John Bean Technologies CORP
Form 10-Q
November 02, 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 September 30, 2018
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<br>(State or other jurisdiction of<br>incorporation or organization) | 91-1650317<br>(I.R.S. Employer<br>Identification No.) |
| 70 West Madison Street, Suite 4400<br>Chicago, Illinois<br>(Address of principal executive offices) | 60602<br>(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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "non-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.

| Class | Outstanding at October 26, 2018 |
|---|---|
| Common Stock, par value $0.01 per share | 31,607,896 |

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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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (In millions, except per share data) | 2018 | 2017 | 2018 | 2017 |
| Revenue | $481.9 | $420.8 | $1,382.4 | $1,151.4 |
| Operating expenses: | | | | |
| Cost of sales | 346.8 | 299.3 | 1,003.4 | 817.5 |
| Selling, general and administrative expense | 79.0 | 74.0 | 237.4 | 222.1 |
| Research and development expense | 5.7 | 6.9 | 20.7 | 19.6 |
| Restructuring expense | 11.6 | 0.3 | 32.8 | 1.3 |
| Other expense (income), net | 2.2 | (1.6) | 3.4 | (0.6) |
| Operating income | 36.6 | 41.9 | 84.7 | 91.5 |
| Other income (expense), net | — | 0.3 | (0.6) | 0.9 |
| Interest expense, net | (3.4) | (3.6) | (10.5) | (10.3) |
| Income from continuing operations before income taxes | 33.2 | 38.6 | 73.6 | 82.1 |
| Provision for income taxes | 6.8 | 12.2 | 12.1 | 19.8 |
| Income from continuing operations | 26.4 | 26.4 | 61.5 | 62.3 |
| Loss from discontinued operations, net of taxes | — | (0.6) | (0.3) | (1.2) |
| Net income | $26.4 | $25.8 | $61.2 | $61.1 |
| | | | | |
| Basic earnings per share: | | | | |
| Income from continuing operations | $0.83 | $0.83 | $1.93 | $1.99 |
| Loss from discontinued operations | — | (0.02) | (0.01) | (0.04) |
| Net income | $0.83 | $0.81 | $1.92 | $1.95 |
| Diluted earnings per share: | | | | |
| Income from continuing operations | $0.82 | $0.82 | $1.91 | $1.97 |
| Loss from discontinued operations | — | (0.02) | (0.01) | (0.04) |
| Net income | $0.82 | $0.80 | $1.90 | $1.93 |
| Cash dividends declared per share | $0.10 | $0.10 | $0.30 | $0.30 |

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (In millions) | 2018 | 2017 | 2018 | 2017 |
| Net income | $26.4 | $25.8 | $61.2 | $61.1 |
| Other comprehensive (loss) income, net of income taxes | | | | |
| Foreign currency translation adjustments | (3.2) | 7.3 | (21.0) | 20.3 |
| Pension and other postretirement benefits adjustments, net of tax of ($0.5) and ($1.3) for 2018, and ($0.5) and ($1.4) for 2017, respectively | 1.2 | 0.8 | 4.0 | 2.4 |
| Derivatives designated as hedges, net of tax of $0 and ($0.5) for 2018, and ($0.1) and ($0.3) for 2017, respectively | — | 0.2 | 1.5 | 0.5 |
| Other comprehensive (loss) income | (2.0) | 8.3 | (15.5) | 23.2 |
| Comprehensive income | $24.4 | $34.1 | $45.7 | $84.3 |

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, 2018 (Unaudited) | December 31, 2017 |
|---|---|---|
| Assets: | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 38.5 | $ 34.0 |
| Trade receivables, net of allowances of $3.5 and $3.2, respectively | 334.0 | 316.4 |
| Inventories | 256.6 | 190.2 |
| Other current assets | 57.6 | 48.0 |
| Total current assets | 686.7 | 588.6 |
| Property, plant and equipment, net of accumulated depreciation of $281.3 and $273.3, respectively | 238.9 | 233.0 |
| Goodwill | 321.6 | 301.8 |
| Intangible assets, net | 221.4 | 216.8 |
| Deferred income taxes | 14.4 | 13.1 |
| Other assets | 38.2 | 38.1 |
| Total Assets | $ 1,521.2 | $ 1,391.4 |
| | | |
| Liabilities and Stockholders' Equity: | | |
| Current Liabilities: | | |
| Short-term debt and current portion of long-term debt | $ 0.1 | $ 10.5 |
| Accounts payable, trade and other | 174.1 | 157.1 |
| Advance and progress payments | 173.3 | 127.6 |
| Other current liabilities | 148.9 | 146.2 |
| Total current liabilities | 496.4 | 441.4 |
| Long-term debt, less current portion | 486.1 | 372.7 |
| Accrued pension and other postretirement benefits, less current portion | 62.5 | 85.9 |
| Other liabilities | 43.8 | 49.5 |
| Commitments and contingencies (Note 12) | | |
| 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; September 30, 2018: 31,741,607 issued and 31,605,218 outstanding and December 31, 2017: 31,623,079 issued and 31,577,182 outstanding | 0.3 | 0.3 |
| Common stock held in treasury, at cost; September 30, 2018: 136,389 shares and December 31, 2017: 45,897 shares | (12.0) | (4.0) |
| Additional paid-in capital | 245.2 | 252.2 |
| Retained earnings | 354.7 | 333.7 |
| Accumulated other comprehensive loss | (155.8) | (140.3) |
| Total stockholders' equity | 432.4 | 441.9 |
| Total Liabilities and Stockholders' Equity | $ 1,521.2 | $ 1,391.4 |

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, 2018 | 2017 |
|---|---|---|
| Cash flows provided by operating activities: | | |
| Net income | $61.2 | $61.1 |
| Loss from discontinued operations, net | 0.3 | 1.2 |
| Income from continuing operations | 61.5 | 62.3 |
| Adjustments to reconcile income from continuing operations to cash provided by continuing operating activities: | | |
| Depreciation and amortization | 43.1 | 37.9 |
| Stock-based compensation | 7.6 | 6.2 |
| Other | (23.6 ) | 1.0 |
| Changes in operating assets and liabilities: | | |
| Trade receivables - billed, net | (18.5 ) | (20.6 ) |
| Inventories | (49.2 ) | (53.8 ) |
| Accounts payable, trade and other | 16.4 | 11.7 |
| Advance and progress payments | 17.3 | 37.0 |
| Accrued pension and other postretirement benefits, net | (18.3 ) | (8.4 ) |
| Other assets and liabilities, net | (9.7 ) | (4.1 ) |
| Cash provided by continuing operating activities | 26.6 | 69.2 |
| Cash required by discontinued operating activities | (0.6 ) | (1.2 ) |
| Cash provided by operating activities | 26.0 | 68.0 |
| | | |
| Cash flows required by investing activities: | | |
| Acquisitions, net of cash acquired | (57.6 ) | (103.1) |
| Capital expenditures | (28.5 ) | (27.5 ) |
| Proceeds from disposal of assets | 1.8 | 1.4 |
| Cash required by investing activities | (84.3 ) | (129.2) |
| | | |
| Cash flows provided by financing activities: | | |
| Payments in connection with modification of credit facilities | (468.6) | — |
| Net proceeds (payments) from domestic credit facilities | 576.0 | (93.1 ) |
| Repayment of long-term debt | — | (1.4 ) |
| Proceeds from stock issuance, net of stock issuance costs | — | 184.1 |
| Settlement of taxes withheld on equity compensation awards | (10.6 ) | (9.5 ) |
| Purchase of treasury stock | (12.0 ) | (5.0 ) |
| Dividends | (9.8 ) | (9.6 ) |
| Other | (9.8 ) | (0.5 ) |
| Cash provided by financing activities | 65.2 | 65.0 |
| | | |
| Effect of foreign exchange rate changes on cash and cash equivalents | (2.4 ) | 1.4 |
| | | |
| Increase in cash and cash equivalents | 4.5 | 5.2 |
| Cash and cash equivalents, beginning of period | 34.0 | 33.2 |
| Cash and cash equivalents, end of period | $38.5 | $38.4 |

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 (the “Company,” “JBT,” “our,” “us,” or “we”) provide global technology solutions to high-value segments of the food and beverage and air transportation industries. We design, produce and service sophisticated products and systems for multi-national and regional 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, 2017, 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 (the “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 the interim financial statements may not be representative of those for the full year or any future period.

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 adopted accounting standards
Beginning in 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers ("ASC 606"), plus a number of related ASU’s designed to clarify and interpret ASC 606. The new standard replaced most existing revenue recognition guidance in U.S. GAAP. The core principle of the ASU requires revenue recognition based upon newly defined criteria, either at a point in time or over time as control of goods or services is transferred. 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 became effective for us as of January 1, 2018 and was adopted on a modified-retrospective basis.

Upon adoption of the new standard we have availed ourselves of certain practical expedients and elected certain accounting policies as allowed per ASC 606:

- Acquisition costs are expensed and not capitalized as contract assets for contracts with duration of less than one year.

- We do not disclose information about remaining performance obligations that have original expected durations of one year or less.
- We do not adjust the transaction price for significant financing component for contracts with duration of less than one year.
- Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as a fulfillment cost and are included in cost of sales.
- Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue.

The cumulative effect of the changes made to our consolidated January 1, 2018 balance sheet for the adoption of ASC 606 is below (in millions). The application of IRS guidance issued during the second and third quarters resulted in the conclusion regarding the tax year the revenue recognition impacts of the adoption of ASC 606 would be included for tax purposes. This resulted in a $2.2 million increase to the income tax impact of adoption reflected within opening retained earnings as well as a $6.6 million reduction in taxes receivable and a $4.4 million increase in deferred tax assets recorded upon the adoption of ASC 606.

| | As Reported | | As Restated |
|---|---|---|---|
| | December 31, 2017 | Adjustments due to ASC 606 | January 1, 2018 |
| Trade receivables, net of allowance | $ 316.4 | $ (31.3 ) | $ 285.1 |
| Inventories | 190.2 | 103.6 | 293.8 |