

John Bean Technologies CORP
Form 10-Q
November 01, 2013

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, 2013

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 1-34036

John Bean Technologies Corporation

(Exact name of registrant as specified in its charter)

Delaware **91-1650317**
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

70 West Madison Street, Chicago, Illinois 60602
(Address of principal executive offices) (Zip code)

(312) 861-5900
(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

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," "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer 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

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

Class	Outstanding at October 29, 2013
Common Stock, par value \$0.01 per share	28,957,777

PART I—FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****John Bean Technologies Corporation****Condensed Consolidated statements of income****(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
(In millions, except per share data)				
Revenue	\$233.5	\$205.3	\$646.1	\$624.4
Operating expenses:				
Cost of sales	179.3	153.3	482.5	468.0
Selling, general and administrative expense	39.2	37.9	120.6	114.6
Research and development expense	3.7	3.3	10.6	10.5
Other (income) expense, net	(0.3)	0.5	(0.6)	(0.8)
Operating income	11.6	10.3	33.0	32.1
Interest income	0.6	0.1	1.4	0.2
Interest expense	1.8	1.9	5.6	5.4
Income from continuing operations before income taxes	10.4	8.5	28.8	26.9
Provision for income taxes	3.0	2.3	8.5	8.8
Income from continuing operations	7.4	6.2	20.3	18.1
Loss from discontinued operations, net of taxes	0.6	0.1	0.8	0.4
Net income	\$6.8	\$6.1	\$19.5	\$17.7
Basic earnings per share:				
Income from continuing operations	\$0.25	\$0.21	\$0.69	\$0.62
Loss from discontinued operations	(0.02)	-	(0.02)	(0.01)
Net income	\$0.23	\$0.21	\$0.67	\$0.61
Diluted earnings per share:				
Income from continuing operations	\$0.25	\$0.21	\$0.68	\$0.61
Loss from discontinued operations	(0.02)	(0.01)	(0.02)	(0.01)

Net income	\$0.23	\$0.20	\$0.66	\$0.60
Cash dividends declared per share	\$0.09	\$0.07	\$0.25	\$0.21

John Bean Technologies Corporation**Condensed Consolidated statements of comprehensive income****(Unaudited)**

	Three Months Ended		Nine Months Ended	
	September 30, 2013	2012	September 30, 2013	2012
(In millions)				
Net income	\$6.8	\$6.1	\$19.5	\$17.7
Other comprehensive income (loss)				
Foreign currency translation adjustments	3.6	4.0	(3.5)	0.5
Derivatives designated as hedges net of tax	-	0.1	-	0.2
Pension and other postretirement benefits adjustments, net of tax	0.8	0.3	1.9	1.0
Other comprehensive income (loss)	4.4	4.4	(1.6)	1.7
Comprehensive income	\$11.2	\$10.5	\$17.9	\$19.4

The accompanying notes are an integral part of the condensed consolidated financial statements.

John Bean Technologies Corporation**Condensed Consolidated balance sheets**

(In millions, except per share data and number of shares)	September 30, 2013	December 31, 2012
	(Unaudited)	
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 35.6	\$ 99.0
Trade receivables, net of allowances of \$2.5 and \$3.7, respectively	141.3	188.4
Inventories	145.0	109.2
Other current assets	58.4	51.5
Assets held for sale	3.0	3.0
Total current assets	383.3	451.1
Property, plant and equipment, net of accumulated depreciation of \$241.0 and \$235.5, respectively	129.1	126.2
Other assets	94.7	100.7
Total Assets	\$ 607.1	\$ 678.0
Liabilities and Stockholders' Equity:		
Current Liabilities:		
Short-term debt and current portion of long-term debt	\$ 5.9	\$ 2.0
Accounts payable, trade and other	83.9	88.7
Advance and progress payments	92.6	74.3
Other current liabilities	79.8	85.8
Total current liabilities	262.2	250.8
Long-term debt, less current portion	102.6	189.1

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Accrued pension and other postretirement benefits, less current portion	93.3		104.6	
Other liabilities	30.2		27.9	
Stockholders' equity:				
Preferred stock, \$0.01 par value; 20,000,000 shares authorized; no shares issued	-		-	
Common stock, \$0.01 par value; 120,000,000 shares authorized; 2013: 28,957,777 issued and 28,957,777 outstanding; 2012: 28,946,413 issued and 28,732,211 outstanding	0.3		0.3	
Common stock held in treasury, at cost; 2012: 214,202 shares	-		(3.4)
Additional paid-in capital	65.6		66.2	
Retained earnings	135.5		123.5	
Accumulated other comprehensive loss	(82.6)	(81.0)
Total stockholders' equity	118.8		105.6	
Total Liabilities and Stockholders' Equity	\$ 607.1		\$ 678.0	

The accompanying notes are an integral part of the condensed consolidated financial statements.

John Bean Technologies Corporation**Condensed Consolidated statements of cash flows****(Unaudited)**

(In millions)	Nine Months Ended September 30, 2013 2012	
Cash Flows From Operating Activities:		
Net income	\$ 19.5	\$ 17.7
Loss from discontinued operations, net of income taxes	0.8	0.4
Income from continuing operations	20.3	18.1
Adjustments to reconcile income from continuing operations to cash provided (required) by operating activities of continuing operations:		
Depreciation and amortization	18.8	17.9
Stock-based compensation	5.1	5.4
Other	0.1	3.3
Changes in operating assets and liabilities:		
Trade receivables, net	45.9	42.5
Inventories	(37.2)	(18.9)
Accounts payable, trade and other	(4.5)	(4.5)
Advance and progress payments	18.1	33.0
Other assets and liabilities, net	(17.7)	(28.2)
Cash provided by continuing operating activities	48.9	68.6
Net cash required by discontinued operating activities	(0.5)	(0.5)
Cash provided by operating activities	48.4	68.1
Cash Flows From Investing Activities:		
Acquisition	-	(5.0)
Capital expenditures	(20.8)	(17.3)
Proceeds from disposal of assets	0.7	0.9
Cash required by investing activities	(20.1)	(21.4)
Cash Flows From Financing Activities:		
Net decrease in short-term debt	(0.5)	(0.7)
Net (payments) proceeds on credit facilities	(89.0)	37.6
Repayment of long-term debt	(0.1)	(1.1)
Issuance of long-term debt	8.0	0.8
Excess tax benefits	0.3	0.6
Tax withholdings on stock-based compensation awards	(2.3)	(2.3)
Dividends	(7.5)	(6.4)
Other	(0.3)	0.1

Cash (required) provided by financing activities	(91.4)	28.6
Effect of foreign exchange rate changes on cash and cash equivalents	(0.3)	0.1
(Decrease) increase in cash and cash equivalents	(63.4)	75.4
Cash and cash equivalents, beginning of period	99.0	9.0
Cash and cash equivalents, end of period	\$35.6	\$84.4

The accompanying notes are an integral part of the condensed consolidated financial statements.

John Bean Technologies Corporation

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 1. Description of Business and Basis of Presentation

Description of Business

John Bean Technologies Corporation and its majority-owned consolidated subsidiaries (“JBT” or “we”) provide global technology solutions for the food processing and air transportation industries. We design, manufacture, test and service technologically sophisticated systems and products for customers through our JBT FoodTech and JBT AeroTech segments. We have manufacturing operations worldwide and are strategically located to facilitate delivery of our products and services to our customers.

Basis of Presentation

The preceding condensed consolidated balance sheet as of December 31, 2012, which has been derived from audited financial statements, and unaudited interim condensed consolidated financial statements, together with the notes thereto (the “statements”), of JBT have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. As permitted under those rules, certain footnotes and other financial information that are normally required by accounting principles generally accepted in the United States has been condensed or omitted. Therefore, these statements should be read in conjunction with the audited annual consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2012.

In the opinion of management, the statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of our financial condition and operating results as of and for the periods presented. Revenue, expenses, assets and liabilities can vary during each quarter of the year. Therefore, the results and trends in these statements may not be representative of those for the full year or any future period.

Note 2. Inventories

Inventories consisted of the following:

(In millions)	September 30, 2013	December 31, 2012
Raw materials	\$ 64.7	\$ 59.9
Work in process	55.0	30.6
Finished goods	90.7	82.0
Gross inventories before LIFO reserves and valuation adjustments	210.4	172.5
LIFO reserves and valuation adjustments	(65.4)	(63.3)
Net inventories	\$ 145.0	\$ 109.2

Note 3. INCOME TAXES

The provision for income taxes for 2013 is based on a 34% effective tax rate and includes favorable discrete adjustments reflecting a lower tax liability for fiscal year 2012 of \$0.6 million and \$1.3 million for the three and nine month periods ended September 30, 2013, respectively. For 2012, the provision for income taxes is based on a 35% effective tax rate and includes favorable discrete adjustments reflecting a lower tax liability for fiscal year 2011 of \$0.7 million and \$0.6 million for the three and nine month periods ended September 30, 2012, respectively.

Note 4. Pension and Other Postretirement Benefits

Components of net periodic benefit cost (income) were as follows:

	Pension Benefits				Other Postretirement Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2013	2012	2013	2012	2013	2012	2013	2012
Service cost	\$0.4	\$0.4	\$1.3	\$1.1	\$0.1	\$-	\$0.1	\$-
Interest cost	3.4	3.4	10.2	10.3	-	0.1	0.2	0.3
Expected return on assets	(4.5)	(4.4)	(13.5)	(13.2)	-	-	-	-
Amortization of prior service cost (benefit)	0.1	-	0.1	0.1	(0.1)	(0.2)	(0.3)	(0.6)
Amortization of actuarial losses, net	1.1	0.9	3.2	2.4	-	-	-	-
Net periodic benefit cost (income)	\$0.5	\$0.3	\$1.3	\$0.7	\$-	\$(0.1)	\$-	\$(0.3)

Note 5. accumulated other comprehensive income (loss)

Accumulated other comprehensive income or loss ("AOCI") represents the cumulative balance of other comprehensive income, net of tax, as of the balance sheet date. For JBT, AOCI is primarily composed of adjustments related to pension and other postretirement benefits plans and foreign currency translation adjustments. Changes in the AOCI balances for the quarter ended September 30, 2013 by component are shown in the following table:

	Pension and Other Postretirement Benefits	Foreign Currency Translation	Total
(In millions)			
Beginning balance, June 30, 2013	\$ (84.3) \$ (2.7) \$(87.0)
Other comprehensive income before reclassification	-	3.6	3.6
Amounts reclassified from accumulated other comprehensive income	0.8	-	0.8

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Net current period other comprehensive income	0.8	3.6	4.4
Ending balance, September 30, 2013	\$ (83.5) \$ 0.9	\$(82.6)

Reclassification adjustments from AOCI into earnings for pension and other postretirement benefits plans for the three months ended September 30, 2013 were \$1.1 million in selling, general and administrative expense and \$0.3 million in provision for income taxes.

Changes in the AOCI balances for the nine months ended September 30, 2013 by component are shown in the following table:

(In millions)	Pension and Other Postretirement Benefits	Foreign Currency Translation	Total
Beginning balance, December 31, 2012	\$ (85.4) \$ 4.4	\$(81.0)
Other comprehensive loss before reclassification	-	(3.5) (3.5)
Amounts reclassified from accumulated other comprehensive income	1.9	-	1.9
Net current period other comprehensive income (loss)	1.9	(3.5) (1.6)
Ending balance, September 30, 2013	\$ (83.5) \$ 0.9	\$(82.6)

Reclassification adjustments from AOCI into earnings for pension and other postretirement benefits plans for the nine months ended September 30, 2013 were \$3.0 million in selling, general and administrative expense and \$1.1 million in provision for income taxes.

Note 6. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share from continuing operations for the respective periods and our basic and dilutive shares outstanding:

	Three Months Ended		Nine Months Ended	
	September 30, 2013	2012	September 30, 2013	2012
(In millions, except per share data)				
Basic earnings per share:				
Income from continuing operations	\$7.4	\$6.2	\$20.3	\$18.1
Weighted average number of shares outstanding	29.2	29.2	29.2	29.1
Basic earnings per share from continuing operations	\$0.25	\$0.21	\$0.69	\$0.62
Diluted earnings per share:				
Income from continuing operations	\$7.4	\$6.2	\$20.3	\$18.1
Weighted average number of shares outstanding	29.2	29.2	29.2	29.1
Effect of dilutive securities:				
Restricted stock	0.5	0.4	0.4	0.4
Total shares and dilutive securities	29.7	29.6	29.6	29.5
Diluted earnings per share from continuing operations	\$0.25	\$0.21	\$0.68	\$0.61

Note 7. Derivative Financial Instruments and Risk Management***Derivative Financial Instruments***

We hold derivative financial instruments for the purpose of hedging foreign currency risks for certain identifiable and anticipated transactions.

We manufacture and sell our products in a number of countries throughout the world and, as a result, are exposed to movements in foreign currency exchange rates. Our major foreign currency exposures involve the markets in Western Europe, South America and Asia. Many of our sales and purchase contracts are written contemplating this risk and therefore contain embedded derivatives, which we take into consideration as part of our risk management policy. The purpose of our foreign currency hedging activities is to manage the economic impact of exchange rate volatility associated with anticipated foreign currency purchases and sales made in the normal course of business. We primarily utilize forward foreign exchange contracts with maturities of less than 2 years. We do not apply hedge accounting for

these forward foreign exchange contracts. As of September 30, 2013, we held forward foreign exchange contracts with an aggregate notional value of \$486.8 million.

The following table presents the fair value of foreign currency derivatives included within the condensed consolidated balance sheets:

(In millions)	As of September 30, 2013		As of December 31, 2012	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Other current assets / liabilities	\$3.7	\$ 3.8	\$5.9	\$ 6.6
Other assets / liabilities	2.6	0.5	1.7	0.4
Total	\$6.3	\$ 4.3	\$7.6	\$ 7.0

Refer to Note 8. Fair Value of Financial Instruments, for a description of how the values of the above financial instruments are determined.

A master netting arrangement allows counterparties to net settle amounts owed to each other as a result of separate offsetting derivative transactions. We enter into master netting arrangements with our counterparties when possible to mitigate credit risk in derivative transactions by permitting us to net settle for transactions with the same counterparty. However, we do not net settle with such counterparties. We present our derivatives at gross fair values in the condensed consolidated balance sheets. As of September 30, 2013 and December 31, 2012, information related to these offsetting arrangements was as follows:

(in millions)	As of September 30, 2013			Gross Amounts Not Offset in the Consolidated Balance Sheets	
Offsetting of Assets	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net Presented in the Consolidated Balance Sheets	Financial Instruments	Net Amount
Derivatives	\$6.3	\$ -	\$ 6.3	\$(3.2)	\$ 3.1

(in millions)	As of September 30, 2013			Gross Amounts Not Offset in the Consolidated Balance Sheets	
Offsetting of Liabilities	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Presented in the Consolidated Balance Sheets	Financial Instruments	Net Amount
Derivatives	\$4.3	\$ -	\$ 4.3	\$(3.2)	\$ 1.1

(in millions)	As of December 31, 2012			Gross Amounts Not Offset in the Consolidated Balance Sheets	
Offsetting of Assets	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net Presented in the Consolidated Balance Sheets	Financial Instruments	Net Amount

Reconsolidated	Consolidated
Balance	Balance
Sheets	Sheets