

SUPERIOR INDUSTRIES INTERNATIONAL INC
Form 10-Q
April 27, 2012
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 25, 2012

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: 1-6615

SUPERIOR INDUSTRIES INTERNATIONAL, INC.
(Exact Name of Registrant as Specified in Its Charter)

California
(State or Other Jurisdiction of Incorporation or
Organization)

95-2594729
(I.R.S. Employer Identification No.)

7800 Woodley Avenue
Van Nuys, California
(Address of Principal Executive Offices)

91406
(Zip Code)

Registrant's Telephone Number, Including Area Code: (818) 781-4973

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, 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.

Large Accelerated Filer Accelerated Filer 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

Number of shares of no par value common stock outstanding as of April 20, 2012: 27,190,838

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FINANCIAL INFORMATION

Item 1. Financial Statements

Superior Industries International, Inc.
Condensed Consolidated Income Statements
(Dollars in thousands, except per share data)
(Unaudited)

	Thirteen Weeks Ended	
	March 25, 2012	March 27, 2011
NET SALES	\$202,457	\$189,534
Cost of sales	185,349	172,657
GROSS PROFIT	17,108	16,877
Selling, general and administrative expenses	6,885	6,692
INCOME FROM OPERATIONS	10,223	10,185
Interest income, net	300	291
Other income (expense), net	341	691
INCOME BEFORE INCOME TAXES	10,864	11,167
Provision for income taxes	(4,131) (3,113
NET INCOME	\$6,733	\$8,054
INCOME PER SHARE - BASIC	\$0.25	\$0.30
INCOME PER SHARE - DILUTED	\$0.25	\$0.29
DIVIDENDS DECLARED PER SHARE	\$0.16	\$0.16

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Superior Industries International, Inc.
 Condensed Consolidated Statements of Comprehensive Income
 (Dollars in thousands)
 (Unaudited)

	Thirteen Weeks Ended	
	March 25, 2012	March 27, 2011
Net income	\$6,733	\$8,054
Other comprehensive income (loss), net of tax:		
Foreign currency translation gain	2,337	2,495
Defined benefit pension plan:		
Amortization of amounts resulting from changes in actuarial assumptions	66	—
Tax benefit	(26)) —
Pension changes, net of tax	40	—
Other comprehensive income (loss), net of tax	2,377	2,495
Comprehensive Income	\$9,110	\$10,549

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Superior Industries International, Inc.
Condensed Consolidated Balance Sheets
(Dollars in thousands)
(Unaudited)

	March 25, 2012	December 25, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 193,157	\$ 187,795
Short term investments	4,799	5,126
Accounts receivable, net	127,142	119,895
Inventories	69,126	66,933
Income taxes receivable	1,993	4,950
Deferred income taxes, net	5,999	5,299
Assets held for sale	1,500	1,500
Other current assets	11,332	12,785
Total current assets	415,048	404,283
Property, plant and equipment, net	150,182	145,747
Investment in and advances to unconsolidated affiliate	4,639	4,725
Non-current deferred income taxes, net	14,104	16,795
Non-current assets	22,983	21,681
Total assets	\$ 606,956	\$ 593,231
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 30,795	\$ 29,018
Accrued expenses	41,854	39,532
Total current liabilities	72,649	68,550
Non-current income tax liabilities	37,222	33,102
Other non-current liabilities	30,957	31,064
Commitments and contingencies (Note 15)	—	—
Shareholders' equity:		
Preferred stock, no par value		
Authorized - 1,000,000 shares		
Issued - none	—	—
Common stock, no par value		
Authorized - 100,000,000 shares		
Issued and outstanding - 27,189,588 shares (27,164,013 shares at December 25, 2011)	69,627	68,775
Accumulated other comprehensive loss	(63,223) (65,600
Retained earnings	459,724	457,340
Total shareholders' equity	466,128	460,515
Total liabilities and shareholders' equity	\$ 606,956	\$ 593,231

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Superior Industries International, Inc.
 Condensed Consolidated Statements of Cash Flows
 (Dollars in thousands)
 (Unaudited)

	Thirteen Weeks Ended	
	March 25, 2012	March 27, 2011
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$9,981	\$32,598
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(4,288) (4,098
Proceeds from life insurance policy	1,726	—
Proceeds from sales and maturities of investments	335	4,068
Purchase of investments	(8) (1,373
Collection of amounts receivable from sale of unconsolidated affiliate	—	805
Loan to unconsolidated affiliate	—	(450
Premiums paid for life insurance	—	(109
Other	56	29
NET CASH USED IN INVESTING ACTIVITIES	(2,179) (1,128
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash dividends paid	(4,347) (4,319
Proceeds from exercise of stock options	367	1,522
NET CASH USED IN FINANCING ACTIVITIES	(3,980) (2,797
Effect of exchange rate changes on cash	1,540	—
Net increase in cash and cash equivalents	5,362	28,673
Cash and cash equivalents at the beginning of the period	187,795	129,631
Cash and cash equivalents at the end of the period	\$193,157	\$158,304

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Superior Industries International, Inc.
 Condensed Consolidated Statement of Shareholders' Equity
 (Dollars in thousands, except per share data)
 (Unaudited)

	Common Stock		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Number of Shares	Amount			
Balance at December 25, 2011	27,164,013	\$68,775	\$(65,600)	\$457,340	\$460,515
Comprehensive income:					
Net income	—	—	—	6,733	6,733
Other comprehensive income (loss), net of tax	—	—	2,377	—	2,377
Stock options exercised	24,575	367	—	—	367
Issuance of restricted stock, net of forfeitures 1,000	—	—	—	—	—
Stock-based compensation expense	—	485	—	—	485
Cash dividends declared (\$0.16 per share)	—	—	—	(4,349)	(4,349)
Balance at March 25, 2012	27,189,588	\$69,627	\$(63,223)	\$459,724	\$466,128

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Superior Industries International, Inc.
Notes to Condensed Consolidated Financial Statements
March 25, 2012
(Unaudited)

Note 1 – Nature of Operations

Headquartered in Van Nuys, California, the principal business of Superior Industries International, Inc. (referred to herein as the “company” or in the first person notation “we,” “us” and “our”) is the design and manufacture of aluminum road wheels for sale to original equipment manufacturers (OEM). We are one of the largest suppliers of cast aluminum wheels to the world’s leading automobile and light truck manufacturers, with wheel manufacturing operations in the United States and Mexico. Customers in North America represent the principal market for our products. In addition, the majority of our net sales to international customers by our North American facilities are delivered primarily to such customers' assembly operations in North America.

Ford Motor Company (Ford), General Motors Company (GM), Chrysler Group LLC (Chrysler), Nissan Motor Company (Nissan) and Toyota Motor Corporation (Toyota) were our customers individually accounting for more than 10 percent of our consolidated wheel sales in the first quarter of 2012 and together represented approximately 93 percent and 92 percent of our total wheel sales during the first quarter of 2012 and 2011, respectively. We also manufacture aluminum wheels for BMW, Subaru, Mitsubishi and Volkswagen. The loss of all or a substantial portion of our sales to Ford, GM, Chrysler, Nissan or Toyota would have a significant adverse impact on our operating results and financial condition. This risk is partially mitigated by our long-term relationships with these OEM customers and our supply arrangements which are generally for multi-year periods.

The North American market for automobiles and light-duty trucks (including SUV's and crossover vehicles) has experienced rather pronounced cyclicity over recent years. Beginning with the third quarter of 2008, the automotive industry was negatively impacted by the continued dramatic shift away from full-size trucks and SUVs caused by continuing high fuel prices, rapidly rising commodity prices and the tightening of consumer credit due to the then deteriorating financial markets. Despite the improvement in the U.S. automotive industry since the latter part of 2009, vehicle production levels still remain below historical high points. There can be no guarantee that the improvements in recent years will be sustained or that reductions from current production levels will not occur in future periods. Vehicle demand is subject to many unpredictable factors such as changes in the general economy, gasoline prices, consumer credit availability and interest rates. Demand for aluminum wheels can be further affected by other factors, including pricing and performance comparisons to competitive materials such as steel. Finally, the demand for our products is influenced by shifts of market share between vehicle manufacturers and the specific market penetration of individual vehicle platforms being sold by our customers.

While we historically have had long-term relationships with our customers and our supply arrangements generally are for multi-year periods, maintaining such long-term arrangements on terms acceptable to us has become increasingly difficult. Despite recovery of the market for our products since the latter part of 2009, global competitive pricing pressures continue to affect our business negatively as our customers maintain and/or further develop alternative supplier options. Increasingly global procurement practices, the pace of new vehicle introduction and demand for price reductions may make it more difficult to maintain long-term supply arrangements with our customers, and there are no guarantees that we will be able to negotiate supply arrangements on terms acceptable to us in the future.

We are engaged in ongoing programs to reduce our own costs through improved operational and procurement practices in an attempt to mitigate the impact of these pricing pressures. However, these improvement programs may not be sufficient to offset the adverse impact of ongoing pricing pressures and potential reductions in customer demand in future periods. Additional factors such as inconsistent customer ordering patterns, increasing product

complexity and heightened quality standards also are making it increasingly more difficult to reduce our costs. It is also possible that as we incur costs to implement improvement strategies, the initial impact on our financial position, results of operations and cash flow may be negative.

The raw materials used in producing our products are readily available and are obtained through numerous suppliers with whom we have established trade relations. In late December 2011, a significant supplier of aluminum informed us of a large decline in production rates of a smelter that has been our largest single source of purchased aluminum during both 2011 and 2010. The production decline has been caused by a labor issue that has continued for several months and remains unresolved. While there have been no interruptions in our aluminum supply, and we anticipate being able to source aluminum requirements to meet our expected level of production in 2012, it currently is not clear whether we will incur any negative cost consequences resulting from our supplier's production cutbacks. We procure other raw materials through numerous suppliers with whom we have established trade relationships.

Note 2 – Presentation of Condensed Consolidated Financial Statements

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During interim periods, we follow the accounting policies set forth in our Annual Report on Form 10-K for the fiscal year ended December 25, 2011 and apply appropriate interim financial reporting standards for a fair statement of our operating results and financial position in conformity with accounting principles generally accepted in the United States of America, as codified by the Financial Accounting Standards Board (FASB) in the Accounting Standards Codification (ASC) (referred to herein as U.S. GAAP), as indicated below. Users of financial information produced for