WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORP Form 10-Q

November 09, 2006

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UNITED STATES

SECURITIE	ES AND EXCHANGE CO	MMISSION
	WASHINGTON, D.C. 20549	
	FORM 10-Q	
x QUARTERLY REPORT PURSUANT TO SEC For the quarterly period ended September 30, 2006	CTION 13 OR 15(d) OF THE S	ECURITIES EXCHANGE ACT OF 1934
ror me quarterly period characters september 30, 2000	OR	
TRANSITION REPORT PURSUANT TO SEC	CTION 13 OR 15(d) OF THE SI Commission file number: 1-1378	
WESTINGHOUSE AIR I		OGIES CORPORATION
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	

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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 x 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 x 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 x

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 7, 2006 48,996,775 shares

WESTINGHOUSE AIR BRAKE

TECHNOLOGIES CORPORATION

September 30, 2006 FORM 10-Q

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

In thousands, except shares and par value	Unaudited September 30, 2006	December 31, 2005		
Assets	2000	2002		
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.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Tree by Tr		Unaudited Three Months Ended			Unaudited Nine Months Ended				
In thousands, except per share data 2006 2005 2006 2005 2005 503,761 603,761 603,761 603,761 603,761 603,761 603,761 603,761 603,762 <th></th>									
Net sales \$ 268,889 \$ 255,670 \$ 793,200 \$ 763,767 Cot of sales (202,691) (188,701) (575,171) (573,611) Gross profit 66,198 66,696 218,029 190,156 Selling, general and administrative expense (31,293) 30,3031 (97,91) (94,488) Engineering expense (8,068) (7,995) (24,206) (24,848) Amortization expenses (40,723) 39,704 (124,885) (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 196 (2,235) (1,348) (6,884) Other expense, net 196 (2,235) (1,348) (6,884) Other expense, net 196 (2,235) (1,348) (6,884) Other expense, net 196 (2,235) (1,348) (6,884) Income from continuing operations before income taxes 25,522 23,796 99,511	In thousands, except per share data					•			
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 (3,144) (71,920) Other income and expenses 196 (2,235) (1,348) (6,884) Interest income (expense), net 196 (2,235) (1,348) (6,884) Other expense, net 1939 (1,224) 10,285) (3,070) Income from continuing operations before income taxes 25,532 23,796 90,511 61,966 Income from continuing operations 17,741 15,496 59,591 39,772 Discontinued operations 37,371 15,076 \$8,562 \$39,475 Earnings Per Common Share 30,30 30,3		\$	268,889	\$	255,670	\$	793,200	\$	763,767
Selling, general and administrative expense (31,23) (30,813) (97,51) (90,448) Engineering expenses (80,68) (7,995) (24,206) (24,848) Amortization expenses (1,362) (896) (30,88) (2,940) Total operating expenses (40,723) (39,704) (124,885) (18,230) Income from operations 25,475 27,265 93,144 71,920 Other income and expenses 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 from continuing operations 17,741 15,496 59,591 39,772 Discontinued operations 17,741 15,496 59,591 39,772 Net income \$17,371 \$15,076 \$8,562 \$39,475 Earnings Per Common Share \$2,425 \$3,435 \$3,455 District \$0,36 \$0,33 \$1,23 \$0,85	Cost of sales	((202,691)	(188,701)		(575,171)	((573,611)
Selling, general and administrative expense (31,23) (30,813) (97,51) (90,448) Engineering expenses (80,68) (7,995) (24,206) (24,848) Amortization expenses (1,362) (896) (30,88) (2,940) Total operating expenses (40,723) (39,704) (124,885) (18,230) Income from operations 25,475 27,265 93,144 71,920 Other income and expenses 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 from continuing operations 17,741 15,496 59,591 39,772 Discontinued operations 17,741 15,496 59,591 39,772 Net income \$17,371 \$15,076 \$8,562 \$39,475 Earnings Per Common Share \$2,425 \$3,435 \$3,455 District \$0,36 \$0,33 \$1,23 \$0,85	Gross profit		66,198		66,969		218,029		190,156
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 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 from continuing operations 17,741 15,496 59,591 39,772 Discontinued operations 17,741 15,496 59,591 39,772 Discontinued operations 37,072 420 1,029 622,194 Net income \$17,371 \$15,076 \$58,562 \$39,475 Earnings Per Common Share \$2,036 \$0.33 \$1,23 \$0.85 Loss from discontinued operations \$0.36 \$0.33 \$1,23 \$0.85 Loss from discontinued operations \$0.36 \$0.32 \$1,21			(31,293)		(30,813)		(97,591)		(90,448)
Total operations	Engineering expense		(8,068)		(7,995)		(24,206)		(24,848)
Name From operations State Sta	Amortization expense		(1,362)		(896)		(3,088)		(2,940)
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 Income tax expense 25,532 23,796 90,511 61,966 Income from continuing operations 17,741 15,496 59,591 39,772 Discontinued operations (370) (420) (1,029) (297) Net income \$17,371 \$15,076 \$58,562 \$39,475 Earnings Per Common Share 8 50,36 \$0,33 \$1,23 \$0.85 Income from continuing operations \$0,36 \$0,33 \$1,23 \$0.85 Loss from discontinued operations \$0,36 \$0,32 \$1,21 \$0.85 Diluted \$0,36 \$0,32 \$1,22 \$0.84 Loss from discontinued operations \$0,36 \$0,32 \$1,22 \$0.84 Loss from discontinued operations \$0,36 \$0,32 \$1,22 \$0.84 Loss from discontinued operations \$			(40,723)		(39,704)		(124,885)	((118,236)
Interest income (expense), net Other expense, net Other expense, net 196 (1,235) (1,248) (1,285) (3,070) (1,348) (1,285) (3,070) (1,286) (3,070) (1,286) (3,070) (1,286) (3,070) (2,194) (1,286) (3,070) (2,194) (1,286) (3,070) (2,194) (2,1			25,475		27,265		93,144		71,920
Other expense, net (139) (1,234) (1,285) (3,070) Income from continuing operations before income taxes fincome tax expense 25,532 23,796 90,511 61,966 Income from continuing operations 17,791 (8,300) 30,920) (22,194) Income from continuing operations 17,741 15,496 59,591 39,772 Discontinued operations (370) (420) (1,029) (297) Net income \$17,371 \$15,076 \$58,562 \$39,475 Earnings Per Common Share \$0.36 \$0.33 \$1.23 \$0.85 Loss from discontinued operations \$0.36 \$0.33 \$1.23 \$0.85 Loss from discontinued operations \$0.36 \$0.32 \$1.21 \$0.85 Diluted \$0.36 \$0.32 \$1.22 \$0.84 Loss from discontinued operations \$0.36 \$0.32 \$1.22 \$0.84 Loss from discontinued operations \$0.36 \$0.32 \$1.22 \$0.84 Loss from discontinued operations \$0.30 \$0.31									
Income from continuing operations before income taxes 25,532 23,796 90,511 61,966 10,000 (7,791) (8,300) (30,920) (22,194) (7,791) (8,300) (30,920) (22,194) (7,791) (8,300) (30,920) (22,194) (7,791) (8,300) (30,920) (22,194) (7,791) (7,79									
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 (370) (420) (1,029) (297) Net income \$17,371 \$15,076 \$8,562 \$39,475 Earnings Per Common Share 8 8 0.33 \$1.23 \$0.85 Income from continuing operations \$0.36 \$0.33 \$1.23 \$0.85 Loss from discontinued operations \$0.36 \$0.32 \$1.21 \$0.85 Diluted \$0.36 \$0.32 \$1.21 \$0.85 Diluted \$0.36 \$0.32 \$1.22 \$0.84 Loss from discontinued operations \$0.36 \$0.32 \$1.22 \$0.84 Loss from discontinued operations \$0.35 \$0.31 \$1.20 \$0.83 Net income \$0.35 \$0.31 \$1.20 \$0.83 Weighted average shares outstanding \$0.84 \$0.85 \$0.84 \$0.85	Other expense, net		(139)		(1,234)		(1,285)		(3,070)
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 (370) (420) (1,029) (297) Net income \$17,371 \$15,076 \$8,562 \$39,475 Earnings Per Common Share 8381 80,36 \$0,33 \$1,23 \$0.85 Income from continuing operations \$0,36 \$0,33 \$1,23 \$0.85 Loss from discontinued operations \$0,36 \$0,32 \$1,21 \$0.85 Diluted \$0,36 \$0,32 \$1,21 \$0.85 Diluted \$0,36 \$0,32 \$1,22 \$0.84 Loss from discontinued operations \$0,36 \$0,32 \$1,22 \$0.84 Loss from discontinued operations \$0,36 \$0,31 \$1,20 \$0.83 Net income \$0,35 \$0,31 \$1,20 \$0.83 Weighted average shares outstanding \$0,35 \$0,31 \$1,20 \$0,664	Income from continuing operations before income taxes		25,532		23,796		90,511		61,966
Discontinued operations Carolina Carol	T . 7		(7,791)		(8,300)		(30,920)		(22,194)
Discontinued operations Carolina Carol	Income from continuing operations		17 741		15 496		59 591		39 772
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 \$ 0.36 \$ 0.33 \$ 1.23 \$ 0.85 Loss from discontinued operations \$ 0.36 \$ 0.32 \$ 1.21 \$ 0.85 Diluted \$ 0.36 \$ 0.32 \$ 1.21 \$ 0.85 Loss from discontinued operations \$ 0.36 \$ 0.32 \$ 1.22 \$ 0.84 Loss from discontinued operations \$ 0.36 \$ 0.32 \$ 1.22 \$ 0.84 Loss from discontinued operations \$ 0.35 \$ 0.31 \$ 1.20 \$ 0.83 Net income \$ 0.35 \$ 0.31 \$ 1.20 \$ 0.83 Weighted average shares outstanding \$ 0.85 \$ 0.85 \$ 0.86 \$ 0.80 \$ 0.80 \$ 0.80 \$ 0.80 \$ 0.80 \$ 0.80 \$ 0.80 \$ 0.80 \$ 0.80 \$ 0.80 \$ 0.80 \$ 0.80 \$ 0.80 \$ 0.80 \$ 0.80 \$ 0.80 \$ 0.80 \$ 0			17,711		13,170		37,371		37,112
Earnings Per Common Share Basic Income from continuing operations \$ 0.36 \$ 0.33 \$ 1.23 \$ 0.85 Loss from discontinued operations \$ 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) (0.01) (0.01) (0.02) \$ 0.83 Weighted average shares outstanding Basic 48,689 47,574 48,309 46,664			(370)		(420)		(1,029)		(297)
Basic Income from continuing operations \$ 0.36	Net income	\$	17,371	\$	15,076	\$	58,562	\$	39,475
Income from continuing operations \$ 0.36 \$ 0.33 \$ 1.23 \$ 0.85 Loss from discontinued operations \$ 0.36 \$ 0.32 \$ 1.21 \$ 0.85 Net income \$ 0.36 \$ 0.32 \$ 1.22 \$ 0.84 Loss from discontinued 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	Earnings Per Common Share								
Loss from discontinued operations (0.01) (0.02) Net income \$ 0.36 \$ 0.32 \$ 1.21 \$ 0.85 Diluted Income from continuing operations Loss from discontinued 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	Basic								
Net income \$ 0.36 \$ 0.32 \$ 1.21 \$ 0.85 Diluted Income from continuing operations Loss from discontinued 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	<u> </u>	\$	0.36	\$		\$		\$	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	Loss from discontinued operations				(0.01)		(0.02)		
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	Net income	\$	0.36	\$	0.32	\$	1.21	\$	0.85
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								
Net income \$ 0.35 \$ 0.31 \$ 1.20 \$ 0.83 Weighted average shares outstanding Basic 48,689 47,574 48,309 46,664	Income from continuing operations	\$	0.36	\$	0.32	\$	1.22	\$	0.84
Weighted average shares outstanding 48,689 47,574 48,309 46,664	Loss from discontinued operations		(0.01)		(0.01)		(0.02)		(0.01)
Basic 48,689 47,574 48,309 46,664	Net income	\$	0.35	\$	0.31	\$	1.20	\$	0.83
Basic 48,689 47,574 48,309 46,664	Weighted average shares outstanding								
Diluted 49,293 48,311 48,905 47,409	e e		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

In thousands 2006		
Operating Activities	2000	2005
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:	7,090	1,360
Discontinued operations	(1,178)	41
Depreciation and amortization	21,630	19,577
Excess income tax benefits from exercise of stock options	(4,389)	19,577
Changes in operating assets and liabilities	(4,369)	
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)
Other assets and fraofitties	(1,940)	(910)
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	(2,013)	(31,033)
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)	19,050
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)
Cash dividends (40.03 per share for the finite months ended september 30, 2000 and 2003)	(1,438)	(1,410)
Net cash provided by financing activities	2,989	