

HARMAN INTERNATIONAL INDUSTRIES INC /DE/

Form 10-Q

November 02, 2012

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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 September 30, 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: 1-9764

Harman International Industries, Incorporated

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
400 Atlantic Street, Suite 1500
Stamford, CT
(Address of principal executive offices)

11-2534306
(I.R.S. Employer
Identification No.)
06901
(Zip code)

(203) 328-3500
(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 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.

(Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) 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 October 28, 2012, 67,831,586 shares of common stock, par value \$.01, were outstanding.

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HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED AND SUBSIDIARIES

Form 10-Q

September 30, 2012

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The page numbers in this Table of Contents reflect actual page numbers, not EDGAR page tag numbers.

References to "Harman," "the Company," "we," "us," and "our" in this Form 10-Q refer to Harman International Industries, Incorporated and its subsidiaries unless the context requires otherwise.

Harman, the Harman logo, and the Harman products and brand names referred to herein are either the trademarks or the registered trademarks of Harman. All other trademarks are the property of their respective owners.

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Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. You should not place undue reliance on these statements. Forward-looking statements include information concerning possible or assumed future results of operations, cash flows, capital expenditures, the outcome of pending legal proceedings and claims, goals and objectives for future operations, including descriptions of our business strategies and purchase commitments from customers. These statements are typically identified by words such as believe, anticipate, expect, plan, intend, estimate, should, similar expressions. We base these statements on particular assumptions that we have made in light of our industry experience, as well as our perception of historical trends, current conditions, expected future developments and other factors that we believe are appropriate under the circumstances. As you read and consider the information in this report, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties and assumptions. In light of these risks and uncertainties, we cannot assure you that the results and events contemplated by the forward-looking statements contained in, or incorporated by reference into, this report will in fact transpire.

You should carefully consider the risks described below and the other information in this report because they identify important factors that could cause actual results to differ materially from those predicted in any such forward-looking statements. Our operating results may fluctuate significantly and may not meet our expectations or those of securities analysts or investors. The price of our stock would likely decline if this occurs. Factors that may cause fluctuations in our operating results include, but are not limited to, the following:

our ability to maintain profitability in our infotainment segment if there are delays in our product launches which may give rise to significant penalties and increased engineering expense;

the loss of one or more significant customers, or the loss of a significant platform with an automotive customer;

fluctuations in currency exchange rates, particularly with respect to the value of the U.S. Dollar and the Euro;

our ability to successfully implement our global footprint initiative, including achieving cost reductions and other benefits in connection with the restructuring of our manufacturing, engineering, procurement and administrative organizations;

fluctuations in the price and supply of raw materials including, without limitation, petroleum, copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;

the inability of our suppliers to deliver products at the scheduled rate and disruptions arising in connection therewith;

our ability to attract and retain qualified senior management and to prepare and implement an appropriate succession plan for our critical organizational positions;

our failure to implement and maintain a comprehensive disaster recovery program;

our failure to comply with governmental rules and regulations, including the Foreign Corrupt Practices Act and U.S. export control laws, and the cost of complying with such laws;

our ability to maintain a competitive technological advantage through innovation and leading product designs; and

our failure to maintain the value of our brands and implementing a sufficient brand protection program.

Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual results of operations and could cause actual results to differ materially from those expressed in the forward-looking statements. As a result, the foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this and other reports we file with the Securities and Exchange Commission. For additional information regarding certain factors that may cause our actual results to differ from those expected or anticipated, see the information under the caption "Risk Factors" which is located in Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended June 30, 2012. We undertake no obligation to publicly update or revise any forward-looking statement (except as required by law). This report also makes reference to our awarded business, which represents the estimated future lifetime net sales for all customers. Our future awarded business does not represent firm customer orders. We calculate our awarded business using various assumptions including global vehicle production forecasts, customer take rates for our products, revisions to product life cycle estimates and the impact of annual price reductions, among other factors. These assumptions are updated on an annual basis. We update our estimates quarterly by adding the value of new awards received and subtracting sales recorded during the quarter.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In thousands)	September 30, 2012	June 30, 2012
Assets		
Current assets		
Cash and cash equivalents	\$ 633,935	\$ 617,356
Short-term investments	64,656	203,014
Receivables, net	648,341	582,835
Inventories	512,567	427,597
Other current assets	286,869	285,443
Total current assets	2,146,368	2,116,245
Property, plant and equipment, net	425,841	430,234
Goodwill	180,533	180,811
Deferred tax assets, long-term, net	284,356	308,768
Other assets	150,453	133,406
Total assets	\$ 3,187,551	\$ 3,169,464
Liabilities and Shareholders' Equity		
Current liabilities		
Current portion of long-term debt	\$ 399,700	\$ 395,409
Short-term debt	212	227
Accounts payable	477,849	505,694
Accrued liabilities	358,322	368,002
Accrued warranties	99,453	97,289
Income taxes payable	17,051	15,279
Total current liabilities	1,352,587	1,381,900
Pension liability	169,524	168,099
Other non-current liabilities	90,990	89,854
Total liabilities	1,613,101	1,639,853
Commitments and contingencies		
Preferred stock	0	0
Common stock	968	961
Additional paid-in capital	952,949	943,971
Accumulated other comprehensive income	26,260	29,709
Retained earnings	1,770,598	1,726,486
Less: Common stock held in treasury	(1,176,325)	(1,171,516)
Total shareholders' equity	1,574,450	1,529,611

Total liabilities and shareholders equity	\$ 3,187,551	\$ 3,169,464
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See accompanying Notes to the Condensed Consolidated Financial Statements.

Table of Contents**HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)**

(In thousands, except earnings per share data)	Three Months Ended September 30,	
	2012	2011
Net sales	\$ 998,193	\$ 1,050,603
Cost of sales	719,946	762,961
Gross profit	278,247	287,642
Selling, general and administrative expenses	199,156	213,752
Sale of intellectual property	0	(288)
Operating income	79,091	74,178
Other expenses:		
Interest expense, net	5,995	5,276
Foreign exchange losses, net	151	4,224
Miscellaneous, net	1,179	1,444
Income before income taxes	71,766	63,234
Income tax expense, net	17,211	14,867
Net income	\$ 54,555	\$ 48,367
Earnings per share:		
Basic	\$ 0.79	\$ 0.68
Diluted	\$ 0.79	\$ 0.67
Weighted average shares outstanding:		
Basic	68,682	71,283
Diluted	69,471	71,882

See accompanying Notes to the Condensed Consolidated Financial Statements.

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HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(In thousands)	Three Months Ended	
	September 30,	
	2012	2011
Net income	\$ 54,555	\$ 48,367
Other comprehensive income (loss):		
Foreign currency translation	9,206	(84,142)
Unrealized (losses) gains on hedging derivatives	(19,311)	45,513
Pension liability adjustment	910	(345)
Unrealized gains (losses) on available for sale securities	109	(178)
Other comprehensive income before taxes	(9,086)	(39,152)
Income taxes	5,637	(11,651)
Other comprehensive income (loss), net of taxes	(3,449)	(50,803)
Comprehensive income (loss), net of taxes	\$ 51,106	\$ (2,436)

See accompanying Notes to the Condensed Consolidated Financial Statements

Table of Contents**HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	Three Months Ended September 30,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 54,555	\$ 48,367
Adjustments to reconcile net income to net cash used in operating activities, net of acquired businesses:		
Depreciation and amortization	28,543	31,483
Deferred income tax expense	7,970	26,643
(Gain) loss on disposition of assets	(2,687)	83
Share-based compensation	4,867	2,541
Non-cash interest expense	4,953	4,853
Changes in operating assets and liabilities, net of acquired businesses:		
Decrease (increase) in:		
Receivables, net	(62,322)	(111,211)
Inventories	(80,881)	(80,883)
Other current assets	(5,965)	(38,005)
Increase (decrease) in:		
Accounts payable	(30,574)	10,427
Accrued warranties	664	(2,674)
Accrued other liabilities	(15,171)	21,660
Income taxes payable	1,607	2,660
Other operating activities	(7,959)	(18,125)
Net cash used in operating activities	(102,400)	(102,181)
Cash flows from investing activities:		
Purchases of short-term investments	(41,165)	(66,938)
Maturities of short-term investments	177,089	