

MERITOR INC  
Form 10-Q  
May 04, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT

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

For the Quarterly Period Ended April 1, 2012

Commission File No. 1-15983

**MERITOR, INC.**

(Exact name of registrant as specified in its charter)

**Indiana**  
(State or other jurisdiction of incorporation or organization)

**38-3354643**  
(I.R.S. Employer Identification No.)

**2135 West Maple Road, Troy, Michigan**  
(Address of principal executive offices)

**48084-7186**  
(Zip Code)

**(248) 435-1000**

(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 Registration 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 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**   
**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).

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Yes  No

96,487,135 shares of Common Stock, \$1.00 par value, of Meritor, Inc. were outstanding on April 1, 2012.

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**PART I. FINANCIAL INFORMATION**  
**ITEM 1. Financial Statements**

**MERITOR, INC.**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
(in millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2012	2011	2012	2011
	(Unaudited)			
Sales	\$ 1,160	\$ 1,176	\$ 2,319	\$ 2,133
Cost of sales	(1,026)	(1,058)	(2,079)	(1,910)
<b>GROSS MARGIN</b>	<b>134</b>	<b>118</b>	<b>240</b>	<b>223</b>
Selling, general and administrative	(72)	(70)	(137)	(140)
Restructuring costs	(3)	(5)	(27)	(8)
Other operating expense	(1)	(2)	(2)	(2)
<b>OPERATING INCOME</b>	<b>58</b>	<b>41</b>	<b>74</b>	<b>73</b>
Other income (loss), net	1	(2)	5	(2)
Equity in earnings of affiliates	14	17	29	30
Interest expense, net	(23)	(24)	(47)	(51)
<b>INCOME BEFORE INCOME TAXES</b>	<b>50</b>	<b>32</b>	<b>61</b>	<b>50</b>
Provision for income taxes	(17)	(21)	(37)	(41)
<b>INCOME FROM CONTINUING OPERATIONS</b>	<b>33</b>	<b>11</b>	<b>24</b>	<b>9</b>
<b>INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax</b>	<b>(9)</b>	<b>11</b>	<b>(18)</b>	<b>15</b>
<b>NET INCOME</b>	<b>24</b>	<b>22</b>	<b>6</b>	<b>24</b>
Less: Income attributable to noncontrolling interests	(4)	(5)	(8)	(9)
<b>NET INCOME (LOSS) ATTRIBUTABLE TO MERITOR, INC.</b>	<b>\$ 20</b>	<b>\$ 17</b>	<b>\$ (2)</b>	<b>\$ 15</b>
<b>NET INCOME (LOSS) ATTRIBUTABLE TO MERITOR, INC.</b>				
Net income from continuing operations	\$ 29	\$ 6	\$ 16	\$
Income (loss) from discontinued operations	(9)	11	(18)	15
Net income (loss)	\$ 20	\$ 17	\$ (2)	\$ 15
<b>BASIC EARNINGS (LOSS) PER SHARE</b>				
Continuing operations	\$ 0.30	\$ 0.06	\$ 0.17	\$
Discontinued operations	(0.09)	0.12	(0.19)	0.16
Basic earnings (loss) per share	\$ 0.21	\$ 0.18	\$ (0.02)	\$ 0.16
<b>DILUTED EARNINGS (LOSS) PER SHARE</b>				
Continuing operations	\$ 0.30	\$ 0.06	\$ 0.17	\$
Discontinued operations	(0.09)	0.12	(0.19)	0.15
Diluted earnings (loss) per share	\$ 0.21	\$ 0.18	\$ (0.02)	\$ 0.15
<b>Basic average common shares outstanding</b>	<b>96.3</b>	<b>94.3</b>	<b>95.4</b>	<b>93.8</b>
<b>Diluted average common shares outstanding</b>	<b>97.2</b>	<b>96.9</b>	<b>97.2</b>	<b>96.9</b>

*See notes to consolidated financial statements. Amounts for prior period have been recast for discontinued operations.*

**MERITOR, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
(in millions)

	March 31, 2012 (Unaudited)	September 30, 2011
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 109	\$ 217
Receivables, trade and other, net	703	712
Inventories	489	460
Other current assets	65	70
<b>TOTAL CURRENT ASSETS</b>	<b>1,366</b>	<b>1,459</b>
NET PROPERTY	404	421
GOODWILL	433	431
OTHER ASSETS	362	352
<b>TOTAL ASSETS</b>	<b>\$ 2,565</b>	<b>\$ 2,663</b>
<b>LIABILITIES AND EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES:</b>		
Short-term debt	\$ 21	\$ 84
Accounts payable	809	841
Other current liabilities	343	328
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,173</b>	<b>1,253</b>
LONG-TERM DEBT	954	950
RETIREMENT BENEFITS	1,064	1,096
OTHER LIABILITIES	319	325
<b>EQUITY (DEFICIT):</b>		
Common stock (March 31, 2012 and September 30, 2011, 96.4 and 94.6 shares issued and outstanding, respectively)	96	94
Additional paid-in capital	898	897
Accumulated deficit	(1,159)	(1,157)
Accumulated other comprehensive loss	(820)	(829)
<b>Total deficit attributable to Meritor, Inc.</b>	<b>(985)</b>	<b>(995)</b>
Noncontrolling interests	40	34
<b>TOTAL DEFICIT</b>	<b>(945)</b>	<b>(961)</b>
<b>TOTAL LIABILITIES AND DEFICIT</b>	<b>\$ 2,565</b>	<b>\$ 2,663</b>

*See notes to consolidated financial statements.*

**MERITOR, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
(in millions)

	Six Months Ended March 31,	
	2012 (Unaudited)	2011
<b>OPERATING ACTIVITIES</b>		
CASH USED FOR OPERATING ACTIVITIES (See Note 10)	\$ (46)	\$ (44)
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(43)	(42)
Proceeds from sale of property	18	
Other investing activities	(2)	1
Net investing cash flows used for continuing operations	(27)	(41)
Net investing cash flows provided by (used for) discontinued operations	28	(71)
<b>CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>1</b>	<b>(112)</b>
<b>CASH PROVIDED BY FINANCING ACTIVITIES:</b>		
Borrowings on accounts receivable securitization program, net	19	
Repayment of notes	(84)	
Other financing activities		6
<b>CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES</b>	<b>(65)</b>	<b>6</b>
<b>EFFECT OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS</b>	<b>2</b>	<b>2</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(108)</b>	<b>(148)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>217</b>	<b>343</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 109</b>	<b>\$ 195</b>

*See notes to consolidated financial statements. Amounts for prior period have been recast for discontinued operations.*

**MERITOR, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF**  
**EQUITY (DEFICIT)**  
(In millions)  
(unaudited)

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Loss	Accumulated Other Comprehensive Income to Meritor, Inc.	Total Deficit Attributable to Meritor, Inc.	Noncontrolling Interests	Total
<i>Beginning balance at September 30, 2011</i>	\$ 94	\$ 897	\$ (1,157)	\$ (829)	\$ (995)	\$ (995)	\$ 34	\$ (961)
Net income (loss)			(2)			(2)	8	6
Foreign currency								