John Bean Technologies CORP
Form 10-Q
April 29, 2016

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 March 31, 2016

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 (State or other jurisdiction of incorporation or organization)	91-1650317 (I.R.S. Employer Identification No.)
70 West Madison Street, Chicago, Illinois (Address of principal executive offices)	60602 (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 April 21, 2016
Common Stock, par value $0.01 per share	29,215,724

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

JOHN BEAN TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended March 31,	
(In millions, except per share data)	2016	2015
Revenue	$267.1	$225.0
Operating expenses:		
Cost of sales	190.3	160.5
Selling, general and administrative expense	53.9	47.4
Research and development expense	5.5	3.7
Restructuring expense	7.2	—
Other expense (income), net	0.5	(0.3)
Operating income	9.7	13.7
Interest income	0.3	0.3
Interest expense	(2.3)	(2.1)
Income from continuing operations before income taxes	7.7	11.9
Provision for income taxes	2.5	3.9
Income from continuing operations	5.2	8.0
Loss from discontinued operations, net of taxes	(0.1)	—
Net income	$5.1	$8.0
Basic earnings per share:		
Income from continuing operations	$0.18	$0.27
Loss from discontinued operations	(0.01)	—
Net income	$0.17	$0.27
Diluted earnings per share:		
Income from continuing operations	$0.17	$0.27
Loss from discontinued operations	—	—
Net income	$0.17	$0.27
Cash dividends declared per share	$0.10	$0.09

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

JOHN BEAN TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPEREHENSIVE INCOME (LOSS)
(Unaudited)

(In millions)	Three Months Ended March 31, 2016	2015
Net income	$5.1	$8.0
Other comprehensive income (loss)		
Foreign currency translation adjustments	7.6	(16.3)
Pension and other postretirement benefits adjustments, net of tax of $0.3 and $0.4 for 2016 and 2015, respectively	0.5	0.9
Derivatives designated as hedges, net of tax of ($1.4) and ($0.3) for 2016 and 2015, respectively	(2.2)	(0.4)
Other comprehensive income (loss)	5.9	(15.8)
Comprehensive income (loss)	$11.0	$(7.8)

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)	March 31, 2016 (Unaudited)		December 31, 2015	
Assets:				
Current Assets:				
Cash and cash equivalents	$	36.0	$	37.2
Trade receivables, net of allowances of $2.0 and $2.1, respectively	210.9		212.5	
Inventories	136.9		104.9	
Other current assets	46.7		41.6	
Total current assets	430.5		396.2	
Property, plant and equipment, net of accumulated depreciation of $244.9 and $223.8, respectively	188.8		181.1	
Goodwill	156.4		152.5	
Intangible assets, net	85.9		86.8	
Other assets	30.4		27.5	
Deferred income taxes	30.2		32.0	
Total Assets	$	922.2	$	876.1
Liabilities and Stockholders' Equity:				
Current Liabilities:				
Short-term debt and current portion of long-term debt	$	2.0	$	2.2
Accounts payable, trade and other	110.5		110.7	
Advance and progress payments	138.2		115.8	
Other current liabilities	120.5		124.4	
Total current liabilities	371.2		353.1	
Long-term debt, less current portion	297.4		280.6	
Accrued pension and other postretirement benefits, less current portion	85.6		90.7	
Other liabilities	30.2		22.0	
Commitments and contingencies (Note 11)				

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; 2016: 29,316,041 issued and 29,215,724 outstanding; 2015: 29,316,041 issued and 29,147,380 outstanding	0.3	0.3
Common stock held in treasury, at cost; 2016: 100,317 shares; 2015: 168,661 shares	(4.0)	(6.1)
Additional paid-in capital	69.6	71.6
Retained earnings	213.2	211.1
Accumulated other comprehensive loss	(141.3)	(147.2)
Total stockholders' equity	137.8	129.7
Total Liabilities and Stockholders' Equity	$ 922.2	$ 876.1

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

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JOHN BEAN TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	Three Months Ended March 31, 2016	2015
Cash Flows From Operating Activities:		
Net income	$5.1	$8.0
Loss from discontinued operations, net of income taxes	0.1	—
Income from continuing operations	5.2	8.0
Adjustments to reconcile income from continuing operations to cash provided by continuing operating activities:		
Depreciation and amortization	8.6	6.8
Stock-based compensation	2.2	1.4
Other	1.3	4.0
Changes in operating assets and liabilities:		
Trade receivables, net	4.6	26.2
Inventories	(29.6)	(11.7)
Accounts payable, trade and other	(1.6)	0.8
Advance and progress payments	19.9	24.9
Other assets and liabilities, net	(10.4)	(29.9)
Cash provided by continuing operating activities	0.2	30.5
Cash required by discontinued operating activities	—	—
Cash provided by operating activities	0.2	30.5
Cash Flows required by Investing Activities:		
Acquisitions, net of cash acquired	(3.2)	—
Capital expenditures	(11.4)	(7.8)
Proceeds from disposal of assets	0.4	0.3
Cash required by investing activities	(14.2)	(7.5)
Cash Flows provided (required) by Financing Activities:		
Net decrease in short-term debt	(0.2)	—
Cash provided by refinancing of credit facility	—	183.7
Cash payments to settle existing credit facility	—	(183.7)
Net borrowings on credit facilities	17.2	(22.0)
Repayment of long-term debt	(0.6)	(0.3)
Excess tax benefits	1.5	1.8
Tax withholdings on stock-based compensation awards	(2.6)	(4.3)
Purchase of treasury stock	(1.1)	(3.1)
Dividends	(3.1)	(3.0)
Cash provided (required) by financing activities	11.1	(30.9)
Effect of foreign exchange rate changes on cash and cash equivalents	1.7	(5.6)
Decrease in cash and cash equivalents	(1.2)	(13.5)
Cash and cash equivalents, beginning of period	37.2	33.3
Cash and cash equivalents, end of period	$36.0	$19.8

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 to high-value segments of the food & beverage 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
In accordance with Securities and Exchange Commission ("SEC") rules for interim periods, the accompanying unaudited condensed consolidated financial statements (the "interim financial statements") do not include all of the information and notes for complete financial statements as required by accounting principles generally accepted in the United States of America ("U.S. GAAP"). As such, the accompanying interim financial statements should be read in conjunction with the JBT Annual Report on Form 10-K for the year ended December 31, 2015, which provides a more complete understanding of the Company's accounting policies, financial position, operating results, business, properties, and other matters. The year-end condensed consolidated balance sheet was derived from audited financial statements.

In the opinion of management, the interim financial statements reflect all 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 interim results and trends in these statements may not be representative of those for the full year or any future period.

We have reclassified the prior year amortization expense of intangible assets not considered contract-related from cost of sales to selling, general and administrative expense to conform with current year presentation.

Use of estimates
Preparation of financial statements that follow U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Recently issued accounting standards not yet adopted
In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The new standard will replace most existing revenue recognition guidance in U.S. GAAP. The core principle of the ASU requires companies to reevaluate when revenue is recorded on a transaction based upon newly defined criteria, either at a point in time or over time as goods or services are delivered. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and estimates, and changes in those estimates. The new standard becomes effective for us as of January 1, 2018, and allows for both retrospective and modified-retrospective methods of adoption. We are currently evaluating the effect, if any, that the updated standard will have on our consolidated financial statements and related disclosures.

In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330) – Simplifying the Measurement of Inventory. The core principle of the ASU is that entities that historically used the lower of cost or market in the subsequent measurement of inventory will instead be required to measure inventory at the lower of cost and net realizable value. The guidance will not change U.S. GAAP for inventory measured using LIFO or the retail inventory method. The ASU is effective for annual reporting periods, including interim periods within those annual periods, beginning after December 15, 2016. The company anticipates the adoption in the effective period and we are currently evaluating the effect, if any, that the ASU will have on our consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, Leases. The new standard will replace most existing lease guidance in U.S. GAAP. The core principle of the ASU is that lessees are required to report a right to use asset and a lease payment obligation on the balance sheet but recognize expenses on their income statements in a manner similar to today's accounting, and for lessors the guidance remains substantially similar to current U.S. GAAP. The ASU is effective for annual reporting periods, including interim periods within those annual periods, beginning after December 15, 2018. However early adoption is permitted. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. We have not yet evaluated and cannot determine the impact this standard will have on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, Stock Compensation (Topic 718) - Improvements to Employee Share-Based Payment Accounting. The new guidance was developed as part of the FASB's simplification initiative. The core principle of the ASU is that all income tax effects of awards are to be recognized in the income statement when the awards vest or are settled, it allows an employer to repurchase more of an employee's shares than it can today for tax withholding purposes without triggering liability accounting, and allows an employer to make a policy election to account for forfeitures as they occur. The ASU is effective for annual reporting periods, including interim periods within those annual periods, beginning after December 15, 2016. However early adoption is permitted. The company anticipates the adoption in the effective period and we are currently evaluating the effect, if any, that the ASU will have on our consolidated financial statements and related disclosures.

NOTE 2. ACQUISITIONS

Consistent with our growth strategy, we completed two acquisitions during 2015 focused on strengthening our Protein and Liquid Foods portfolios.

A&B Process Systems

On October 1, 2015, John Bean Technologies Corporation acquired the shares of A&B Process Systems ("A&B"), located in Stratford, WI, for $103 million, including a $3.0 million earnout and a working capital adjustment of $0.1 million. Because the transaction was completed on October 1, 2015, the purchase accounting is preliminary as the valuation of income tax balances and residual goodwill related to this acquisition is not complete. We are also currently assessing the amount of goodwill that we expect to be deductible for tax purposes. These amounts are subject to adjustment as additional information is obtained within the measurement period (not to exceed 12 months from the acquisition date).

During the quarter ended March 31, 2016 we refined our estimates of the customer relationship by ($0.9 million), tradename by ($0.4 million), technological know-how for skidded systems by ($0.2 million), backlog by ($0.1 million), and noncompete agreements by ($0.1 million). The impact of these adjustments was reflected as an increase in goodwill of $1.8 million, and resulted in an immaterial impact to the consolidated statement of income. No other significant refinements of the valuation occurred during the quarter.

The following table summarizes the provisional fair values recorded for the assets acquired and liabilities assumed for A&B:

(In millions)	
Assets:	
Accounts receivable	$15.7
Prepaid expenses	0.6
Costs in excess of billings on projects in progress	5.1
Inventories	1.0
Property, plant and equipment	18.1
Other assets	0.2
Intangible assets:	
Customer relationships	14.6
Tradename	3.1
Technological know-how - skidded systems	3.9
Technological know-how - tanks and vessels	1.3
Backlog	1.2
Noncompete agreements	0.9
Total assets	$65.7
Liabilities:	
Accounts payable	$6.1
Other liabilities	3.3
Billings in excess of costs on projects in process	6.6
Earnout liability	3.0
Total liabilities	19.0
Cash consideration paid and accrued	$100.0
Contingent consideration	3.0
Total purchase price	103.0
Goodwill	$53.3

The customer relationships and tradename will be amortized over their estimated useful lives of eight and fourteen years, respectively. Technological know-how for skidded systems and tanks & vessels will be amortized over their terms of six and nine years, respectively. The noncompete agreements will be amortized over the contractual life of five years, and backlog will be amortized over six months, reflecting its expected pattern of use.
The A&B purchase agreement includes an earnout provision providing for a contingent payment due to the sellers to the extent certain financial targets are exceeded. This earnout is payable within the fourth quarter of 2016 if A&B exceeds certain earnings targets for the period from May 1, 2015 through April 31, 2016. The contractual obligation associated with the contingent earnout provision recognized on the acquisition date is $3.0 million.

Stork Food & Dairy Systems B.V.

On July 31, 2015, John Bean Technologies Corporation and its wholly-owned subsidiary John Bean Technologies Europe B.V. acquired the shares of Stork Food & Dairy Systems, B.V. (“SFDS”), located in Amsterdam, The Netherlands for 46.2 million euro ($50.7 million), which is net of cash acquired of 1.0 million euro ($1.1 million). Because the transaction was completed on July 31, 2015, the purchase accounting is preliminary as the final review of the intangible asset valuation report, valuation of income tax balances, pension balances and residual goodwill related to this acquisition is not complete. We are also currently assessing the amount of goodwill that we expect to be deductible for tax purposes. These amounts are subject to adjustment as additional information is obtained within the measurement period (not to exceed 12 months from the acquisition date). No significant refinements of the valuation occurred during the quarter.

The following table summarizes the provisional fair values recorded for the assets acquired and liabilities assumed for SFDS:

(In millions)		
Assets:		
Cash	$	1.1
Accounts receivable	10.0	
Other receivables	2.5	
Inventories	4.8	
Costs in excess of billings on projects in progress	7.8	
Property, plant and equipment	9.8	
Intangible assets:		
Tradename	0.2	
Customer relationships	4.1	
Patents	3.9	
Deferred Tax Asset	1.1	
Total assets	$	45.3
Liabilities:		
Accounts payable	$	9.2
Billings in excess of costs on projects	7.6	
Other liabilities	10.2	
Deferred taxes	3.3	
Total liabilities	$	30.3
Total purchase price	$	51.8
Goodwill	$	36.8

The tradename, patents and customer relationships will be amortized over their estimated useful lives of seventeen months, seven years, and fifteen years, respectively.

NOTE 3. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill by business segment were as follows:

(In millions)	JBT FoodTech	JBT AeroTech	Total
Balance as of December 31, 2015	$ 144.8	$ 7.7	$ 152.5
Acquisitions	2.2	—	2.2
Currency translation	1.7	—	1.7
Balance as of March 31, 2016	148.7	7.7	156.4

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Intangible assets consisted of the following: