

BORGWARNER INC
Form 10-Q
July 31, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549
FORM 10-Q
QUARTERLY REPORT
(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2014

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: 1-12162
BORGWARNER INC.

(Exact name of registrant as specified in its charter)

Delaware 13-3404508
State or other jurisdiction of (I.R.S. Employer
Incorporation or organization Identification No.)

3850 Hamlin Road, Auburn Hills, Michigan 48326
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (248) 754-9200

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 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. (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).

YES NO

As of July 25, 2014, the registrant had 228,413,395 shares of voting common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BORGWARNER INC. AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| (millions of dollars) | June 30, 2014 | December 31, 2013 |
|--|------------------|----------------------|
| ASSETS | | |
| Cash | \$771.4 | \$939.5 |
| Receivables, net | 1,571.7 | 1,248.5 |
| Inventories, net | 528.0 | 458.1 |
| Deferred income taxes | 53.0 | 68.7 |
| Prepayments and other current assets | 113.2 | 83.7 |
| Total current assets | 3,037.3 | 2,798.5 |
| Property, plant and equipment, net | 2,089.3 | 1,939.4 |
| Investments and advances | 469.9 | 405.1 |
| Goodwill | 1,243.9 | 1,197.0 |
| Other non-current assets | 616.6 | 577.0 |
| Total assets | \$7,457.0 | \$6,917.0 |
| LIABILITIES AND EQUITY | | |
| Notes payable and other short-term debt | \$541.1 | \$201.6 |
| Accounts payable and accrued expenses | 1,622.0 | 1,383.8 |
| Income taxes payable | 7.6 | 38.5 |
| Total current liabilities | 2,170.7 | 1,623.9 |
| Long-term debt | 704.2 | 1,021.0 |
| Other non-current liabilities: | | |
| Retirement-related liabilities | 307.8 | 312.9 |
| Other | 380.6 | 326.8 |
| Total other non-current liabilities | 688.4 | 639.7 |
| Common stock | 2.5 | 2.5 |
| Capital in excess of par value | 1,097.1 | 1,121.9 |
| Retained earnings | 3,469.9 | 3,177.4 |
| Accumulated other comprehensive loss | (18.6 |) (14.0 |
| Common stock held in treasury | (722.1 |) (727.2 |
| Total BorgWarner Inc. stockholders' equity | 3,828.8 | 3,560.6 |
| Noncontrolling interest | 64.9 | 71.8 |
| Total equity | 3,893.7 | 3,632.4 |
| Total liabilities and equity | \$7,457.0 | \$6,917.0 |

See accompanying Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

| (in millions, except per share amounts) | Three Months Ended | | Six Months Ended | |
|--|--------------------|-----------|------------------|-----------|
| | June 30, 2014 | 2013 | June 30, 2014 | 2013 |
| Net sales | \$2,197.0 | \$1,893.9 | \$4,281.1 | \$3,745.0 |
| Cost of sales | 1,724.2 | 1,497.3 | 3,362.5 | 2,973.7 |
| Gross profit | 472.8 | 396.6 | 918.6 | 771.3 |
| Selling, general and administrative expenses | 181.2 | 155.6 | 355.0 | 314.9 |
| Other expense (income), net | 11.0 | (2.4) | 49.8 | 14.5 |
| Operating income | 280.6 | 243.4 | 513.8 | 441.9 |
| Equity in affiliates' earnings, net of tax | (12.2) | (11.1) | (21.0) | (20.8) |
| Interest income | (1.4) | (1.0) | (2.9) | (2.0) |
| Interest expense and finance charges | 9.0 | 8.8 | 17.2 | 18.5 |
| Earnings before income taxes and noncontrolling interest | 285.2 | 246.7 | 520.5 | 446.2 |
| Provision for income taxes | 85.3 | 66.6 | 153.4 | 117.5 |
| Net earnings | 199.9 | 180.1 | | |