John Bean Technologies CORP
Form 10-Q
November 07, 2012

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, 2012

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 incorporation or organization)	**(I.R.S. Employer 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 November 1, 2012**
Common Stock, par value $0.01 per share	28,925,567

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)	**2012**	**2011**	**2012**	**2011**
Revenue	$205.3	$230.3	$624.4	$684.3
Operating expenses:				
Cost of sales	153.3	173.1	468.0	516.1
Selling, general and administrative expense	37.9	37.8	114.6	113.3
Research and development expense	3.3	4.5	10.5	14.3
Other expense (income), net	0.5	0.6	(0.8)	(0.4)
Operating income	10.3	14.3	32.1	41.0
Net interest expense	(1.8)	(1.5)	(5.2)	(4.9)
Income from continuing operations before income taxes	8.5	12.8	26.9	36.1
Provision for income taxes	2.3	4.7	8.8	12.7
Income from continuing operations	6.2	8.1	18.1	23.4
Loss from discontinued operations, net of taxes	(0.1)	-	(0.4)	(0.1)
Net income	$6.1	$8.1	$17.7	$23.3
Basic earnings per share:				
Income from continuing operations	$0.21	$0.28	$0.62	$0.81
Loss from discontinued operations	-	-	(0.01)	-
Net income	$0.21	$0.28	$0.61	$0.81
Diluted earnings per share:				
Income from continuing operations	$0.21	$0.28	$0.61	$0.80
Loss from discontinued operations	(0.01)	(0.01)	(0.01)	(0.01)
Net income	$0.20	$0.27	$0.60	$0.79
Cash dividends declared per share	$0.07	$0.07	$0.21	$0.21

JOHN BEAN TECHNOLOGIES CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	**2012**	**2011**	**2012**	**2011**
Net income	$6.1	$8.1	$17.7	$23.3
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	4.0	(12.7)	0.5	(5.8)
Other	0.4	-	1.2	0.3
Other comprehensive income (loss), net of tax	4.4	(12.7)	1.7	(5.5)
Comprehensive income (loss)	$10.5	$(4.6)	$19.4	$17.8

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)	**September 30, 2012**		**December 31, 2011**	
	(Unaudited)			
Assets:				
Current Assets:				
Cash and cash equivalents	$	84.4	$	9.0
Trade receivables, net of allowances of $3.6 and $4.3, respectively		148.1		189.4
Inventories		142.8		122.3
Other current assets		44.9		35.7
Assets held for sale		3.0		2.7
Total current assets		423.2		359.1
Property, plant and equipment, net of accumulated depreciation of $234.0 and $231.1, respectively		124.3		124.7
Other assets		113.0		108.4
Total Assets	$	660.5	$	592.2
Liabilities and Stockholders' Equity:				
Current Liabilities:				
Short-term debt and current portion of long-term debt	$	101.1	$	4.4
Accounts payable, trade and other		78.0		82.5
Advance and progress payments		91.3		57.4
Other current liabilities		92.1		95.4
Total current liabilities		362.5		239.7
Long-term debt, less current portion		75.7		135.7
Accrued pension and other postretirement benefits, less current		96.1		109.2

portion						
Other liabilities		29.7			27.8	
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; 2012: 28,946,413 issued and 28,925,567 outstanding; 2011: 28,661,005 issued and 28,640,159 outstanding		0.3			0.3	
Common stock held in treasury, at cost; 2012 and 2011: 20,846 shares		(0.3	)		(0.3	)
Additional paid-in capital		64.4			60.7	
Retained earnings		107.1			95.8	
Accumulated other comprehensive loss		(75.0	)		(76.7	)
Total stockholders' equity		96.5			79.8	
Total Liabilities and Stockholders' Equity	$	660.5		$	592.2	

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)	Nine Months Ended September 30, 2012	2011
Cash Flows From Operating Activities:		
Net income	$17.7	$23.3
Loss from discontinued operations, net of income taxes	0.4	0.1
Income from continuing operations	18.1	23.4
Adjustments to reconcile income from continuing operations to cash provided (required) by operating activities of continuing operations:		
Depreciation and amortization	17.9	18.3
Stock-based compensation	5.4	4.2
Other	3.3	1.9
Changes in operating assets and liabilities:		
Trade receivables, net	42.5	31.9
Inventories	(18.9)	(37.0)
Accounts payable, trade and other	(4.5)	0.5
Advance and progress payments	33.0	16.4
Other assets and liabilities, net	(28.2)	(15.4)
Cash provided by continuing operating activities	68.6	44.2
Net cash required by discontinued operating activities	(0.5)	(0.4)
Cash provided by operating activities	68.1	43.8
Cash Flows From Investing Activities:		
Acquisition	(5.0)	-
Capital expenditures	(17.3)	(15.2)
Proceeds from disposal of assets	0.9	0.2
Other	-	(1.0)
Cash required by investing activities	(21.4)	(16.0)
Cash Flows From Financing Activities:		
Net (decrease) increase in short-term debt	(0.7)	0.5
Net proceeds (repayments) on credit facilities	37.6	(10.0)
Repayment of long-term debt	(1.1)	(1.2)
Issuance of long-term debt	0.8	-
Excess tax benefits	0.6	1.7
Tax withholdings on stock-based compensation awards	(2.3)	(4.8)
Dividends	(6.4)	(6.4)

Other	0.1	-
Cash provided (required) by financing activities	28.6	(20.2)
Effect of foreign exchange rate changes on cash and cash equivalents	0.1	(1.2)
Increase in cash and cash equivalents	75.4	6.4
Cash and cash equivalents, beginning of period	9.0	13.7
Cash and cash equivalents, end of period	$84.4	$20.1

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 consolidated subsidiaries (JBT Corporation 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, 2011, which has been derived from audited financial statements, and unaudited interim condensed consolidated financial statements, together with the notes thereto (the statements), of JBT Corporation 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, 2011.

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, 2012	December 31, 2011
Raw materials	$ 64.0	$ 61.6
Work in process	52.1	27.1
Finished goods	90.7	94.2
Gross inventories before LIFO reserves and valuation adjustments	206.8	182.9
LIFO reserves and valuation adjustments	(64.0)	(60.6)
Net inventories	$ 142.8	$ 122.3

NOTE 3. GOODWILL AND INTANGIBLE ASSETS

The change in the carrying amount of goodwill for the nine months ended September 30, 2012 was as follows:

(In millions)	JBT FoodTech	JBT AeroTech	Total
Balance as of December 31, 2011	$ 20.3	$ 7.9	$28.2
Goodwill acquired during the period	2.0	-	2.0
Currency translation	0.4	-	0.4
Balance as of September 30, 2012	$ 22.7	$ 7.9	$30.6

Goodwill is included in other assets in the condensed consolidated balance sheets.

The components of intangible assets were as follows:

(In millions)	As of September 30, 2012 Gross Carrying Amount	As of September 30, 2012 Accumulated Amortization	As of December 31, 2011 Gross Carrying Amount	As of December 31, 2011 Accumulated Amortization
Customer lists	$20.7	$ 9.8	$17.1	$ 8.9
Patents and acquired technology	26.5	24.8	24.9	23.9
Trademarks	15.9	7.1	15.5	6.7
Other	4.4	1.5	1.3	1.1
Total	$67.5	$ 43.2	$58.8	$ 40.6

On May 22, 2012, we acquired rotary sterilization technology from H.G. Molenaar & Co (Pty) Ltd., headquartered in Paarl, South Africa. This acquisition strengthens JBT FoodTech's in-container sterilization portfolio for the canned food industry. We plan to integrate the Molenaar technology into our existing South African production facility, where we will leverage our current capacity and engineering capabilities. In connection with the acquisition, we recognized $2.0 million of goodwill and $7.2 million of intangible assets, comprised of non-compete agreements, customer lists, and patents and acquired technologies. These assets are deductible for income tax purposes.

NOTE 4. INCOME TAXES

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

NOTE 5. PENSION AND OTHER POSTRETIREMENT BENEFITS

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

	Pension Benefits		Other Postretirement Benefits	
	Three Months Ended	Nine Months Ended	Three Months Ended	Nine Months Ended

	September 30,		September 30,		September 30,		September 30,	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Service cost	$0.4	$0.3	$1.1	$1.1	$-	$-	$-	$0.1
Interest cost	3.4	3.6	10.3	10.8	0.1	0.1	0.3	0.3
Expected return on assets	(4.4)	(4.6)	(13.2)	(13.8)	-	-	-	-
Amortization of prior service benefit	-	-	0.1	-	(0.2)	(0.2)	(0.6)	(0.7)
Amortization of actuarial losses, net	0.9	0.4	2.4	1.2	-	-	-	-
Net periodic benefit cost (income)	$0.3	$(0.3)	$0.7	$(0.7)	$(0.1)	$(0.1)	$(0.3)	$(0.3)

In the nine months ended September 30, 2012, we contributed $14.9 million to our pension and other postretirement plans and expect to contribute approximately $1.5 million in the remainder of 2012. The contributions are primarily for the U.S. qualified pension plan.

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 September 30,		Nine Months Ended September 30,	
(In millions, except per share data)	**2012**	**2011**	**2012**	**2011**
Basic earnings per share:				
Income from continuing operations	$6.2	$8.1	$18.1	$23.4
Weighted average number of shares outstanding	29.2	28.8	29.1	28.8
Basic earnings per share from continuing operations	$0.21	$0.28	$0.62	$0.81
Diluted earnings per share:				
Income from continuing operations	$6.2	$8.1	$18.1	$23.4
Weighted average number of shares outstanding	29.2	28.8	29.1	28.8
Effect of dilutive securities:				
Restricted stock	0.4	0.6	0.4	0.5
Total shares and dilutive securities	29.6	29.4	29.5	29.3
Diluted earnings per share from continuing operations	$0.21	$0.28	$0.61	$0.80

The computation of diluted earnings per share for the nine months ended September 30, 2012 excludes approximately 0.2 million restricted stock units because they were anti-dilutive. However, these shares may be dilutive in the future.

During the nine months ended September 30, 2012, 0.3 million shares were issued in connection with our stock-based compensation plan. During the year ended December 31, 2011, 0.4 million shares were issued.

NOTE 7. DERIVATIVE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Derivative Financial Instruments

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. 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 exchange contracts with maturities of less than 2 years. As of September 30, 2012, we held forward exchange contracts with an aggregate notional value of $499.2 million. 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.

As of September 30, 2012 and December 31, 2011, we had one derivative contract designated as a hedging instrument. This derivative has a notional amount of $2.0 million, matures in November 2012 and was immaterial to our financial condition and operating results.

Additionally, during 2010 and through January 31, 2011, we had an interest rate swap that fixed the annual interest rate on a portion of our borrowings under the credit facility at 4.9%.

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

	As of September 30, 2012		**As of December 31, 2011**	
(In millions)	**Derivative Assets**	**Derivative Liabilities**	**Derivative Assets**	**Derivative Liabilities**
Other current assets / liabilities	$ 5.4	$ 7.7	$ 5.7	$ 4.1
Other assets / liabilities	0.7	0.4	0.5	0.5
Total	$ 6.1	$ 8.1	$ 6.2	$ 4.6

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

The following table presents the location and amount of gains (losses) from derivatives not designated as hedging instruments in the condensed consolidated statements of income:

Derivatives not designated as hedging instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives			
		Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)		**2012**	**2011**	**2012**	**2011**
Foreign exchange contracts	Revenue	$1.3	$0.4	$3.2	$2.9
Foreign exchange contracts	Cost of sales	(0.6)	1.3	(1.0)	1.8
Foreign exchange contracts	Other income, net	0.1	0.3	0.2	0.7
Total		0.8	2.0	2.4	5.4
Remeasurement of assets and liabilities in foreign currencies		(0.8)	1.6	(1.1)	1.6
Net gain on foreign currency transactions		$-	$3.6	$1.3	$7.0

Credit Risk

We enter into foreign exchange derivatives primarily with a diversified group of highly rated counterparties. We continually monitor our positions and the credit ratings of the counterparties involved and limit the amount of credit exposure to any one party. These transactions may expose us to potential losses due to the risk of nonperformance by these counterparties. However, we have not incurred a material loss due to nonperformance in any period presented and do not expect to incur any such material loss.

At September 30, 2012, the maximum amount of loss due to the credit risk of the counterparties, should the counterparties fail to perform according to the terms of the contracts, was $1.2 million against which we did not hold any collateral.

NOTE 8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.
Level 2: Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

Financial assets and financial liabilities measured at fair value on a recurring basis are as follows:

	As of September 30, 2012				**As of December 31, 2011**			
(In millions)	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:								
Investments	$11.1	$11.1	$ -	$ -	$10.5	$10.5	$ -	$ -
Derivatives	6.1	-	6.1	-	6.2	-	6.2	-
Total assets	$17.2	$11.1	$ 6.1	$ -	$16.7	$10.5	$ 6.2	$ -
Liabilities:								
Derivatives	$8.1	$-	$ 8.1	$ -	$4.6	$-	$ 4.6	$ -

Investments primarily represent securities held by a non-qualified deferred compensation plan. Investments are classified as trading securities and are valued based on quoted prices in active markets for identical assets that we have the ability to access. Investments are included in other assets in the condensed consolidated balance sheets. For the three and nine month periods ended September 30, 2012, investments include an unrealized gain of $0.3 million and $0.6 million, respectively. We use the income approach as the valuation technique to measure the fair value of derivative instruments on a recurring basis. This approach calculates the present value of the future cash flow by measuring the change from the derivative contract rate and the published market indicative currency and interest rates, multiplied by the contract notional values, and includes a factor of credit risk.

The carrying amounts of cash and cash equivalents, trade receivables and accounts payables, as well as amounts included in other current assets and other current liabilities that meet the definition of financial instruments, approximate fair values because of their short-term maturities.

The carrying values and the estimated fair values of our debt financial instruments are summarized in the table below:

(In millions)	As of September 30, 2012 Carrying Value	Estimated Fair Value	As of December 31, 2011 Carrying Value	Estimated Fair Value
6.66% senior unsecured notes due July 31, 2015	$75.0	$ 84.3	$75.0	$ 85.1
Revolving credit facility, expires on July 31, 2013	98.4	98.4	60.7	60.7
Foreign credit facilities	2.1	2.1	2.0	2.0