

BORGWARNER INC
Form 10-Q
October 26, 2017
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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 September 30, 2017

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 ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 October 20, 2017, the registrant had 210,838,499 shares of voting common stock outstanding.

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THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BORGWARNER INC. AND CONSOLIDATED SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	September 30, 2017	December 31, 2016
(in millions)		
ASSETS		
Cash	\$414.3	\$443.7
Receivables, net	2,046.1	1,689.3
Inventories, net	773.4	641.2
Prepayments and other current assets	167.3	137.4
Total current assets	3,401.1	2,911.6
Property, plant and equipment, net	2,753.7	2,501.8
Investments and other long-term receivables	559.5	502.2
Goodwill	1,882.1	1,702.2
Other intangible assets, net	509.4	463.5
Other non-current assets	710.4	753.4
Total assets	\$9,816.2	\$8,834.7
LIABILITIES AND EQUITY		
Notes payable and other short-term debt	\$303.2	\$175.9
Accounts payable and accrued expenses	2,015.0	1,847.3
Income taxes payable	63.0	68.6
Total current liabilities	2,381.2	2,091.8
Long-term debt	2,091.9	2,043.6
Other non-current liabilities:		
Asbestos-related liabilities	786.0	827.6
Retirement-related liabilities	301.7	294.1
Other	339.1	275.7
Total other non-current liabilities	1,426.8	1,397.4
Commitments and contingencies		
Common stock	2.5	2.5
Capital in excess of par value	1,100.1	1,104.3
Retained earnings	4,712.8	4,215.2
Accumulated other comprehensive loss	(545.7)	(722.1)
Common stock held in treasury	(1,444.0)	(1,381.6)
Total BorgWarner Inc. stockholders' equity	3,825.7	3,218.3
Noncontrolling interest	90.6	83.6
Total equity	3,916.3	3,301.9
Total liabilities and equity	\$9,816.2	\$8,834.7

See accompanying Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in millions, except share and per share amounts)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Net sales	\$2,416.2	\$2,214.2	\$7,212.9	\$6,812.0
Cost of sales	1,893.5	1,743.1	5,658.7	5,379.9
Gross profit	522.7	471.1	1,554.2	1,432.1
Selling, general and administrative expenses	224.8	209.7	658.6	600.4
Other expense, net	22.0	111.1	27.5	147.8
Operating income	275.9	150.3	868.1	683.9
Equity in affiliates' earnings, net of tax	(14.4)	(12.4)	(38.5)	(31.6)
Interest income	(1.3)	(1.6)	(4.2)	(4.7)
Interest expense and finance charges	17.6	22.4	53.6	65.1
Earnings before income taxes and noncontrolling interest	274.0	141.9		