

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORP

Form 10-Q

November 08, 2010

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended September 30, 2010

**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: 1-13782**

**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of

**25-1615902**  
(I.R.S. Employer

incorporation or organization)

Identification No.)

**1001 Air Brake Avenue**

**Wilmerding, PA**  
(Address of principal executive offices)

**15148**  
(Zip Code)

**412-825-1000**

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 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**  
Common Stock, \$.01 par value per share

**Outstanding at November 2, 2010**  
47,942,846 shares

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**WESTINGHOUSE AIR BRAKE  
TECHNOLOGIES CORPORATION**

**September 30, 2010**

**FORM 10-Q**

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS**

<i>In thousands, except shares and par value</i>	<b>Unaudited September 30, 2010</b>	<b>December 31, 2009</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 176,808	\$ 188,659
Accounts receivable	264,793	208,260
Inventories	248,795	239,333
Deferred income taxes	37,716	40,533
Other current assets	15,666	12,724
Total current assets	743,778	689,509
Property, plant and equipment	467,951	451,996
Accumulated depreciation	(264,809)	(250,289)
Property, plant and equipment, net	203,142	201,707
<b>Other Assets</b>		
Goodwill	518,040	482,978
Other intangibles, net	205,751	187,630
Deferred income taxes	8,790	4,964
Other noncurrent assets	26,179	19,047
Total other assets	758,760	694,619
Total Assets	\$ 1,705,680	\$ 1,585,835
<b>Liabilities and Shareholders Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 129,977	\$ 119,895
Customer deposits and advanced billings	26,064	44,251
Accrued compensation	40,290	30,423
Accrued warranty	23,040	20,025
Current portion of long-term debt	40,070	32,741
Other accrued liabilities	59,692	58,013
Total current liabilities	319,133	305,348
Long-term debt	369,772	359,039
Reserve for postretirement and pension benefits	56,460	64,078
Deferred income taxes	56,035	52,156
Accrued warranty	13,536	9,182
Other long term liabilities	17,603	17,119

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Total liabilities	832,539	806,922
<b>Shareholders' Equity</b>		
Preferred stock, 1,000,000 shares authorized, no shares issued		
Common stock, \$.01 par value; 100,000,000 shares authorized: 66,174,767 shares issued and 47,940,596 and 47,688,695 outstanding at September 30, 2010 and December 31, 2009, respectively	662	662
Additional paid-in capital	336,122	329,707
Treasury stock, at cost, 18,234,171 and 18,486,072 shares, at September 30, 2010 and December 31, 2009, respectively	(290,295)	(289,137)
Retained earnings	856,911	766,221
Accumulated other comprehensive loss	(34,092)	(30,546)
<b>Total Westinghouse Air Brake Technologies Corporation shareholders' equity</b>	<b>869,308</b>	<b>776,907</b>
Non-controlling interest	3,833	2,006
<b>Total shareholders' equity</b>	<b>873,141</b>	<b>778,913</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 1,705,680</b>	<b>\$ 1,585,835</b>

The accompanying notes are an integral part of these statements.

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**WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

<i>In thousands, except per share data</i>	Unaudited Three Months Ended September 30		Unaudited Nine Months Ended September 30	
	2010	2009	2010	2009
Net sales	\$ 375,707	\$ 330,455	\$ 1,113,771	\$ 1,042,428
Cost of sales	(266,470)	(235,629)	(782,681)	(748,764)
Gross profit	109,237	94,826	331,090	293,664
Selling, general and administrative expense	(46,604)	(37,162)	(142,478)	(117,827)
Engineering expense	(9,362)	(10,157)	(30,482)	(31,481)
Amortization expense	(2,638)	(1,748)	(6,669)	(6,122)
Total operating expenses	(58,604)	(49,067)	(179,629)	(155,430)
Income from operations	50,633	45,759	151,461	138,234
Other income and expenses				
Interest expense, net	(3,996)	(3,687)	(12,000)	(12,148)
Other (expense) income, net	(791)	394	(426)	649
Income from operations before income taxes	45,846	42,466	139,035	126,735
Income tax expense	(15,302)	(15,118)	(46,916)	(35,885)
Net income attributable to Wabtec shareholders	\$ 30,544	\$ 27,348	\$ 92,119	\$ 90,850
<b>Earnings Per Common Share</b>				
Basic				
Net income attributable to Wabtec shareholders	\$ 0.64	\$ 0.58	\$ 1.93	\$ 1.90
Diluted				
Net income attributable to Wabtec shareholders	\$ 0.63	\$ 0.57	\$ 1.92	\$ 1.89
Weighted average shares outstanding				
Basic	47,677	47,289	47,577	47,537
Diluted	48,064	47,752	47,956	48,019

The accompanying notes are an integral part of these statements.

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<i>In thousands</i>	<b>Unaudited Nine Months Ended September 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>Operating Activities</b>		
Net income attributable to Wabtec shareholders	\$ 92,119	\$ 90,850
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	26,887	25,273
Stock-based compensation expense	8,218	3,632
Loss (gain) on disposal of property, plant and equipment	1,285	(2,561)
Excess income tax benefits from exercise of stock options	(2,373)	(481)
Changes in operating assets and liabilities		
Accounts receivable	(46,031)	52,048
Inventories	(2,334)	24,870
Accounts payable	5,818	(53,327)
Accrued income taxes	6,768	2,484
Accrued liabilities and customer deposits	(9,528)	(49,712)
Other assets and liabilities	(5,580)	(235)
Net cash provided by operating activities	75,249	92,841
<b>Investing Activities</b>		
Purchase of property, plant and equipment and other	(12,371)	(10,848)
Proceeds from disposal of property, plant and equipment	66	3,671
Acquisitions of business, net of cash acquired	(93,228)	(3,446)
Acquisition purchase price adjustment	2,368	(4,771)
Net cash used for investing activities	(103,165)	(15,394)
<b>Financing Activities</b>		
Proceeds from debt	201,400	176,000