

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORP

Form 10-Q

November 09, 2006

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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, 2006

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

incorporation or organization)

1001 Air Brake Avenue

Wilmerding, PA
(Address of principal executive offices)

25-1615902
(I.R.S. Employer

Identification No.)

15148
(Zip Code)

412-825-1000

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(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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 7, 2006
[Common Stock, \$.01 par value per share]	48,996,775 shares

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**WESTINGHOUSE AIR BRAKE
TECHNOLOGIES CORPORATION**

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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>	Unaudited September 30, 2006	December 31, 2005
Assets		
Current Assets		
Cash and cash equivalents	\$ 247,585	\$ 141,365
Accounts receivable	157,215	206,891
Inventories	135,893	110,873
Deferred income taxes	15,617	15,838
Other current assets	9,900	7,959
Total current assets	566,210	482,926
Property, plant and equipment	375,600	358,759
Accumulated depreciation	(215,394)	(197,158)
Property, plant and equipment, net	160,206	161,601
Other Assets		
Goodwill	118,698	118,181
Other intangibles, net	37,439	39,129
Deferred income taxes	18,523	18,428
Other noncurrent assets	9,185	16,092
Total other assets	183,845	191,830
Total Assets	\$ 910,261	\$ 836,357
Liabilities and Shareholders Equity		
Current Liabilities		
Accounts payable	\$ 78,752	\$ 93,551
Accrued income taxes	9,786	4,427
Customer deposits	77,536	71,098
Accrued compensation	25,099	25,274
Accrued warranty	19,194	16,158
Other accrued liabilities	27,308	30,971
Total current liabilities	237,675	241,479
Long-term debt	150,000	150,000
Reserve for postretirement and pension benefits	44,376	44,428
Deferred income taxes	7,585	7,381
Other long-term liabilities	8,700	13,862
Total liabilities	448,336	457,150
Shareholders Equity		
Preferred stock, 1,000,000 shares authorized, no shares issued		

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Common stock, \$.01 par value; 100,000,000 shares authorized: 66,174,767 shares issued and 48,358,702 and 48,002,819 outstanding at September 30, 2006 and December 31, 2005, respectively.	662	662
Additional paid-in capital	313,033	294,209
Treasury stock, at cost, 17,816,065 and 18,171,948 shares, at September 30, 2006 and December 31, 2005, respectively	(228,290)	(225,483)
Retained earnings	393,739	336,744
Accumulated other comprehensive loss	(17,219)	(26,925)
Total shareholders' equity	461,925	379,207
Total Liabilities and Shareholders' Equity	\$ 910,261	\$ 836,357

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		Unaudited	
	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2006	2005	2006	2005
Net sales	\$ 268,889	\$ 255,670	\$ 793,200	\$ 763,767
Cost of sales	(202,691)	(188,701)	(575,171)	(573,611)
Gross profit	66,198	66,969	218,029	190,156
Selling, general and administrative expense	(31,293)	(30,813)	(97,591)	(90,448)
Engineering expense	(8,068)	(7,995)	(24,206)	(24,848)
Amortization expense	(1,362)	(896)	(3,088)	(2,940)
Total operating expenses	(40,723)	(39,704)	(124,885)	(118,236)
Income from operations	25,475	27,265	93,144	71,920
Other income and expenses				
Interest income (expense), net	196	(2,235)	(1,348)	(6,884)
Other expense, net	(139)	(1,234)	(1,285)	(3,070)
Income from continuing operations before income taxes	25,532	23,796	90,511	61,966
Income tax expense	(7,791)	(8,300)	(30,920)	(22,194)
Income from continuing operations	17,741	15,496	59,591	39,772
Discontinued operations				
Loss from discontinued operations (net of tax)	(370)	(420)	(1,029)	(297)
Net income	\$ 17,371	\$ 15,076	\$ 58,562	\$ 39,475
Earnings Per Common Share				
Basic				
Income from continuing operations	\$ 0.36	\$ 0.33	\$ 1.23	\$ 0.85
Loss from discontinued operations		(0.01)	(0.02)	
Net income	\$ 0.36	\$ 0.32	\$ 1.21	\$ 0.85
Diluted				
Income from continuing operations	\$ 0.36	\$ 0.32	\$ 1.22	\$ 0.84
Loss from discontinued operations	(0.01)	(0.01)	(0.02)	(0.01)
Net income	\$ 0.35	\$ 0.31	\$ 1.20	\$ 0.83
Weighted average shares outstanding				
Basic	48,689	47,574	48,309	46,664
Diluted	49,293	48,311	48,905	47,409

The accompanying notes are an integral part of these statements.

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WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited	
	Nine Months Ended	
	September 30,	
<i>In thousands</i>	2006	2005
Operating Activities		
Net income	\$ 58,562	\$ 39,475
Stock-based compensation expense	7,696	1,580
Adjustments to reconcile net income to net cash provided by operations:		
Discontinued operations	(1,178)	41
Depreciation and amortization	21,630	19,577
Excess income tax benefits from exercise of stock options	(4,389)	
Changes in operating assets and liabilities		
Accounts receivable	53,901	(24,520)
Inventories	(22,757)	(23,518)
Accounts payable	(16,954)	11,518
Accrued income taxes	9,802	15,301
Accrued liabilities and customer deposits	5,541	8,765
Other assets and liabilities	(1,946)	(916)
Net cash provided by operating activities	109,908	47,303
Investing Activities		
Purchase of property, plant and equipment	(13,503)	(16,464)
Disposals of property, plant and equipment	672	975
Acquisition of business, net of cash received		(36,344)
Sale of discontinued operations	3,018	
Discontinued operations		(2)
Net cash used for investing activities	(9,813)	(51,835)
Financing Activities		
Repayments of long term debt		(120)
Proceeds from the issuance of treasury stock for stock options and other benefit plans	13,586	19,656
Repurchase of stock (502,400 shares at an average price of \$26.90 per share)	(13,528)	
Excess income tax benefits from exercise of stock options	4,389	
Cash dividends (\$0.03 per share for the nine months ended September 30, 2006 and 2005)	(1,458)	(1,416)
Net cash provided by financing activities	2,989	