

TEREX CORP
Form 10-Q
November 02, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(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, 2018

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

Commission file number 1-10702

Terex Corporation
(Exact name of registrant as specified in its charter)

Delaware 34-1531521
(State of Incorporation) (IRS Employer Identification No.)

200 Nyala Farm Road, Westport, Connecticut 06880
(Address of principal executive offices)

(203) 222-7170
(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 every Interactive Data File required to be submitted 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 such files).
YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐
Smaller reporting company ☐ Emerging growth company ☐

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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 ☒

Number of outstanding shares of common stock: 73.7 million as of October 31, 2018.

The Exhibit Index begins on page 56.

TEREX CORPORATION AND SUBSIDIARIES

GENERAL

This Quarterly Report on Form 10-Q filed by Terex Corporation generally speaks as of September 30, 2018 unless specifically noted otherwise. Unless otherwise indicated, Terex Corporation, together with its consolidated subsidiaries, is hereinafter referred to as “Terex,” the “Registrant,” “us,” “we,” “our” or the “Company.”

Forward-Looking Information

Certain information in this Quarterly Report includes forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995) regarding future events or our future financial performance that involve certain contingencies and uncertainties, including those discussed below in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Contingencies and Uncertainties.” In addition, when included in this Quarterly Report or in documents incorporated herein by reference, the words “may,” “expects,” “should,” “intends,” “anticipates,” “believes,” “plans,” “projects,” “estimates” and the negatives thereof and analogous or similar expressions are intended to identify forward-looking statements. However, the absence of these words does not mean that the statement is not forward-looking. We have based these forward-looking statements on current expectations and projections about future events. These statements are not guarantees of future performance. Such statements are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those reflected in such forward-looking statements. Such risks and uncertainties, many of which are beyond our control, include, among others:

- our business is cyclical and weak general economic conditions affect the sales of our products and financial results;
- our need to comply with restrictive covenants contained in our debt agreements;
- our ability to generate sufficient cash flow to service our debt obligations and operate our business;
- our ability to access the capital markets to raise funds and provide liquidity;
- our business is sensitive to government spending;
- our business is highly competitive and is affected by our cost structure, pricing, product initiatives and other actions taken by competitors;
- our retention of key management personnel;
- the financial condition of suppliers and customers, and their continued access to capital;
- our providing financing and credit support for some of our customers;
- we may experience losses in excess of recorded reserves;
- we are dependent upon third-party suppliers, making us vulnerable to supply shortages and price increases;
- the imposition of tariffs and related actions on trade by the U.S. and foreign governments;
- our business is global and subject to changes in exchange rates between currencies, commodity price changes, regional economic conditions and trade restrictions;
- our operations are subject to a number of potential risks that arise from operating a multinational business, including
- compliance with changing regulatory environments, the Foreign Corrupt Practices Act and other similar laws and political instability;
- a material disruption to one of our significant facilities;
- possible work stoppages and other labor matters;
- compliance with changing laws and regulations, particularly environmental and tax laws and regulations;
- litigation, product liability claims, intellectual property claims, class action lawsuits and other liabilities;
- our ability to comply with an injunction and related obligations imposed by the United States Securities and Exchange Commission (“SEC”);

- disruption or breach in our information technology systems and storage of sensitive data;
- our ability to successfully implement our Execute to Win strategy; and
- other factors.

Actual events or our actual future results may differ materially from any forward-looking statement due to these and other risks, uncertainties and significant factors. The forward-looking statements contained herein speak only as of the date of this Quarterly Report and the forward-looking statements contained in documents incorporated herein by reference speak only as of the date of the respective documents. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained or incorporated by reference in this Quarterly Report to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

TABLE OF CONTENTS

	Page No.
<u>PART I FINANCIAL INFORMATION</u>	<u>4</u>
<u>Item 1 Financial Statements</u>	<u>4</u>
<u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>35</u>
<u>Item 3 Quantitative and Qualitative Disclosures About Market Risk</u>	<u>52</u>
<u>Item 4 Controls and Procedures</u>	<u>54</u>
 <u>PART II OTHER INFORMATION</u>	 <u>54</u>
<u>Item 1 Legal Proceedings</u>	<u>54</u>
<u>Item 1A Risk Factors</u>	<u>55</u>
<u>Item 2 Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>55</u>
<u>Item 3 Defaults Upon Senior Securities</u>	<u>56</u>
<u>Item 4 Mine Safety Disclosures</u>	<u>56</u>
<u>Item 5 Other Information</u>	<u>56</u>
<u>Item 6 Exhibits</u>	<u>56</u>
 <u>SIGNATURES</u>	 <u>57</u>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TEREX CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

(in millions, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net sales	\$1,228.5	\$1,111.2	\$3,891.9	\$3,299.8
Cost of goods sold	(995.7)	(892.2)	(3,148.9)	(2,687.8)
Gross profit	232.8	219.0	743.0	612.0
Selling, general and administrative expenses	(160.9)	(153.1)	(496.4)	(473.1)
Income (loss) from operations	71.9	65.9	246.6	138.9
Other income (expense)				
Interest income	1.7	1.9	7.1	5.2
Interest expense	(18.5)	(15.5)	(52.7)	(52.0)
Loss on early extinguishment of debt	—	(0.7)	(0.7)	(52.6)
Other income (expense) – net	(4.4)	5.1	(5.8)	47.1
Income (loss) from continuing operations before income taxes	50.7	56.7	194.5	86.6
(Provision for) benefit from income taxes	(12.3)	(0.1)	(52.6)	5.1
Income (loss) from continuing operations	38.4	56.6	141.9	91.7
Gain (loss) on disposition of discontinued operations – net of tax	0.2	2.6	4.8	63.7
Net income (loss)	\$38.6	\$59.2	\$146.7	\$155.4
Basic earnings (loss) per share:				
Income (loss) from continuing operations	\$0.52	\$0.64	\$1.86	\$0.96
Gain (loss) on disposition of discontinued operations – net of tax	—	0.03	0.06	0.66
Net income (loss)	\$0.52	\$0.67	\$1.92	\$1.62
Diluted earnings (loss) per share:				
Income (loss) from continuing operations	\$0.51	\$0.63	\$1.82	\$0.93
Gain (loss) on disposition of discontinued operations – net of tax	—	0.03	0.06	0.65
Net income (loss)	\$			