EXIDE TECHNOLOGIES
Form 10-Q
August 06, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2009

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

Commission File Number 1-11263
EXIDE TECHNOLOGIES
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**23-0552730**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
13000 Deerfield Parkway, Building 200 Milton, Georgia	**30004**
(Address of principal executive offices)	**(Zip Code)**

(678) 566-9000
(Registrant s telephone number, including area code)

Indicate by a 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 o

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 o No o

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 o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.
Yes þ No o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date:

As of July 31, 2009, 75,520,820 shares of common stock were outstanding.

EXIDE TECHNOLOGIES AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

EXIDE TECHNOLOGIES AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per-share data)

	For the Three Months Ended	
	June 30, 2009	June 30, 2008
NET SALES	$ 592,854	$ 971,275
COST OF SALES	486,170	801,795
Gross profit	106,684	169,480
EXPENSES:		
Selling, marketing and advertising	65,318	78,856
General and administrative	42,931	47,172
Restructuring	35,665	2,223
Other (income) expense, net	(3,361)	7,823
Interest expense, net	14,720	19,225
	155,273	155,299
(Loss) income before reorganization items, and income taxes	(48,589)	14,181
REORGANIZATON ITEMS, NET	555	463
INCOME TAX PROVISION	4,872	23,469
Net loss	(54,016)	(9,751)
NET (LOSS) INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(42)	560
Net loss attributable to Exide Technologies	$ (53,974)	$ (10,311)
LOSS PER SHARE		
Basic and Diluted	$ (0.71)	$ (0.14)
WEIGHTED AVERAGE SHARES		
Basic and Diluted	75,821	75,376

The accompanying notes are an integral part of these statements.

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EXIDE TECHNOLOGIES AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands, except per-share data)

	June 30, 2009	March 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 121,521	$ 69,505
Receivables, net of allowance for doubtful accounts of $30,705 and $28,855	441,283	497,841
Inventories	415,313	420,815
Prepaid expenses and other	17,652	17,427
Deferred financing costs, net	4,991	4,890
Deferred income taxes	26,181	33,005
Total current assets	1,026,941	1,043,483
Property, plant and equipment, net	598,967	586,261
Other assets:		
Goodwill	4,260	4,022
Other intangibles, net	181,865	175,311
Investments in affiliates	2,044	2,048
Deferred financing costs, net	11,130	12,134
Deferred income taxes	58,253	51,272
Other	21,978	25,656
	279,530	270,443
Total assets	$ 1,905,438	$ 1,900,187
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term borrowings	$ 7,532	$ 6,977
Current maturities of long-term debt	5,208	5,048
Accounts payable	245,374	261,652
Accrued expenses	308,492	279,447
Warrants liability	1,614	1,143
Total current liabilities	568,220	554,267
Long-term debt	654,140	646,180
Noncurrent retirement obligations	204,867	197,403
Deferred income taxes	28,625	30,229
Other noncurrent liabilities	137,126	130,041
Total liabilities	1,592,978	1,558,120
Commitments and contingencies		

STOCKHOLDERS EQUITY		
Preferred stock, $0.01 par value, 1,000 shares authorized, 0 shares issued and outstanding		
Common stock, $0.01 par value, 200,000 shares authorized, 75,530 and 75,499 shares issued and outstanding	755	755
Additional paid-in capital	1,112,425	1,111,001
Accumulated deficit	(841,255)	(787,281)
Accumulated other comprehensive income	24,088	1,752
Total stockholders equity attributable to Exide Technologies	296,013	326,227
Noncontrolling interests	16,447	15,840
Total stockholders equity	312,460	342,067
Total liabilities and stockholders equity	$ 1,905,438	$ 1,900,187

The accompanying notes are an integral part of these statements.

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EXIDE TECHNOLOGIES AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	For the Three Months Ended June 30, 2009	June 30, 2008
Cash Flows From Operating Activities:		
Net loss	$ (54,016)	$ (9,751)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	22,480	25,872
Unrealized loss on warrants	471	9,685
Net loss on asset sales / impairments	5,364	95
Deferred income taxes	345	17,152
Provision for doubtful accounts	1,787	(549)
Non-cash stock compensation	2,284	1,280
Reorganization items, net	555	463
Amortization of deferred financing costs	1,234	1,311
Currency remeasurement gain	(9,264)	(1,807)
Changes in assets and liabilities		
Receivables	75,720	94,061
Inventories	22,757	(32,671)
Prepaid expenses and other	437	(2,301)
Payables	(26,776)	(47,505)
Accrued expenses	15,643	(7,449)
Noncurrent liabilities	(1,354)	(8,048)
Other, net	(1,181)	310
Net cash provided by operating activities	56,486	40,148
Cash Flows From Investing Activities:		
Capital expenditures	(15,171)	(11,767)
Acquisitions of businesses, net of cash acquired	(1,170)	
Proceeds from sales of assets, net		16,425
Net cash (used in) provided by investing activities	(16,341)	4,658
Cash Flows From Financing Activities:		
Increase (decrease) in short-term borrowings	25	(1,491)
Decrease in borrowings under Senior Secured Credit Facility	(749)	(779)
Common stock issuance	51	466
Increase (decrease) in other debt	8,385	(2,045)
Net cash provided by (used in) financing activities	7,712	(3,849)

Effect of Exchange Rate Changes on Cash and Cash Equivalents		4,159		(3)
Net Increase In Cash and Cash Equivalents		52,016		40,954
Cash and Cash Equivalents, Beginning of Period		69,505		90,547
Cash and Cash Equivalents, End of Period	$	121,521	$	131,501
Supplemental Disclosures of Cash Flow Information:				
Cash paid during the period -				
Interest	$	4,020	$	10,076
Income taxes (net of refunds)	$	(552)	$	492

The accompanying notes are an integral part of these statements.

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EXIDE TECHNOLOGIES AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009
(Unaudited)

(1) BASIS OF PRESENTATION

The Condensed Consolidated Financial Statements include the accounts of Exide Technologies (referred to together with its subsidiaries, unless the context requires otherwise, as Exide or the Company) and all of its majority-owned subsidiaries. These statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by generally accepted accounting principles (GAAP), or those disclosures normally made in the Company s annual report on Form 10-K. Accordingly, the reader of this Form 10-Q should refer to the Company s annual report on Form 10-K for the fiscal year ended March 31, 2009 for further information.

The financial information has been prepared in accordance with the Company s customary accounting practices. In the Company s opinion, the accompanying condensed consolidated financial information includes all adjustments of a normal recurring nature necessary for a fair statement of the results of operations and financial position for the periods presented. This includes accounting and disclosures related to any subsequent events occurring from the balance sheet date through August 6, 2009, the date the financial statements were issued.

Certain amounts in the Condensed Consolidated Financial Statements as of March 31, 2009 and for the three months ended June 30, 2008 have been adjusted to conform to the presentation of equivalent amounts in the current period which reflect the adoption of Statement of Financial Accounting Standards (SFAS) 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51*.

(2) STOCKHOLDERS EQUITY AND COMPREHENSIVE LOSS

The Company adopted SFAS 160 (see Note 1), on April 1, 2009. This statement, among other things, requires that minority ownership interests (noncontrolling interests) in consolidated subsidiaries be reflected as a component of total stockholders equity in the Company s Condensed Consolidated Balance Sheets, and that earnings (losses) attributable to noncontrolling interests be shown separately from those attributable to the Company in its Condensed Consolidated Statements of Operations. The stockholders equity accounts for both the Company and noncontrolling interests consist of:

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Stockholders Equity
			(In thousands)			
Total Stockholders Equity at April 1, 2009	$ 755	$ 1,111,001	$ (787,281)	$ 1,752	$ 15,840	$ 342,067
Net loss			(53,974)		(42)	(54,016)
Defined benefit plans, net of tax				2,143		2,143
Translation adjustment				19,587	909	20,496
Unrealized loss on derivatives, net of tax				606		606
Increase in ownership of subsidiary		(860)			(260)	(1,120)
Stock compensation		2,284				2,284

Total Stockholders Equity at June 30, 2009	$ 755	$ 1,112,425	$ (841,255)	$ 24,088	$ 16,447	$ 312,460

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Total comprehensive loss and its components are as follows:

	For the Three Months Ended June 30, 2009	June 30, 2008
	(In thousands)	
Net loss	$ (54,016)	$ (9,751)
Defined benefit plans	2,143	181
Cumulative translation adjustment	19,587	(1,217)
Derivatives qualifying as hedges	606	3,909
Total comprehensive loss	$ (31,680)	$ (6,878)

Comprehensive loss attributable to noncontrolling interests was not material for the three month periods ended June 30, 2009 and 2008.

(3) ACCOUNTING FOR DERIVATIVES

The Company accounts for derivative instruments and hedging activities in accordance with SFAS 133, *Accounting for Derivative Instruments and Hedging Activities* , as amended by SFAS 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities and SFAS 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* (collectively, SFAS 133). SFAS 133 establishes accounting and reporting standards for derivative instruments and hedging activities, and requires balance sheet recognition of all derivatives as assets or liabilities, based on measurements of their fair values.

The Company does not enter into derivative contracts for trading or speculative purposes. Derivatives are used only to hedge the volatility arising from changes in the fair value of certain assets and liabilities that are subject to market risk, such as interest rates on debt instruments, foreign currency exchange rates, and certain commodities. If a derivative qualifies for hedge accounting, gains or losses in its fair value that offset changes in the fair value of the asset or liability being hedged (effective gains or losses) are reported in accumulated other comprehensive income, and subsequently recorded to earnings only as the related variability on the hedged transaction is recorded in earnings. If a derivative does not qualify for hedge accounting, changes in its fair value are reported in earnings immediately upon occurrence. Derivatives qualify for hedge accounting if they are designated as hedging instruments at their inception, and if they are highly effective in achieving fair value changes that offset the fair value changes of the assets or liabilities being hedged. Regardless of a derivative s accounting qualification, changes in its fair value that are not offset by fair value changes in the asset or liability being hedged are considered ineffective, and are recognized in earnings immediately.

In February 2008, the Company entered into an interest rate swap agreement to fix the variable component of interest on $200.0 million of its floating rate long-term obligations through February 27, 2011. The rate is currently fixed at 3.35% per annum, and at August 17, 2009, will change to 3.33% per annum through the remainder of the agreement. The interest rate swap is designated as a cash-flow hedging instrument.

In August 2008, the Company entered into a foreign currency forward contract in the notional amount of $62.8 million to mitigate the effect of foreign currency exchange rate fluctuations of a certain foreign subsidiary s debt that is denominated in U.S. dollars. The forward contract and the indebtedness mature in May 2012. Because the Company has not designated this contract as a hedging instrument under SFAS 133, changes in its fair value are recognized immediately in earnings.

The following tables set forth information on the presentation of these derivative instruments in the Company s Condensed Consolidated Financial Statements in accordance with SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities* :

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	Balance Sheet	Fair Value As of June 30, 2009	March 31, 2009
		(In thousands)	
Asset Derivative:			
Foreign Exchange Contract	Other noncurrent assets	$1,617	$4,962
Liability Derivative:			
Interest Rate Swap Contract	Other noncurrent liabilities	6,585	7,461

	Statement of Operations	For the Three Months Ended June 30, 2009	June 30, 2008
		(In thousands)	
Foreign Currency Contract			
Loss recorded in Statement of Operations	Other (income) expense, net	$3,345	n/a
Interest Rate Swap Contract			
Unrealized loss recorded in OCI	Other Comprehensive Loss	821	5,315
Realized loss recorded in Statement of Operations	Interest expense, net	1,412	135

Approximately $2.8 million is expected to be reclassified from OCI to interest expense during the remainder of fiscal 2010.

(4) INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

Intangible assets consist of:

	Trademarks and Tradenames (not subject to amortization)	Trademarks and Tradenames (subject to amortization)	Customer relationships	Technology	Total
			(In thousands)		
As of June 30, 2009:					
Gross Amount	$ 61,031	$ 13,869	$ 115,036	$ 30,080	$ 220,016
Accumulated Amortization		(5,659)	(24,865)	(7,627)	(38,151)
Net	$ 61,031	$ 8,210	$ 90,171	$ 22,453	$ 181,865
As of March 31, 2009:					

Gross Amount	$ 58,134	$ 13,223	$ 109,690	$ 28,544	$ 209,591
Accumulated Amortization		(5,134)	(22,569)	(6,577)	(34,280)
Net	$ 58,134	$ 8,089	$ 87,121	$ 21,967	$ 175,311

Amortization of intangible assets for the first three months of fiscal 2010 and 2009 were $2.1 million and $2.0 million, respectively. Excluding the impact of any future acquisitions (if any), the Company anticipates annual amortization of intangible assets for each of the next five years to be approximately $8 million to $9 million. Intangible assets have been recorded at the legal entity level and are subject to foreign currency fluctuation.

Goodwill

In the fourth quarter of fiscal 2009, the Company purchased shares not previously owned in a majority-owned subsidiary, and accounted for this transaction in accordance with SFAS 141 *Business Combinations*. The purchase price of the additional shares amounted to approximately $4.9 million. Of this amount, approximately $4.2 million could not be attributed to the fair values of specific purchased tangible assets or identifiable intangible assets, and has been recorded as goodwill. The goodwill has been recorded in the Company s Transportation Europe and ROW business segment, and is assessed at least annually for potential impairment (in accordance with SFAS 142).

(5) INVENTORIES

Inventories, valued by the first-in, first-out (FIFO) method, consist of:

	June 30, 2009	March 31, 2009
	(In thousands)	
Raw materials	$ 59,278	$ 61,681
Work-in-process	83,704	87,986
Finished goods	272,331	271,148
	$ 415,313	$ 420,815

(6) OTHER ASSETS

Other assets consist of:

	June 30, 2009	March 31, 2009
	(In thousands)	
Deposits (a)	$ 8,779	$ 9,265
Capitalized software, net	3,779	4,017
Loan to affiliate	1,005	1,005
Retirement plans	1,750	1,341
Financial instruments	1,617	4,962
Other	5,048	5,066