flooring systems, used primarily in commercial and fleet vehicles, offer improved wear and maintenance characteristics.

Sleeper Bunks. We offer a wide array of design choices for upper and lower sleeper bunks for heavy trucks. All parts of our sleeper bunks can be integrated to match the rest of the interior trim. The dash insulator separates the passenger compartment from the engine compartment and prevents engine noise and heat from entering the passenger compartment.

Grab Handles and Armrests. Our grab handles and armrests are designed and engineered with specific attention to aesthetics, ergonomics and strength.

Privacy Curtains. We produce privacy curtains for use in sleeper cabs.

Plastics Decorating and Finishing. We offer customers a wide variety of cost-effective finishes in paint, ultra violet, hard coating and customized industrial hydrographic films, paints and other interior and exterior finishes (simulated appearance of wood grain, carbon fiber, brushed metal, marbles, camouflage and custom patterns) used primarily in the heavy-truck and recreational vehicle (ATVs and UTVs) markets.

Cab Structures, Sleeper Boxes, Body Panels and Structural Components. We design, engineer and produce complete cab structures, sleeper boxes, body panels and structural components for the commercial vehicle industry in North America. Set forth below is a description of our principal products in this category:

Cab Structures. We design, manufacture and assemble complete cab structures used primarily in heavy trucks for major commercial vehicle OEMs in North America. Our cab structures, which are manufactured from both steel and aluminum, are delivered fully assembled and primed for paint.

Sleeper Boxes. We design, manufacture and assemble sleeper boxes primarily for heavy trucks in North America. We manufacture both integrated sleeper boxes that are part of the overall cab structure as well as standalone assemblies depending on the customer application.

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Bumper Fascias and Fender Liners. Our highly durable, lightweight bumper fascias and fender liners are capable of withstanding repeated impacts that could deform an aluminum or steel bumper.

Body Panels and Structural Components. We produce a wide range of both steel and aluminum large exterior body panels and structural components for use in production of our cab structures and sleeper boxes.

Mirrors, Wipers and Controls. We design, engineer and produce a wide range of mirrors, wipers and controls used in commercial vehicles. Set forth below is a brief description of our principal products in this category:

Mirrors. We offer a wide range of round, rectangular, motorized and heated mirrors and related hardware, including brackets, braces and side bars. We have introduced both road and outside temperature devices that can be integrated into the mirror face or the vehicle s dashboard through our RoadWatch™ family of products. These systems are principally utilized by municipalities throughout North America to monitor surface temperatures and assist them in efficiently dispersing chemicals for snow and ice removal.

Windshield Wiper Systems. We offer application-specific windshield wiper systems and individual windshield wiper components for the commercial vehicle market.

Controls. We offer a range of controls and control systems for window lifts, door locks and electric switch products.

Manufacturing

A description of the manufacturing processes we utilize for each of our principal product categories is set forth below:

Seats and Seating Systems. Our seating operations utilize a variety of manufacturing techniques whereby foam and various other components along with fabric, vinyl or leather are affixed to an underlying seat frame. We also manufacture and assemble the seat frame, which involves complex welding. Generally, we utilize outside suppliers to produce the individual sub-components used to assemble the seat frame.

Electronic Wire Harnesses and Panel Assemblies. We utilize several manufacturing techniques to produce the majority of our electronic wire harnesses and panel assemblies. Our processes, both manual and automated, are designed to produce complex, low- to medium-volume wire harnesses and panel assemblies in short time frames. Our wire harnesses and panel assemblies are both electronically and hand tested.

Trim Systems and Components. Our trim systems process capabilities include injection molding, low-pressure injection molding, urethane molding and foaming processes, compression molding, heavy-gauge thermoforming and vacuum forming as well as various cutting, sewing, trimming and finishing methods.

Cab Structures, Sleeper Boxes, Body Panels and Structural Components. We utilize a wide range of manufacturing processes to produce the majority of the steel and aluminum stampings used in our cab structures, sleeper boxes, body panels and structural components and a variety of both robotic and manual welding techniques in the assembly of these products. In addition, we have facilities with large capacity, fully automated E-coat paint priming systems allowing us to provide our customers with a paint-ready cab product. Due to their high cost, full body E-coat systems, such as ours, are rarely found outside of the manufacturing operations of the major OEMs. We also have large press lines which provide us with the in-house manufacturing flexibility for both aluminum and steel stampings delivered just-in-time to our cab assembly plants.

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Mirrors, Wipers and Controls. We manufacture our mirrors, wipers and controls utilizing a variety of manufacturing processes and techniques. Our mirrors, wipers and controls are primarily assembled, utilizing semi-automatic work cells, electronically tested and packaged.

We have a broad array of processes to enable us to meet our commercial vehicle OEM customers styling and cost requirements. The vehicle cab is the most significant and appealing aspect to the operator of the vehicle, and consequently each commercial vehicle OEM has unique requirements as to feel, appearance and features.

The end markets for our products are highly specialized and our customers frequently request modified products in low volumes within an expedited delivery timeframe. As a result, we primarily utilize flexible manufacturing cells at the vast majority of our production facilities. Manufacturing cells are clusters of individual manufacturing operations and work stations grouped in a circular configuration, with the operators placed centrally within the configuration. This provides flexibility by allowing efficient changes to the number of operations each operator performs. When compared to the more traditional, less flexible assembly line process, cell manufacturing allows us to maintain our product output consistent with our OEM customers requirements and reduce the level of inventory.

When an end-user buys a commercial vehicle, the end-user will specify the seat and other features for that vehicle. Because each of our seating systems is unique, our manufacturing facilities have significant complexity which we manage by building in sequence. We build our seating systems as orders are received, and systems are delivered to the customer s rack in the sequence in which vehicles come down the assembly line. We have systems in place that allow us to provide complete customized interior kits in boxes that are delivered in sequence. In many instances, we keep track of our build sequence by product identification numbers and components are identified by bar code. Sequencing reduces our cost of production because it eliminates warehousing costs and reduces waste and obsolescence, offsetting any increased labor costs. Several of our manufacturing facilities are strategically located near our customers assembly plants, which facilitates this process and minimizes shipping costs.

We employ just-in-time manufacturing and system sourcing in our operations to meet customer requirements for faster deliveries and to minimize our need to carry significant inventory levels. We utilize material systems to manage inventory levels and, in certain locations, we have inventory delivered as often as two times per day from a nearby facility based on the previous day s order. This eliminates the need to carry excess inventory at our facilities.

Within our cyclical industry, we strive to maintain a certain portion of temporary labor to improve our ability to flex our costs and throughput as required by customer demand. We balance this by engaging our core employees to assist in making our processes efficient and improving our ability to realign capacity during fluctuating periods of increased or decreased production levels to achieve on-time delivery.

Raw Materials and Suppliers

A description of the principal raw materials we utilize for each of our principal product categories is set forth below:

Seats and Seating Systems. The principal raw materials used in our seating systems include steel, aluminum, resin-based products and foam related products and are generally readily available and obtained from multiple suppliers under various supply agreements. Leather, vinyl, fabric and certain components are also purchased from multiple suppliers under supply agreements. Typically, our supply agreements are for a term of at least one year and are terminable by us for breach or convenience.

Electronic Wire Harnesses and Panel Assemblies. The principal raw materials used to manufacture our electronic wire harnesses are wire and cable, connectors, terminals, switches, relays and various covering techniques involving braided yarn, braided copper, slit and non-slit conduit and foam molded via the reaction injection molding process. These raw materials are obtained from multiple suppliers and are generally readily available.

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Trim Systems and Components. The principal raw materials used in our interior systems processes are resin and chemical products, foam, vinyl and fabric which are formed and assembled into end products. These raw materials are obtained from multiple suppliers, typically under supply agreements which are for a term of typically one year or more and terminable by us for breach or convenience.

Cab Structures, Sleeper Boxes, Body Panels and Structural Components. The principal raw materials used in our cab structures, sleeper boxes, body panels and structural components are steel and aluminum, the majority of which we purchase in sheets. These raw materials are generally readily available and obtained from several suppliers, typically under purchase contracts which fix price and supply for up to one year.

Mirrors, Wipers and Controls. The principal raw materials used to manufacture our mirrors, wipers and controls are steel, stainless steel and rubber, which are generally readily available and obtained from multiple suppliers. We also purchase sub-assembled products such as motors for our wiper systems and mirrors.

Our supply agreements generally provide for fixed pricing but do not require us to purchase any specified quantities. We have not experienced any significant shortages of raw materials and normally do not carry inventories of raw materials or finished products in excess of those reasonably required to meet production and shipping schedules, as well as service requirements. Steel, aluminum, petroleum-based products, copper, resin, foam, fabrics, wire and wire components comprise the most significant portion of our raw material costs. We typically purchase steel, copper and petroleum-based products at market prices that are fixed over varying periods of time less than a year. Due to the volatility in pricing over the last several years, we are using tools such as market index pricing and competitive bidding to assist in reducing our overall cost. We continue to closely align our customer pricing and material costs to minimize the impact of steel, copper and petrochemical price fluctuations. Certain component purchases and suppliers are directed by our customers, so we generally will pass through directly to the customer any cost changes from these components. We do not believe we are dependent on a single supplier or limited group of suppliers for our raw materials.

Customers and Marketing

We sell our products principally to the commercial vehicle OEM truck and construction markets. The following is a summary of our significant revenues by end market based on final destination customers and markets for each of the three years ended December 31:

	2013	2012	2011
Heavy Truck OEM	46%	50%	47%
Construction	21	23	25
Aftermarket and OE Service	15	13	14