

PACCAR INC  
Form 10-Q  
August 03, 2018

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 June 30, 2018

Commission File No. 001-14817

PACCAR Inc

(Exact name of registrant as specified in its charter)

|   |  |
|---|--|
| Delaware<br>(State or other jurisdiction of<br>incorporation or organization) | 91-0351110<br>(I.R.S. Employer Identification No.) |
|---|--|

|  |
|--|
| 777 - 106th Ave. N.E., Bellevue, WA 98004<br>(Address of principal executive offices) (Zip Code) |
|--|

(425) 468-7400

(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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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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

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

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

Common Stock, \$1 par value — 350,543,255 shares as of July 31, 2018

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## PART I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## Consolidated Statements of Comprehensive Income (Unaudited)

(Millions Except Per Share Amounts)

|   | Three Months<br>Ended<br>June 30 |           | Six Months Ended<br>June 30 |           |
|---|----------------------------------|-----------|-----------------------------|-----------|
|   | 2018                             | 2017      | 2018                        | 2017      |
| <b>TRUCK, PARTS AND OTHER:</b>                              |                                  |           |                             |           |
| Net sales and revenues                                      | \$5,467.2                        | \$4,397.9 | \$10,789.0                  | \$8,333.6 |
| Cost of sales and revenues                                  | 4,647.3                          | 3,764.0   | 9,182.8                     | 7,154.9   |
| Research and development                                    | 76.7                             | 66.1      | 152.7                       | 127.1     |
| Selling, general and administrative                         | 127.0                            | 111.8     | 264.1                       | 226.3     |
| Interest and other (income), net                            | (16.4 )                          | (11.9 )   | (35.1 )                     | (25.9 )   |
|   | 4,834.6                          | 3,930.0   | 9,564.5                     | 7,482.4   |
| Truck, Parts and Other Income Before Income Taxes           | 632.6                            | 467.9     | 1,224.5                     | 851.2     |
| <b>FINANCIAL SERVICES:</b>                                  |                                  |           |                             |           |
| Interest and fees   | 121.6                            | 104.2     | 237.3                       | 206.4     |
| Operating lease, rental and other revenues                  | 216.4                            | 202.1     | 432.9                       | 402.1     |
| Revenues  | 338.0                            | 306.3     | 670.2                       | 608.5     |
| Interest and other borrowing expenses                       | 45.7                             | 37.4      | 87.0                        | 71.5      |
| Depreciation and other expenses                             | 185.5                            | 172.8     | 371.9                       | 352.5     |
| Selling, general and administrative                         | 29.8                             | 26.9      | 60.9                        | 52.6      |
| Provision for losses on receivables                         | 4.6                              | 6.8       | 10.5                        | 12.7      |
|   | 265.6                            | 243.9     | 530.3                       | 489.3     |
| Financial Services Income Before Income Taxes               | 72.4                             | 62.4      | 139.9                       | 119.2     |
| Investment income   | 14.6                             | 8.7       | 24.6                        | 16.8      |
| Total Income Before Income Taxes                            | 719.6                            | 539.0     | 1,389.0                     | 987.2     |
| Income taxes  | 160.0                            | 166.0     | 317.3                       | 303.9     |
| Net Income  | \$559.6                          | \$373.0   | \$1,071.7                   | \$683.3   |
| <b>Net Income Per Share</b>                                 |                                  |           |                             |           |
| Basic   | \$1.59                           | \$1.06    | \$3.04                      | \$1.94    |
| Diluted   | \$1.59                           | \$1.06    | \$3.04                      | \$1.94    |
| <b>Weighted Average Number of Common Shares Outstanding</b> |                                  |           |                             |           |
| Basic   | 351.7                            | 351.8     | 352.1                       | 351.7     |
| Diluted   | 352.5                            | 352.7     | 353.0                       | 352.7     |

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|                              |         |         |         |         |
|------------------------------|---------|---------|---------|---------|
| Dividends declared per share | \$ .28  | \$ .25  | \$ .53  | \$ .49  |
| Comprehensive Income         | \$384.2 | \$505.8 | \$971.6 | \$886.2 |

See Notes to Consolidated Financial Statements.

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## Consolidated Balance Sheets (Millions)

|  | June 30<br>2018<br>(Unaudited) | December 31<br>2017* |
|--|--------------------------------|----------------------|
| <b>ASSETS</b>                                      |                                |                      |
| <b>TRUCK, PARTS AND OTHER:</b>                     |                                |                      |
| <b>Current Assets</b>                              |                                |                      |
| Cash and cash equivalents                          | \$ 2,411.5                     | \$ 2,254.8           |
| Trade and other receivables, net                   | 1,546.9                        | 1,127.9              |
| Marketable debt securities                         | 1,033.3                        | 1,367.1              |
| Inventories, net                                   | 1,258.5                        | 928.4                |
| Other current assets                               | 492.9                          | 404.4                |
| <b>Total Truck, Parts and Other Current Assets</b> | <b>6,743.1</b>                 | <b>6,082.6</b>       |
| Equipment on operating leases, net                 | 711.0                          | 1,265.7              |
| Property, plant and equipment, net                 | 2,397.4                        | 2,464.4              |
| Other noncurrent assets, net                       | 673.4                          | 425.2                |
| <b>Total Truck, Parts and Other Assets</b>         | <b>10,524.9</b>                | <b>10,237.9</b>      |
| <b>FINANCIAL SERVICES:</b>                         |                                |                      |
| Cash and cash equivalents                          | 95.3                           | 109.9                |
| Finance and other receivables, net                 | 10,185.5                       | 9,697.1              |
| Equipment on operating leases, net                 | 2,781.4                        | 2,876.3              |
| Other assets                                       | 568.7                          | 519.0                |
| <b>Total Financial Services Assets</b>             | <b>13,630.9</b>                | <b>13,202.3</b>      |
|  | <b>\$ 24,155.8</b>             | <b>\$ 23,440.2</b>   |

\*The December 31, 2017 consolidated balance sheet has been derived from audited financial statements. See Notes to Consolidated Financial Statements.

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## Consolidated Balance Sheets (Millions)

|   | June 30<br>2018<br>(Unaudited) | December 31<br>2017* |
|---|--------------------------------|----------------------|
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                                |                      |
| <b>TRUCK, PARTS AND OTHER:</b>  |                                |                      |
| <b>Current Liabilities</b>  |                                |                      |
| Accounts payable, accrued expenses and other  | \$ 3,096.0                     | \$ 2,569.5           |
| Dividend payable  |                                | 422.1                |
| Total Truck, Parts and Other Current Liabilities  | 3,096.0                        | 2,991.6              |
| Residual value guarantees and deferred revenues   | 758.2                          | 1,339.0              |
| Other liabilities   | 1,115.3                        | 939.8                |
| Total Truck, Parts and Other Liabilities  | 4,969.5                        | 5,270.4              |
| <b>FINANCIAL SERVICES:</b>  |                                |                      |
| Accounts payable, accrued expenses and other  | 517.1                          | 466.2                |
| Commercial paper and bank loans   | 3,130.6                        | 2,933.9              |
| Term notes  | 6,077.1                        | 5,945.5              |
| Deferred taxes and other liabilities  | 682.1                          | 773.7                |
| Total Financial Services Liabilities  | 10,406.9                       | 10,119.3             |
| <b>STOCKHOLDERS' EQUITY:</b>  |                                |                      |
| Preferred stock, no par value - authorized 1.0 million shares,<br>none issued                         |                                |                      |
| Common stock, \$1 par value - authorized 1.2 billion shares,<br>issued 352.2 and 351.8 million shares | 352.2                          | 351.8                |
| Additional paid-in capital  | 143.8                          | 123.2                |
| Treasury stock, at cost - 1.5 million and nil shares  | (94.2 )                        |                      |
| Retained earnings   | 9,271.3                        | 8,369.1              |
| Accumulated other comprehensive loss  | (893.7 )                       | (793.6 )             |
| Total Stockholders' Equity  | 8,779.4                        | 8,050.5              |
|   | \$ 24,155.8                    | \$ 23,440.2          |

\*The December 31, 2017 consolidated balance sheet has been derived from audited financial statements. See Notes to Consolidated Financial Statements.

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## Condensed Consolidated Statements of Cash Flows (Unaudited)

(Millions)

|   | Six Months Ended<br>June 30 |           |
|---|-----------------------------|-----------|
|   | 2018                        | 2017      |
| <b>OPERATING ACTIVITIES:</b>  |                             |           |
| Net income  | \$ 1,071.7                  | \$683.3   |
| Adjustments to reconcile net income to cash provided by operations: |                             |           |
| Depreciation and amortization:                                      |                             |           |
| Property, plant and equipment                                       | 179.8                       | 151.5     |
| Equipment on operating leases and other                             | 362.0                       | 376.7     |
| Provision for losses on financial services receivables              | 10.5                        | 12.7      |
| Other, net  | (2.7 )                      | (8.8 )    |
| Pension contributions   | (80.7 )                     | (10.4 )   |
| Change in operating assets and liabilities:                         |                             |           |
| Trade and other receivables   | (518.7 )                    | (425.2 )  |
| Wholesale receivables on new trucks                                 | (234.5 )                    | (176.0 )  |
| Sales-type finance leases and dealer direct loans on new trucks     | 38.5                        | 105.8     |
| Inventories   | (388.5 )                    | (126.8 )  |
| Accounts payable and accrued expenses                               | 661.4                       | 422.2     |
| Income taxes, warranty and other                                    | 99.7                        | 180.2     |
| Net Cash Provided by Operating Activities                           | 1,198.5                     | 1,185.2   |
| <b>INVESTING ACTIVITIES:</b>  |                             |           |
| Originations of retail loans and direct financing leases            | (1,930.1)                   | (1,347.5) |
| Collections on retail loans and direct financing leases             | 1,464.9                     | 1,324.0   |
| Net decrease in wholesale receivables on used equipment             | 15.3                        | 1.6       |
| Purchases of marketable debt securities                             | (252.3 )                    | (435.3 )  |
| Proceeds from sales and maturities of marketable debt securities    | 569.2                       | 359.0     |
| Payments for property, plant and equipment                          | (221.6 )                    | (188.3 )  |
| Acquisitions of equipment for operating leases                      | (697.0 )                    | (728.0 )  |
| Proceeds from asset disposals                                       | 308.3                       | 244.2     |
| Other, net  | (1.9 )                      |           |
| Net Cash Used in Investing Activities                               | (745.2 )                    | (770.3 )  |
| <b>FINANCING ACTIVITIES:</b>  |                             |           |
| Payments of cash dividends  | (608.5 )                    | (382.5 )  |
| Purchases of treasury stock   | (94.2 )                     |           |
| Proceeds from stock compensation transactions                       | 10.9                        | 18.8      |
| Net increase in commercial paper and short-term bank loans          | 230.1                       | 336.9     |
| Proceeds from term debt   | 1,327.7                     | 959.8     |
| Payments on term debt   | &                           |           |