OSHKOSH CORP
Form 10-Q
January 28, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 2015
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number: 1-31371
Oshkosh Corporation
(Exact name of registrant as specified in its charter)

Wisconsin	39-0520270
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
P.O. Box 2566 Oshkosh, Wisconsin	54903-2566
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (920) 235-9151
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. ý Yes o No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes o 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 ý	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). o Yes ý No
As of January 21, 2016, 73,111,271 shares of the registrant’s Common Stock were outstanding.

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FORM 10-Q INDEX
FOR THE QUARTER ENDED DECEMBER 31, 2015

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ITEM 1. FINANCIAL STATEMENTS
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OSHKOSH CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share amounts; unaudited)

	Three Months Ended December 31,	
	2015	2014
Net sales	$1,252.0	$1,353.3
Cost of sales	1,069.2	1,123.6
Gross income	182.8	229.7
Operating expenses:		
Selling, general and administrative	139.3	150.5
Amortization of purchased intangibles	13.2	13.5
Total operating expenses	152.5	164.0
Operating income	30.3	65.7
Other income (expense):		
Interest expense	(14.6)	(14.4)
Interest income	0.5	0.8
Miscellaneous, net	—	(1.3)
Income before income taxes and equity in earnings of unconsolidated affiliates	16.2	50.8
Provision for income taxes	1.7	16.2
Income before equity in earnings of unconsolidated affiliates	14.5	34.6
Equity in earnings of unconsolidated affiliates	0.1	0.1
Net income	$14.6	$34.7
Earnings per share attributable to common shareholders:		
Basic	$0.20	$0.44
Diluted	0.19	0.43
Cash dividends declared per share on Common Stock	$0.19	$0.17

The accompanying notes are an integral part of these financial statements

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OSHKOSH CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions; unaudited)

	Three Months Ended December 31,	
	2015	2014
Net income	$14.6	$34.7
Other comprehensive income (loss), net of tax:		
Employee pension and postretirement benefits	0.5	(0.2)
Currency translation adjustments	(11.2)	(22.9)
Change in fair value of derivative instruments	0.2	—
Total other comprehensive loss, net of tax	(10.5)	(23.1)
Comprehensive income	$4.1	$11.6

The accompanying notes are an integral part of these financial statements
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OSHKOSH CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share and per share amounts; unaudited)

	December 31, 2015	September 30, 2015
Assets		
Current assets:		
Cash and cash equivalents	$33.7	$42.9
Receivables, net	788.7	964.6
Inventories, net	1,295.4	1,301.7
Deferred income taxes, net	53.3	52.2
Prepaid income taxes	25.0	22.8
Other current assets	52.5	45.1
Total current assets	2,248.6	2,429.3
Investment in unconsolidated affiliates	15.4	16.2
Property, plant and equipment, net	476.1	475.8
Goodwill	996.9	1,001.1
Purchased intangible assets, net	593.1	606.7
Other long-term assets	79.8	83.9
Total assets	$4,409.9	$4,613.0
Liabilities and Shareholders' Equity		
Current liabilities:		
Revolving credit facilities and current maturities of long-term debt	$135.2	$83.5
Accounts payable	433.3	552.8
Customer advances	485.1	440.2
Payroll-related obligations	89.8	116.6
Other current liabilities	221.5	265.0
Total current liabilities	1,364.9	1,458.1
Long-term debt, less current maturities	850.0	855.0
Deferred income taxes, net	92.3	91.7
Other long-term liabilities	296.3	297.1
Commitments and contingencies		
Shareholders' equity:		
Preferred Stock ($.01 par value; 2,000,000 shares authorized; none issued and outstanding)	—	—
Common Stock ($.01 par value; 300,000,000 shares authorized; 92,101,465 shares issued)	0.9	0.9
Additional paid-in capital	774.3	771.5
Retained earnings	2,017.0	2,016.5
Accumulated other comprehensive loss	(154.9)	(144.4)
Common Stock in treasury, at cost (19,003,587 and 16,647,031 shares, respectively)	(830.9)	(733.4)
Total shareholders’ equity	1,806.4	1,911.1
Total liabilities and shareholders' equity	$4,409.9	$4,613.0

The accompanying notes are an integral part of these financial statements

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OSHKOSH CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In millions, except per share amounts; unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock in Treasury at Cost	Total
Balance at September 30, 2014	$0.9	$758.0	$1,840.1	$ (69.2)	$(544.8)	$1,985.0
Net income	—	—	34.7	—	—	34.7
Employee pension and postretirement benefits, net of tax of $(0.1)	—	—	—	(0.2)	—	(0.2)
Currency translation adjustments, net	—	—	—	(22.9)	—	(22.9)
Cash dividends ($0.17 per share)	—	—	(13.4)	—	—	(13.4)
Repurchases of Common Stock	—	—	—	—	(88.1)	(88.1)
Exercise of stock options	—	(0.2)	—	—	2.4	2.2
Stock-based compensation expense	—	5.0	—	—	—	5.0
Excess tax benefit from stock-based compensation	—	4.0	—	—	—	4.0
Payment of earned performance shares	—	(7.4)	—	—	7.4	—
Shares tendered for taxes on stock-based compensation	—	—	—	—	(4.7)	(4.7)
Other	—	0.1	—	—	—	0.1
Balance at December 31, 2014	$0.9	$759.5	$1,861.4	$ (92.3)	$(627.8)	$1,901.7

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock in Treasury at Cost	Total
Balance at September 30, 2015	$0.9	$771.5	$2,016.5	$ (144.4)	$(733.4)	$1,911.1
Net income	—	—	14.6	—	—	14.6
Employee pension and postretirement benefits, net of tax of $0.3	—	—	—	0.5	—	0.5
Currency translation adjustments, net	—	—	—	(11.2)	—	(11.2)
Gain on derivative instruments, net of tax of $0.1	—	—	—	0.2	—	0.2
Cash dividends ($0.19 per share)	—	—	(14.1)	—	—	(14.1)
Repurchases of Common Stock	—	—	—	—	(100.1)	(100.1)
Exercise of stock options	—	—	—	—	1.4	1.4
Stock-based compensation expense	—	5.3	—	—	—	5.3
Excess tax benefit from stock-based compensation	—	0.1	—	—	—	0.1
Payment of earned performance shares	—	(2.6)	—	—	2.6	—
Shares tendered for taxes on stock-based compensation	—	—	—	—	(1.4)	(1.4)
Balance at December 31, 2015	$0.9	$774.3	$2,017.0	$ (154.9)	$(830.9)	$1,806.4

The accompanying notes are an integral part of these financial statements

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OSHKOSH CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions; unaudited)

	Three Months Ended December 31,	
	2015	2014
Operating activities:		
Net income	$14.6	$34.7
Depreciation and amortization	31.0	30.5
Stock-based compensation expense	5.3	5.0
Deferred income taxes	(1.6)	(0.2)
Foreign currency transaction (gains) losses	(4.1)	2.4
Gain on sale of assets	(5.7)	(0.8)
Other non-cash adjustments	0.9	2.7
Changes in operating assets and liabilities	31.4	(126.6)
Net cash provided (used) by operating activities	71.8	(52.3)
Investing activities:		
Additions to property, plant and equipment	(21.3)	(39.0)
Additions to equipment held for rental	(15.0)	(13.2)
Proceeds from sale of equipment held for rental	18.7	2.6
Other investing activities	(0.6)	(0.6)
Net cash used by investing activities	(18.2)	(50.2)
Financing activities:		
Net increase in short-term debt	28.2	—
Proceeds from issuance of debt (original maturities greater than three months)	153.6	—
Repayment of debt (original maturities greater than three months)	(135.0)	(5.0)
Repurchases of Common Stock	(100.1)	(88.1)
Dividends paid	(14.1)	(13.4)
Proceeds from exercise of stock options	1.4	2.2
Excess tax benefit from stock-based compensation	0.8	4.0
Net cash used by financing activities	(65.2)	(100.3)
Effect of exchange rate changes on cash	2.4	—
Decrease in cash and cash equivalents	(9.2)	(202.8)
Cash and cash equivalents at beginning of period	42.9	313.8
Cash and cash equivalents at end of period	$33.7	$111.0
Supplemental disclosures:		
Cash paid for interest	$6.0	$4.5
Cash paid for income taxes	26.5	10.2

The accompanying notes are an integral part of these financial statements

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OSHKOSH CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

In the opinion of management, the accompanying unaudited Condensed Consolidated Financial Statements contain all adjustments (which include normal recurring adjustments, unless otherwise noted) necessary to present fairly the financial position, results of operations and cash flows for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. These Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements and notes thereto included in the Annual Report on Form 10-K of Oshkosh Corporation for the year ended September 30, 2015. The interim results are not necessarily indicative of results for the full year. “Oshkosh” refers to Oshkosh Corporation not including its subsidiaries and “the Company” refers to Oshkosh Corporation and its subsidiaries. Certain reclassifications have been made to the fiscal 2015 financial statements to conform to the fiscal 2016 presentation.

2. New Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606), which clarifies the principles for recognizing revenue. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09, as amended by ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, becomes effective for fiscal years and interim periods beginning after December 15, 2017, with adoption permitted one year earlier under the FASB's proposed update. The Company is currently evaluating the impact of ASU 2014-09 on the Company’s financial statements and has not yet determined its method of adoption.

In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest (Topic 835-30), Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 is part of the FASB’s initiative to reduce complexity in accounting standards. The guidance requires an entity to recognize debt issuance costs related to a debt liability as a direct deduction from the carrying amount of the debt liability in the balance sheet, thereby increasing the effective rate of interest, as opposed to a deferred cost. The Company will be required to adopt ASU 2015-03 as of October 1, 2016. The Company does not expect the adoption of ASU 2015-03 to have a material impact on the Company's financial statements.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330), Simplifying the Measurement of Inventory. ASU 2015-11 is part of the FASB’s initiative to simplify accounting standards. The guidance requires an entity to recognize inventory within scope of the standard at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The Company will be required to adopt ASU 2015-11 as of October 1, 2017. The Company is currently evaluating the impact of ASU 2015-11 on the Company’s financial statements.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes. ASU 2015-17 is part of the FASB's initiative to reduce complexity of financial statements. The guidance removes the requirement to separate and classify deferred income tax liabilities and assets into current and noncurrent amounts and requires an entity to classify all deferred tax liabilities and assets as noncurrent. The Company will be required to adopt ASU 2015-17 as of October 1, 2017. The Company does not expect the adoption of ASU 2015-17 to have a material impact on the Company's financial statements.

OSHKOSH CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

3. Receivables

Receivables consisted of the following (in millions):

	December 31, 2015	September 30, 2015
U.S. government:		
Amounts billed	$55.9	$63.1
Costs and profits not billed	40.5	66.8
	96.4	129.9
Other trade receivables	635.9	782.3
Finance receivables	7.3	7.4
Notes receivable	28.0	29.6
Other receivables	60.2	57.7
	827.8	1,006.9
Less allowance for doubtful accounts	(18.8)	(20.3)
	$809.0	$986.6

Classification of receivables in the Condensed Consolidated Balance Sheets consisted of the following (in millions):

	December 31, 2015	September 30, 2015
Current receivables	$788.7	$964.6
Long-term receivables (included in Other long-term assets)	20.3	22.0
	$809.0	$986.6

Finance and notes receivable aging and accrual status consisted of the following (in millions):

	Finance Receivables		Notes Receivable	
	December 31, 2015	September 30, 2015	December 31, 2015	September 30, 2015
Aging of receivables that are past due:				
Greater than 30 days and less than 60 days	$—	$—	$—	$—
Greater than 60 days and less than 90 days	—	—	—	—
Greater than 90 days	—	—	—	—
Receivables on nonaccrual status	1.1	1.1	21.6	22.9
Receivables past due 90 days or more and still accruing	—	—	—	—
Receivables subject to general reserves	6.1	6.2	—	—
Allowance for doubtful accounts	(0.1)	(0.1)	—	—
Receivables subject to specific reserves	1.2	1.2	28.0	29.6
Allowance for doubtful accounts	—	—	(12.6)	(12.7)

Finance Receivables: Finance receivables represent sales-type leases resulting from the sale of the Company's products and the purchase of finance receivables from lenders pursuant to customer defaults under program agreements with finance companies. Finance receivables originated by the Company generally include a residual value component. Residual values are determined based on the expectation that the underlying equipment will have a minimum fair market value at the end of the lease term. This residual value accrues to the Company at the end of the lease. The Company uses its experience and knowledge as an original equipment manufacturer and participant in end markets for the related products along with third-party studies to estimate residual values. The Company monitors these values for impairment on a periodic basis and reflects any resulting reductions in value in current earnings.

Delinquency is the primary indicator of credit quality of finance receivables. The Company maintains a general allowance for finance receivables considered doubtful of future collection based upon historical experience. Additional allowances are established based upon the Company’s perception of the quality of the finance receivables, including the length of time the receivables are past due, past experience of collectability and underlying economic conditions. In circumstances where the Company believes collectability is no longer reasonably assured, a specific allowance is recorded to reduce the net recognized receivable to the amount reasonably expected to be collected. Finance receivables are written off if management determines that the specific borrower does not have the ability to repay the loan amounts due in full. The terms of the finance agreements generally give the Company the ability to take possession of the underlying collateral. The Company may incur losses in excess of recorded allowances if the financial condition of its customers were to deteriorate or the full amount of any anticipated proceeds from the sale of the collateral supporting its customers’ financial obligations is not realized.

Notes Receivable: Notes receivable include amounts related to refinancing of trade accounts and finance receivables. As of December 31, 2015, approximately 83% of the notes receivable balance outstanding was due from three parties. The Company routinely evaluates the creditworthiness of its customers and establishes reserves where the Company believes collectability is no longer reasonably assured. Certain notes receivable are collateralized by a security interest in the underlying assets and/or other assets owned by the debtor. The Company may incur losses in excess of recorded allowances if the financial condition of its customers were to deteriorate or the full amount of any anticipated proceeds from the sale of the collateral supporting its customers' financial obligations is not realized.

Quality of Finance and Notes Receivable: The Company does not accrue interest income on finance and notes receivable in circumstances where the Company believes collectability is no longer reasonably assured. Any cash payments received on nonaccrual finance and notes receivable are applied first to the principal balances. The Company does not resume accrual of interest income until the customer has shown that it is capable of meeting its financial obligations by making timely payments over a sustained period of time. The Company determines past due or delinquency status based upon the due date of the receivable.

Receivables subject to specific reserves also include loans that the Company has modified in troubled debt restructurings as a concession to customers experiencing financial difficulty. To minimize the economic loss, the Company may modify certain finance and notes receivable. Modifications generally consist of restructured payment terms and time frames in which no payments are required. At December 31, 2015, restructured finance and notes receivables were $0.4 million and $14.1 million, respectively. Losses on troubled debt restructurings were not significant during the three months ended December 31, 2015 and 2014, respectively.

Changes in the Company’s allowance for doubtful accounts by type of receivable were as follows (in millions):

Three Months Ended December 31, 2015

	Finance	Notes	Trade and Other	Total
Allowance for doubtful accounts at beginning of period	$0.1	$12.7	$7.5	$20.3
Provision (credit) for doubtful accounts, net of recoveries	—	0.2	(1.1)	(0.9)
Charge-off of accounts	—	—	(0.3)	(0.3)
Foreign currency translation	—	(0.3)	—	(0.3)
Allowance for doubtful accounts at end of period	$0.1	$12.6	$6.1	$18.8

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OSHKOSH CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Three Months Ended December 31, 2014			
	Finance	Notes	Trade and Other	Total
Allowance for doubtful accounts at beginning of period	$—	$13.6	$8.2	$21.8
Provision (credit) for doubtful accounts, net of recoveries	—	—	(0.2)	(0.2)
Charge-off of accounts	—	—	0.1	0.1
Foreign currency translation	—	(0.5)	—	(0.5)
Allowance for doubtful accounts at end of period	$—	$13.1	$8.1	$21.2

4. Inventories

Inventories consisted of the following (in millions):

	December 31, 2015	September 30, 2015
Raw materials	$543.7	$532.1
Partially finished products	265.1	266.3
Finished products	589.3	594.4
Inventories at FIFO cost	1,398.1	1,392.8
Less: Progress/performance-based payments on U.S. government contracts	(23.0)	(12.9)
Excess of FIFO cost over LIFO cost	(79.7)	(78.2)
	$1,295.4	$1,301.7

Title to all inventories related to U.S. government contracts, which provide for progress or performance-based payments, vests with the U.S. government to the extent of unliquidated progress or performance-based payments.

5. Investments in Unconsolidated Affiliates

Investments in unconsolidated affiliates are accounted for under the equity method and consisted of the following (in millions):

	December 31, 2015	September 30, 2015
Mezcladoras (Mexico)	$10.6	$10.6
RiRent (The Netherlands)	4.8	5.8
Other	—	(0.2)
	$15.4	$16.2

Recorded investments generally represent the Company’s maximum exposure to loss as a result of the Company’s ownership interest. Earnings or losses are reflected in “Equity in earnings of unconsolidated affiliates” in the Condensed Consolidated Statements of Income.

The Company and an unaffiliated third party are joint venture partners in Mezcladoras Y Trailers de Mexico, S.A. de C.V. (“Mezcladoras”). Mezcladoras is a manufacturer and distributor of industrial and commercial machinery with primary operations in Mexico. The Company recognized sales to Mezcladoras of $1.1 million and $4.5 million during the three months ended December 31, 2015 and 2014, respectively. The Company recognizes income on sales to Mezcladoras at the time of shipment in proportion to the outside third-party interest in Mezcladoras and recognizes the remaining income upon the joint venture's sale of inventory to an unaffiliated customer. The Company earns a service fee for certain operational support services provided to Mezcladoras. The Company recognized service fees of $0.3 million and $0.3 million for the three months ended December 31, 2015 and 2014, respectively.

The Company and an unaffiliated third party are joint venture partners in RiRent Europe BV ("RiRent"). RiRent maintains a fleet of access equipment for short-term lease to rental companies throughout most of Europe. The re-rental fleet provides rental companies with equipment to support requirements on short notice. RiRent does not provide services directly to end users. The Company and its joint venture partner are in the process of winding down RiRent. To the extent that RiRent has existing outstanding contracts, those contracts will continue to be maintained. The Company received dividends of €0.9 million ($1.0 million) and €2.3 million ($2.8 million) from RiRent during the three months ended December 31, 2015 and 2014, respectively.

6. Property, Plant and Equipment

Property, plant and equipment consisted of the following (in millions):

	December 31, 2015	September 30, 2015
Land and land improvements	$57.8	$57.5
Buildings	277.4	274.8
Machinery and equipment	677.9	681.1
Equipment on operating lease to others	41.0	42.2
Construction in progress	51.5	38.1
	1,105.6	1,093.7
Less accumulated depreciation	(629.5)	(617.9)
	$476.1	$475.8

Depreciation expense was $17.1 million and $16.1 million for the three months ended December 31, 2015 and 2014, respectively. Capitalized interest was insignificant for all reported periods.

Equipment on operating lease to others represents the cost of equipment shipped to customers for whom the Company has guaranteed the residual value and equipment on short-term leases. These transactions are accounted for as operating leases with the related assets capitalized and depreciated over their estimated economic lives of five to ten years. Cost less accumulated depreciation for equipment on operating lease at December 31, 2015 and September 30, 2015 was $33.9 million and $33.9 million, respectively.

7. Goodwill and Purchased Intangible Assets

Goodwill and other indefinite-lived intangible assets are not amortized, but are reviewed for impairment annually or more frequently if potential interim indicators exist that could result in impairment. The Company performs its annual impairment test in the fourth quarter of its fiscal year.

The following table presents changes in goodwill during the three months ended December 31, 2015 (in millions):

	Access Equipment	Fire & Emergency	Commercial	Total
Net goodwill at September 30, 2015	$874.2	$106.1	$20.8	$1,001.1
Foreign currency translation	(4.1)	—	(0.1)	(4.2)

Net goodwill at December 31, 2015	$870.1	$106.1	$20.7	$996.9

The following table presents details of the Company’s goodwill allocated to the reportable segments (in millions):

	December 31, 2015			September 30, 2015		
	Gross	Accumulated Impairment	Net	Gross	Accumulated Impairment	Net
Access equipment	$1,802.2	$(932.1)	$870.1	$1,806.3	$(932.1)	$874.2
Fire & emergency	108.1	(2.0)	106.1	108.1	(2.0)	106.1
Commercial	196.6	(175.9)	20.7	196.7	(175.9)	20.8
	$2,106.9	$(1,110.0)	$996.9	$2,111.1	$(1,110.0)	$1,001.1

Details of the Company’s total purchased intangible assets are as follows (in millions):

	December 31, 2015			
	Weighted-Average Life (in years)	Gross	Accumulated Amortization	Net
Amortizable intangible assets:				
Distribution network	39.1	$55.4	$(26.9)	$28.5
Non-compete	10.5	56.4	(56.4)	—
Technology-related	11.9	104.8	(85.4)	19.4
Customer relationships	12.8	548.1	(392.8)	155.3
Other	16.4	16.5	(14.4)	2.1
	14.5	781.2	(575.9)	205.3
Non-amortizable trade names		387.8	—	387.8
		$1,169.0	$(575.9)	$593.1

	September 30, 2015			
	Weighted-Average Life (in years)	Gross	Accumulated Amortization	Net
Amortizable intangible assets:				
Distribution network	39.1	$55.4	$(26.6)	$28.8
Non-compete	10.5	56.4	(56.3)	0.1
Technology-related	11.9	104.8	(83.3)	21.5
Customer relationships	12.8	550.3	(384.0)	166.3
Other	16.5	16.5	(14.3)	2.2
	14.5	783.4	(564.5)	218.9
Non-amortizable trade names		387.8	—	387.8
		$1,171.2	$(564.5)	$606.7

The estimated future amortization expense of purchased intangible assets for the remainder of fiscal 2016 and the five years succeeding September 30, 2016 are as follows: 2016 (remaining nine months) - $39.2 million; 2017 - $45.8 million; 2018 - $38.3 million; 2019 - $36.9 million; 2020 - $11.1 million and 2021 - $5.3 million.

8. Credit Agreements

The Company was obligated under the following debt instruments (in millions):

	December 31, 2015	September 30, 2015
Senior Secured Term Loan	$370.0	$375.0
5.375% Senior Notes due March 2022	250.0	250.0
5.375% Senior Notes due March 2025	250.0	250.0
	870.0	875.0
Less current maturities	(20.0)	(20.0)
	$850.0	$855.0
Revolving Credit Facility	$111.7	$63.5
Other	3.5	—
Current maturities of long-term debt	20.0	20.0
	$135.2	$83.5

On March 21, 2014, the Company entered into an Amended and Restated Credit Agreement with various lenders (the "Credit Agreement"). The Credit Agreement provides for (i) a revolving credit facility ("Revolving Credit Facility") that matures in March 2019 with an initial maximum aggregate amount of availability of $600 million and (ii) a $400 million term loan ("Term Loan") due in quarterly principal installments of $5.0 million with a balloon payment of $310.0 million due at maturity in March 2019. On January 22, 2015, the Company entered into an agreement with lenders under the Credit Agreement that increased the Revolving Credit Facility to an aggregate maximum amount of $850 million effective January 26, 2015. At December 31, 2015, borrowings under the Revolving Credit Facility of $111.7 million and outstanding letters of credit of $109.8 million reduced available capacity under the Revolving Credit Facility to $628.5 million. The Company entered into a 63.0 million Chinese renminbi uncommitted line of credit in October 2015 to provide short-term finance support to operations in China. There was 22.8 million Chinese renminbi ($3.5 million) outstanding on the uncommitted line of credit on December 31, 2015. The uncommitted line of credit carries a variable interest rate that is set by the lender, which was 4.35% at December 31, 2015.

The Company's obligations under the Credit Agreement are guaranteed by certain of its domestic subsidiaries, and the Company will guarantee the obligations of certain of its subsidiaries under the Credit Agreement. Subject to certain exceptions, the Credit Agreement is collateralized by (i) a first-priority perfected lien and security interests in substantially all of the personal property of the Company, each material subsidiary of the Company and each subsidiary guarantor, (ii) mortgages upon certain real property of the Company and certain of its domestic subsidiaries and (iii) a pledge of the equity of each material subsidiary of the Company.
Under the Credit Agreement, the Company must pay (i) an unused commitment fee ranging from 0.225% to 0.35% per annum of the average daily unused portion of the aggregate revolving credit commitments under the Credit Agreement and (ii) a fee ranging from 0.625% to 2.00% per annum of the maximum amount available to be drawn for each letter of credit issued and outstanding under the Credit Agreement.

Borrowings under the Credit Agreement bear interest at a variable rate equal to (i) LIBOR plus a specified margin, which may be adjusted upward or downward depending on whether certain criteria are satisfied, or (ii) for dollar-denominated loans only, the base rate (which is the highest of (a) the administrative agent's prime rate, (b) the federal funds rate plus 0.50% or (c) the sum of 1% plus one-month LIBOR) plus a specified margin, which may be adjusted upward or downward depending on whether certain criteria are satisfied. At December 31, 2015, the interest spread on the Revolving Credit Facility and Term Loan was 150 basis points. The weighted-average interest rate on borrowings outstanding under the Revolving Credit Facility at December 31, 2015 was 1.93%. The weighted-average interest rate on borrowings outstanding under the Term Loan at December 31, 2015 was 1.74%.

The Credit Agreement contains various restrictions and covenants, including requirements that the Company maintain certain financial ratios at prescribed levels and restrictions, subject to certain exceptions, on the ability of the Company and certain of its subsidiaries to consolidate or merge, create liens, incur additional indebtedness, dispose of assets, consummate acquisitions and make investments in joint ventures and foreign subsidiaries.

The Credit Agreement contains the following financial covenants:

- Leverage Ratio: A maximum leverage ratio (defined as, with certain adjustments, the ratio of the Company's consolidated indebtedness to consolidated net income before interest, taxes, depreciation, amortization, non-cash charges and certain other items ("EBITDA")) as of the last day of any fiscal quarter of 4.50 to 1.00.
- Interest Coverage Ratio: A minimum interest coverage ratio (defined as, with certain adjustments, the ratio of the Company's consolidated EBITDA to the Company's consolidated cash interest expense) as of the last day of any fiscal quarter of 2.50 to 1.00.
- Senior Secured Leverage Ratio: A maximum senior secured leverage ratio (defined as, with certain adjustments, the ratio of the Company's consolidated secured indebtedness to the Company's consolidated EBITDA) of 3.00 to 1.00.

With certain exceptions, the Company may elect to have the collateral pledged in connection with the Credit Agreement released during any period that the Company maintains an investment grade corporate family rating from either Standard & Poor's Ratings Group or Moody's Investor Service Inc. During any such period when the collateral has been released, the Company's leverage ratio as of the last day of any fiscal quarter must not be greater than 3.75 to 1.00, and the Company would not be subject to any additional requirement to limit its senior secured leverage ratio.

The Company was in compliance with the financial covenants contained in the Credit Agreement as of December 31, 2015.

Additionally, with certain exceptions, the Credit Agreement limits the ability of the Company to pay dividends and other distributions, including repurchases of shares of its Common Stock. However, so long as no event of default exists under the Credit Agreement or would result from such payment, the Company may pay dividends and other distributions after March 3, 2010 in an aggregate amount not exceeding the sum of:

i. 50% of the consolidated net income of the Company and its subsidiaries (or if such consolidated net income is a deficit, minus 100% of such deficit), accrued on a cumulative basis during the period beginning on January 1, 2010 and ending on the last day of the fiscal quarter immediately preceding the date of the applicable proposed dividend or distribution; and

ii. 100% of the aggregate net proceeds received by the Company subsequent to March 3, 2010 either as a contribution to its common equity capital or from the issuance and sale of its Common Stock.

In February 2014, the Company issued $250.0 million of 5.375% unsecured senior notes due March 1, 2022 (the "2022 Senior Notes"). In March 2015, the Company issued $250.0 million of 5.375% unsecured senior notes due March 1, 2025 (the "2025 Senior Notes"). The Company has the option to redeem the 2022 Senior Notes and the 2025 Senior Notes for a premium after March 1, 2017 and March 1, 2020, respectively.

The 2022 Senior Notes and the 2025 Senior Notes were issued pursuant to separate indentures (the "Indentures") among the Company, the subsidiary guarantors named therein and a trustee. The Indentures contain customary affirmative and negative covenants. Certain of the Company's subsidiaries jointly, severally, fully and unconditionally guarantee the Company's obligations under the 2022 Senior Notes and 2025 Senior Notes. See Note 21 of the Notes to Condensed Consolidated Financial Statements for separate financial information of the subsidiary guarantors.

The fair value of the long-term debt is estimated based upon Level 2 inputs to reflect market rate of the Company's debt. At December 31, 2015, the fair value of the 2022 Senior Notes and the 2025 Senior Notes was estimated to be $249 million and $246 million, respectively, and the fair value of the Term Loan approximated book value. At September 30, 2015, the fair value of the 2022 Senior Notes and the 2025 Senior Notes was estimated to be $252 million and $249 million, respectively, and the fair value of the Term Loan approximated book value. See Note 13 of the Notes to Condensed Consolidated Financial Statements for the definition of a Level 2 input.

9. Warranties

The Company's products generally carry explicit warranties that extend from six months to five years, based on terms that are generally accepted in the marketplace. Selected components (such as engines, transmissions, tires, etc.) included in the Company's end products may include manufacturers' warranties. These manufacturers' warranties are generally passed on to the end customer of the Company's products, and the customer would generally deal directly with the component manufacturer. Accrued warranty is reported in "Other current liabilities" in the Condensed Consolidated Balance Sheets.

The Company offers a range of extended warranty options across its product lines. The premiums received for an extended warranty are generally deferred until after the expiration of the standard warranty period. The unearned premium is then recognized in income over the term of the extended warranty period in proportion to the costs that are expected to be incurred. Unamortized extended warranty premiums included in the following table totaled $27.3 million and $24.8 million at December 31, 2015 and 2014, respectively, and are included in the Condensed Consolidated Balance Sheets as "Other current liabilities" or "Other long-term liabilities".

Changes in the Company's warranty liability and unearned extended warranty premiums were as follows (in millions):

	Three Months Ended December 31,	
	2015	2014
Balance at beginning of period	$92.1	$101.9
Warranty provisions	10.0	6.8
Settlements made	(13.9)	(13.2)
Changes in liability for pre-existing warranties, net	(0.6)	(1.2)
Premiums received	2.6	2.6
Amortization of premiums received	(2.6)	(2.4)
Foreign currency translation	(0.5)	(0.8)
Balance at end of period	$87.1	$93.7

Provisions for estimated warranty and other related costs are recorded at the time of sale and are periodically adjusted to reflect actual experience. Certain warranty and other related claims involve matters of dispute that ultimately are resolved by negotiation, arbitration or litigation. At times, warranty issues arise that are beyond the scope of the Company's historical experience. It is reasonably possible that additional warranty and other related claims could arise from disputes or other matters in excess of amounts accrued; however, the Company does not expect that any such amounts, while not determinable, would have a material effect on the Company's consolidated financial condition, result of operations or cash flows.

10. Guarantee Arrangements

The Company is party to multiple agreements whereby at December 31, 2015 it guaranteed an aggregate of $564.4 million in indebtedness of customers. The Company estimated that its maximum loss exposure under these contracts at December 31, 2015 was $117.3 million. Under the terms of these and various related agreements and upon the occurrence of certain events, the Company generally has the ability to, among other things, take possession of the underlying collateral. If the financial condition of the customers were to deteriorate and result in their inability to make payments, then loss provisions in excess of amounts provided for at inception may be required. While the Company does not expect to experience losses under these agreements that are materially in excess of the amounts reserved, it cannot provide any assurance that the financial condition of the third parties will not deteriorate resulting in the third parties' inability to meet their obligations. In the event that this occurs, the Company cannot guarantee that the collateral underlying the agreements will be sufficient to avoid losses materially in excess of the amounts reserved. Any losses under these guarantees would generally be mitigated by the value of any underlying collateral, including financed equipment, and are generally subject to the finance company's ability to provide the Company clear title to foreclosed equipment and other conditions. During periods of economic weakness, collateral values generally decline and can contribute to higher exposure to losses.

Changes in the Company's credit guarantee liability were as follows (in millions):

	Three Months Ended December 31,	
	2015	2014
Balance at beginning of period	$5.6	$4.6
Provision for new credit guarantees	0.8	0.6
Changes for pre-existing guarantees, net	0.3	0.1
Amortization of previous guarantees	(0.9)	(0.4)
Foreign currency translation	—	(0.1)
Balance at end of period	$5.8	$4.8

11. Shareholders' Equity

On August 31, 2015, the Company's Board of Directors increased the Company's Common Stock repurchase authorization by 10,000,000 shares, increasing the repurchase authorization to 10,299,198 from the balance remaining from prior authorizations. Between August 31, 2015 and December 31, 2015, the Company repurchased 2,786,624 shares under this authorization at a cost of $112.0 million. As a result, the Company had 7,512,574 shares of Common Stock remaining under this repurchase authorization as of December 31, 2015. The Company is restricted by its Credit Agreement from repurchasing shares in certain situations. See Note 8 of the Notes to Condensed Consolidated Financial Statements for information regarding these restrictions.

12. Derivative Financial Instruments and Hedging Activities

The Company has used forward foreign currency exchange contracts ("derivatives") to reduce the exchange rate risk of specific foreign currency denominated transactions. These derivatives typically require the exchange of a foreign currency for U.S. dollars at a fixed rate at a future date. At times, the Company has designated these hedges as either cash flow hedges or fair value hedges under FASB Accounting Standards Codification ("ASC") Topic 815, Derivatives and Hedging. At December 31, 2015, the total notional U.S. dollar equivalent of outstanding forward foreign exchange contracts designated as hedges in accordance with ASC Topic 815 was $10.2 million. Net gains or losses related to hedge ineffectiveness were insignificant for the three month periods ended December 31, 2015 and 2014. Ineffectiveness is included in "Miscellaneous, net" in the Condensed Consolidated Statements of Income along with mark-to-market adjustments on outstanding non-designated derivatives. The maximum length of time the Company is hedging its exposure to the variability in future cash flows is twelve months.

The Company has entered into forward foreign currency exchange contracts to create an economic hedge to manage foreign exchange risk exposure associated with non-functional currency denominated payables resulting from global sourcing activities. The Company has not designated these derivative contracts as hedge transactions under FASB ASC Topic 815, and accordingly, the mark-to-market impact of these derivatives is recorded each period in current earnings. The fair value of foreign currency related derivatives is included in the Condensed Consolidated Balance Sheets in "Other current assets" and "Other current liabilities." At December 31, 2015, the U.S. dollar equivalent of these outstanding forward foreign exchange contracts totaled $108.8 million in notional amounts, including $10.3 million in contracts to sell euro, $3.8 million in contracts to buy euro, $57.0 million in contracts to sell Australian dollars, $8.1 million in contracts to buy Swedish krona and sell euro, $5.2 million in contracts to buy U.K. pound sterling,

$12.2 million in contracts to buy euro and sell Canadian dollars and $6.1 million in contracts to buy Canadian dollars and sell euro, with the remaining contracts covering a variety of foreign currencies.

The Company has entered into interest rate contracts to create an economic hedge to manage changes in interest rates on executory sales contracts that exposes the Company to interest rate risk based on changes in market interest rates. The Company has not designated these interest rate contracts as hedge transactions under FASB ASC Topic 815, and accordingly, the mark-to-market impact of these derivatives is recorded each period in current earnings. The fair value of the interest rate related derivatives is included in the Condensed Consolidated Balance Sheets in “Other current assets” and “Other current liabilities.” At December 31, 2015, the U.S. dollar equivalent notional amount of these outstanding interest rate contracts totaled $26.9 million.

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Fair Market Value of Financial Instruments — The fair values of all open derivative instruments in the Condensed Consolidated Balance Sheets were as follows (in millions):

	December 31, 2015		September 30, 2015	
	Other Current Assets	Other Current Liabilities	Other Current Assets	Other Current Liabilities
Cash flow hedges:				
Foreign exchange contracts	$0.3	$—	$0.4	$—
Not designated as hedging instruments:				
Foreign exchange contracts	1.0	0.3	0.3	0.4
Interest rate contracts	—	0.8	—	0.7
	$1.3	$1.1	$0.7	$1.1

The pre-tax effects of derivative instruments on the Condensed Consolidated Statements of Income consisted of the following (in millions):

	Classification of Gains (Losses)	Three Months Ended December 31, 2015	2014
Not designated as hedging instruments:			
Foreign exchange contracts	Miscellaneous, net	$(1.3)	$3.4
Interest rate contracts	Miscellaneous, net	(0.1)	—
		$(1.4)	$3.4

13. Fair Value Measurement

FASB ASC Topic 820, Fair Value Measurements and Disclosures, defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 requires disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the assumptions (i.e., inputs) used in the valuation. Level 1 provides the most reliable measure of fair value, while 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 or liabilities.
Level 2: Observable inputs other than quoted prices in active markets for identical assets or liabilities, such as 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.

There were no transfers of assets between levels during the three months ended December 31, 2015.

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As of December 31, 2015 and September 30, 2015 the fair values of the Company’s financial assets and liabilities were as follows (in millions):

	Level 1	Level 2	Level 3	Total
December 31, 2015				
Assets:				
SERP plan assets [a]	$22.2	$—	$—	$22.2
Foreign currency exchange derivatives [b]	—	1.3	—	1.3
Liabilities:				
Foreign currency exchange derivatives [b]	$—	$0.3	$—	$0.3
Interest rate contracts [c]	—	0.8	—	0.8

	Level 1	Level 2	Level 3	Total
September 30, 2015				
Assets:				
SERP plan assets [a]	$21.6	$—	$—	$21.6
Foreign currency exchange derivatives [b]	—	0.7	—	0.7
Liabilities:				
Foreign currency exchange derivatives [b]	$—	$0.4	$—	$0.4
Interest rate contracts [c]	—	0.7	—	0.7

(a) Represents investments in a rabbi trust for the Company's non-qualified supplemental executive retirement plans (“SERP”). The fair values of these investments are determined using a market approach. Investments include mutual funds for which quoted prices in active markets are available. The Company records changes in the fair value of investments in the Condensed Consolidated Statements of Income.

(b) Based on observable market transactions of forward currency prices.

(c) Based on observable market transactions of interest rate swap prices.

14. Stock-Based Compensation

In February 2009, the Company’s shareholders approved the 2009 Incentive Stock and Awards Plan (as amended, the “2009 Stock Plan”). The 2009 Stock Plan replaced the 2004 Incentive Stock and Awards Plan (as amended, the “2004 Stock Plan”). While no new awards will be granted under the 2004 Stock Plan, awards previously made under the 2004 Stock Plan that were outstanding as of the initial approval date of the 2009 Stock Plan will remain outstanding and continue to be governed by the provisions of the 2004 Stock Plan. On January 31, 2012, the Company's shareholders approved an amendment and restatement of the 2009 Stock Plan. At December 31, 2015, the Company had reserved 6,433,129 shares of Common Stock available for issuance under the 2009 Stock Plan to provide for the exercise of outstanding stock options and the issuance of Common Stock under incentive compensation awards, including awards issued prior to the effective date of the 2009 Stock Plan.

The Company recognizes stock-based compensation expense over the requisite service period for vesting of an award, or to an employee's eligible retirement date, if earlier and applicable. Total stock-based compensation expense, including cash-based liability awards, included in the Condensed Consolidated Statements of Income for the three months ended December 31, 2015 and 2014 was $6.0 million ($3.8 million net of tax) and $6.5 million ($4.1 million net of tax), respectively.

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15. Employee Benefit Plans

Components of net periodic pension benefit cost were as follows (in millions):

	Three Months Ended December 31,	
	2015	2014
Components of net periodic benefit cost		
Service cost	$2.9	$3.0
Interest cost	4.6	4.5
Expected return on plan assets	(4.5)	(4.6)
Amortization of prior service cost	0.4	0.4
Amortization of net actuarial loss	0.6	0.7
Net periodic benefit cost	$4.0	$4.0

Components of net periodic other post-employment benefit cost (income) were as follows (in millions):

	Three Months Ended December 31,	
	2015	2014
Components of net periodic benefit cost (income)		
Service cost	$0.3	$0.4
Interest cost	0.4	0.4
Amortization of prior service cost	(0.2)	(0.2)
Curtailment	—	(3.4)
Net periodic benefit cost (income)	$0.5	$(2.8)

The Company made contributions to fund benefit payments of $0.5 million and $0.4 million for the three months ended December 31, 2015 and 2014, respectively, under its other post-employment benefit plans. The Company estimates that it will make additional contributions of approximately $1.5 million under these other post-employment benefit plans prior to the end of fiscal 2016.

The Company's pension plan investment strategy is based on an expectation that, over time, equity securities will provide higher returns than debt securities. The plans primarily minimize the risk of larger losses under this strategy through diversification of investments by asset class, by investing in different styles of investment management within the classes and using a number of different investment managers. Beginning in fiscal 2016, the Company began to implement a dynamic liability driven investment strategy for those pension plans with frozen benefits. The objective of this strategy is to more closely align the pension plan assets with its liabilities in terms of how both respond to changes in interest rates. Plan assets will be allocated to two investment categories, including a category containing high quality fixed income securities and another category comprised of traditional securities and alternative asset classes. Assets are managed externally according to guidelines approved by the Company. Over time, the Company intends to reduce assets allocated to the return seeking category and correspondingly increase assets allocated to the high quality fixed income category to align more closely with the pension plan obligations.

16. Income Taxes

The Company recorded income tax expense of $1.7 million for the three months ended December 31, 2015, or 10.6% of pre-tax income, compared to $16.2 million, or 31.9% of pre-tax income for the three months ended December 31, 2014. Results for the three months ended December 31, 2015 were favorably impacted by $3.7 million of discrete tax benefits, including $2.4 million related to the retroactive reinstatement of the U.S. research and development tax credit and $1.3 million related to reduction in reserves for uncertain tax benefits, largely related to interest. Results for the three months ended December 31, 2014 were favorably impacted by $1.0 million of net discrete tax benefits, including $2.2 million related to the retroactive reinstatement of the U.S. research and development tax credit, partially offset by a $1.2 million charge largely related to provision to return adjustments.

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The Company's liability for gross unrecognized tax benefits, excluding related interest and penalties, was $27.3 million and $27.0 million as of December 31, 2015 and September 30, 2015, respectively. As of December 31, 2015, net unrecognized tax benefits, excluding interest and penalties, of $17.6 million would affect the Company's net income if recognized.

The Company recognizes accrued interest and penalties, if any, related to unrecognized tax benefits in the "Provision for income taxes" in the Condensed Consolidated Statements of Income. During the three months ended December 31, 2015 and 2014, the Company recognized benefits of $0.8 million and charges of $1.0 million, respectively, related to interest and penalties. At December 31, 2015, the Company had accruals for the payment of interest and penalties of $10.2 million. During the next twelve months, it is reasonably possible that federal, state and foreign tax audit resolutions could reduce net unrecognized tax benefits by approximately $3.5 million because the Company's tax positions are sustained on audit, the Company agrees to their disallowance or the statutes of limitations close.

The Company files federal income tax returns as well as multiple state, local and non-U.S. jurisdiction tax returns. The Company is regularly audited by federal, state and foreign tax authorities.

17. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) by component were as follows (in millions):

	Three Months Ended December 31, 2015			
	Employee Pension and Postretirement Benefits, Net of Tax	Cumulative Translation Adjustments	Gains (Losses) on Derivatives, Net of Tax	Accumulated Other Comprehensive Income (Loss)
Balance at beginning of period	$(46.4)	$(98.1)	$0.1	$(144.4)
Other comprehensive income (loss) before reclassifications	—	(11.2)	0.2	(11.0)
Amounts reclassified from accumulated other comprehensive income (loss)	0.5	—	—	0.5
Net current period other comprehensive income (loss)	0.5	(11.2)	0.2	(10.5)
Balance at end of period	$(45.9)	$(109.3)	$0.3	$(154.9)

	Three Months Ended December 31, 2014			
	Employee Pension and Postretirement Benefits, Net of Tax	Cumulative Translation Adjustments	Gains (Losses) on Derivatives, Net of Taxes	Accumulated Other Comprehensive Income (Loss)
Balance at beginning of period	$(44.2)	$(25.0)	$—	$(69.2)
Other comprehensive income (loss) before reclassifications	—	(22.9)	—	(22.9)

Amounts reclassified from accumulated other comprehensive income (loss)	(0.2)	—	—	(0.2)
Net current period other comprehensive income (loss)	(0.2)	(22.9)	—	(23.1)
Balance at end of period	$(44.4)	$(47.9)	$—	$(92.3)

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Reclassifications out of accumulated other comprehensive income (loss) included in the computation of net periodic pension and postretirement benefit cost (refer to Note 15 of the Notes to Condensed Consolidated Financial Statements for additional details regarding employee benefit plans) were as follows (in millions):

	Three Months Ended December 31,	
	2015	2014
Amortization of employee pension and postretirement benefits items		
Prior service costs	$(0.2)	$(0.2)
Actuarial losses	(0.6)	(0.7)
Curtailment	—	1.2
Total before tax	(0.8)	0.3
Tax benefit (provision)	0.3	(0.1)
Net of tax	$(0.5)	$0.2

18. Earnings Per Share

Prior to September 1, 2013, the Company granted awards of nonvested stock that contained a nonforfeitable right to dividends, if declared. In accordance with FASB ASC Topic 260, Earnings Per Share, these awards are considered to be participating securities, and as a result, earnings per share is calculated using the two-class method. The two-class method is an earnings allocation method that determines earnings per share for common shares and participating securities. The undistributed earnings are allocated between common shares and participating securities as if all earnings had been distributed during the period. Participating securities and common shares have equal rights to undistributed earnings.

Effective September 1, 2013, new grants of awards of nonvested stock do not contain a nonforfeitable right to dividends during the vesting period. As a result, an employee will forfeit the right to dividends accrued on unvested awards if such awards do not ultimately vest. As such, these awards are not treated as participating securities in the earnings per share calculation as the employees do not have equivalent dividend rights as common shareholders.

The calculation of basic and diluted earnings per common share was as follows (in millions, except number of share amounts):

	Three Months Ended December 31,	
	2015	2014
Net income	$14.6	$34.7
Earnings allocated to participating securities	—	(0.1)
Earnings available to common shareholders	$14.6	$34.6
Basic Earnings Per Share:		
Weighted-average common shares outstanding	74,063,418	78,849,340
Diluted Earnings Per Share:		
Basic weighted-average common shares outstanding	74,063,418	78,849,340
Dilutive stock options and other equity-based compensation awards	789,798	1,105,166

Participating restricted stock	—	(109,310)
Diluted weighted-average common shares outstanding	74,853,216	79,845,196

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Options not included in the computation of diluted earnings per share attributable to common shareholders because they would have been anti-dilutive were as follows:

	Three Months Ended December 31,	
	2015	2014
Stock options	1,697,145	1,167,791

19. Contingencies, Significant Estimates and Concentrations

Personal Injury Actions and Other - Product and general liability claims are made against the Company from time to time in the ordinary course of business. The Company is generally self-insured for future claims up to $5.0 million per claim. Accordingly, a reserve is maintained for the estimated costs of such claims. At December 31, 2015 and September 30, 2015, the estimated net liabilities for product and general liability claims totaled $38.9 million and $40.4 million, respectively. There is inherent uncertainty as to the eventual resolution of unsettled claims. Management, however, believes that any losses in excess of established reserves will not have a material effect on the Company’s financial condition, results of operations or cash flows.

Market Risks - The Company was contingently liable under bid, performance and specialty bonds totaling $509.5 million and $469.9 million at December 31, 2015 and September 30, 2015, respectively. Open standby letters of credit issued by the Company’s banks in favor of third parties totaled $109.8 million and $62.6 million at December 31, 2015 and September 30, 2015, respectively.

Other Matters - The Company is subject to environmental matters and legal proceedings and claims, including patent, antitrust, product liability, warranty and state dealership regulation compliance proceedings, that arise in the ordinary course of business. Although the final results of all such matters and claims cannot be predicted with certainty, management believes that the ultimate resolution of all such matters and claims will not have a material effect on the Company’s financial condition, results of operations or cash flows. Actual results could vary, among other things, due to the uncertainties involved in litigation.

Major contracts for military systems are performed over extended periods of time and are subject to changes in scope of work and delivery schedules. Pricing negotiations on changes and settlement of claims often extend over prolonged periods of time. The Company’s ultimate profitability on such contracts may depend on the eventual outcome of an equitable settlement of contractual issues with the Company’s customers.

20. Business Segment Information

The Company is organized into four reportable segments based on the internal organization used by management for making operating decisions and measuring performance and based on the similarity of customers served, common management, common use of facilities and economic results attained.

In accordance with FASB ASC Topic 280, Segment Reporting, for purposes of business segment performance measurement, the Company does not allocate to individual business segments costs or items that are of a non-operating nature or organizational or functional expenses of a corporate nature. The caption “Corporate” includes corporate office expenses, share-based compensation, costs of certain business initiatives and shared services benefiting multiple segments, and results of insignificant operations. Identifiable assets of the business segments exclude general corporate assets, which principally consist of cash and cash equivalents, certain property, plant and equipment, and certain other assets pertaining to corporate activities. Intersegment sales generally include amounts invoiced by a segment for work performed for another segment. Amounts are based on actual work performed and agreed-upon pricing, which is intended to be reflective of the contribution made by the supplying business segment.

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Selected financial information concerning the Company's reportable segments and product lines is as follows (in millions):

	Three Months Ended December 31,					
	2015			2014		
	External Customers	Inter-segment	Net Sales	External Customers	Inter-segment	Net Sales
Access equipment						
Aerial work platforms	$242.0	$—	$242.0	$277.3	$—	$277.3
Telehandlers	111.8	—	111.8	290.4	—	290.4
Other	176.0	—	176.0	149.0	—	149.0
Total access equipment	529.8	—	529.8	716.7	—	716.7
Defense	316.9	1.1	318.0	269.2	0.1	269.3
Fire & emergency	205.4	2.1	207.5	159.5	7.5	167.0
Commercial						
Concrete placement	72.3	—	72.3	86.1	—	86.1
Refuse collection	99.0	—	99.0	89.6	—	89.6
Other	28.6	0.4	29.0	32.2	2.3	34.5
Total commercial	199.9	0.4	200.3	207.9	2.3	210.2
Intersegment eliminations	—	(3.6)	(3.6)	—	(9.9)	(9.9)
Consolidated sales	$1,252.0	$—	$1,252.0	$1,353.3	$—	$1,353.3

	Three Months Ended December 31,	
	2015	2014
Operating income (loss):		
Access equipment	$20.4	$77.2
Defense	23.2	9.8
Fire & emergency	10.1	1.5
Commercial	8.9	12.4
Corporate	(32.3)	(35.3)
Intersegment eliminations	—	0.1
Consolidated	30.3	65.7
Interest expense, net of interest income	(14.1)	(13.6)
Miscellaneous other expense	—	(1.3)
Income before income taxes and equity in earnings of unconsolidated affiliates	$16.2	$50.8

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	December 31, 2015	September 30, 2015
Identifiable assets:		
Access equipment:		
U.S.	$2,073.2	$2,178.7
Europe [(a)]	499.3	531.4
Rest of the World	203.4	201.5
Total access equipment	2,775.9	2,911.6
Defense:		
U.S.	442.7	424.5
Rest of the World	1.7	5.1
Total defense	444.4	429.6
Fire & emergency - U.S.	505.8	530.7
Commercial:		
U.S.	380.2	395.1
Rest of the World [(a)]	38.1	41.1
Total commercial	418.3	436.2
Corporate:		
U.S. [(b)]	194.1	218.6
Rest of the World [(c)]	71.4	86.3
Total corporate	265.5	304.9
Consolidated	$4,409.9	$4,613.0

(a) Includes investments in unconsolidated affiliates.
(b) Primarily includes cash, short-term investments and capitalized costs related to a shared enterprise resource planning system.
(c) Includes a corporate-led manufacturing facility that supports multiple operating segments.

The following table presents net sales by geographic region based on product shipment destination (in millions):

	Three Months Ended December 31,	
	2015	2014
Net sales:		
United States	$904.4	$1,081.7
Other North America	61.5	62.0
Europe, Africa and Middle East	200.1	104.4
Rest of the World	86.0	105.2
Consolidated	$1,252.0	$1,353.3

21. Separate Financial Information of Subsidiary Guarantors of Indebtedness

The 2022 Senior Notes and the 2025 Senior Notes are jointly, severally, fully and unconditionally guaranteed on a senior unsecured basis by all of the Company’s 100% owned existing and future subsidiaries that from time to time guarantee obligations under the Credit Agreement, with certain exceptions (the “Guarantors”).

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Under the Indentures governing the 2022 Senior Notes and 2025 Senior Notes, a Guarantor's guarantee of such Senior Notes will be automatically and unconditionally released and will terminate upon the following customary circumstances: (i) the sale of such Guarantor or substantially all of the assets of such Guarantor if such sale complies with the Indentures; (ii) if such Guarantor no longer guarantees certain other indebtedness of the Company; or (iii) the defeasance or satisfaction and discharge of the Indentures. The following condensed supplemental consolidating financial information reflects the summarized financial information of Oshkosh Corporation, the Guarantors on a combined basis and Oshkosh Corporation's non-guarantor subsidiaries on a combined basis (in millions):

Condensed Consolidating Statement of Income and Comprehensive Income
For the Three Months Ended December 31, 2015

	Oshkosh Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$—	$1,056.8	$220.4	$(25.2)	$1,252.0
Cost of sales	0.3	899.0	195.1	(25.2)	1,069.2
Gross income	(0.3)	157.8	25.3	—	182.8
Selling, general and administrative expenses	23.6	89.3	26.4	—	139.3
Amortization of purchased intangibles	—	9.8	3.4	—	13.2
Operating income (loss)	(23.9)	58.7	(4.5)	—	30.3
Interest expense	(59.6)	(14.7)	(0.7)	60.4	(14.6)
Interest income	0.5	16.2	44.2	(60.4)	0.5
Miscellaneous, net	14.9	(41.4)	26.5	—	—
Income (loss) before income taxes	(68.1)	18.8	65.5	—	16.2
Provision for (benefit from) income taxes	(5.8)	1.6	5.9	—	1.7
Income (loss) before equity in earnings of affiliates	(62.3)	17.2	59.6	—	14.5
Equity in earnings of consolidated subsidiaries	77.2	18.1	(6.4)	(88.9)	—
Equity in earnings of unconsolidated affiliates	(0.3)	—	0.4	—	0.1
Net income	14.6	35.3	53.6	(88.9)	14.6
Other comprehensive income (loss), net of tax	(10.5)	(2.9)	(8.1)	11.0	(10.5)
Comprehensive income	$4.1	$32.4	$45.5	$(77.9)	$4.1

Condensed Consolidating Statement of Income and Comprehensive Income
For the Three Months Ended December 31, 2014

	Oshkosh Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$—	$1,158.4	$214.8	$(19.9)	$1,353.3
Cost of sales	—	966.8	177.0	(20.2)	1,123.6
Gross income	—	191.6	37.8	0.3	229.7
	31.8	92.1	26.6	—	150.5

Selling, general and administrative expenses					
Amortization of purchased intangibles	—	9.8	3.7	—	13.5
Operating income (loss)	(31.8)	89.7	7.5	0.3	65.7
Interest expense	(57.8)	(12.8)	(0.5)	56.7	(14.4)
Interest income	0.5	15.3	41.7	(56.7)	0.8
Miscellaneous, net	8.2	(63.3)	53.8	—	(1.3)
Income (loss) before income taxes	(80.9)	28.9	102.5	0.3	50.8
Provision for (benefit from) income taxes	(28.6)	12.0	32.7	0.1	16.2
Income (loss) before equity in earnings of affiliates	(52.3)	16.9	69.8	0.2	34.6
Equity in earnings of consolidated subsidiaries	87.0	35.8	12.5	(135.3)	—
Equity in earnings of unconsolidated affiliates	—	—	0.1	—	0.1
Net income	34.7	52.7	82.4	(135.1)	34.7
Other comprehensive income (loss), net of tax	(23.1)	(2.7)	(29.8)	32.5	(23.1)
Comprehensive income	$11.6	$50.0	$52.6	$(102.6)	$11.6

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OSHKOSH CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Condensed Consolidating Balance Sheet
As of December 31, 2015

	Oshkosh Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	$12.2	$5.6	$15.9	$—	$33.7
Receivables, net	16.9	595.2	210.9	(34.3)	788.7
Inventories, net	—	920.7	374.7	—	1,295.4
Other current assets	19.6	83.6	27.6	—	130.8
Total current assets	48.7	1,605.1	629.1	(34.3)	2,248.6
Investment in and advances to consolidated subsidiaries	5,790.0	1,170.2	(202.7)	(6,757.5)	—
Intercompany receivables	47.2	1,051.4	4,409.9	(5,508.5)	—
Intangible assets, net	—	975.3	614.7	—	1,590.0
Other long-term assets	120.0	224.2	227.1	—	571.3
Total assets	$6,005.9	$5,026.2	$5,678.1	$(12,300.3)	$4,409.9
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable	$14.5	$343.2	$109.6	$(34.0)	$433.3
Customer advances	—	482.8	2.3	—	485.1
Other current liabilities	177.8	182.2	86.8	(0.3)	446.5
Total current liabilities	192.3	1,008.2	198.7	(34.3)	1,364.9
Long-term debt, less current maturities	850.0	—	—	—	850.0
Intercompany payables	3,095.3	2,366.0	47.2	(5,508.5)	—
Other long-term liabilities	61.9	188.8	137.9	—	388.6
Shareholders' equity	1,806.4	1,463.2	5,294.3	(6,757.5)	1,806.4
Total liabilities and shareholders' equity	$6,005.9	$5,026.2	$5,678.1	$(12,300.3)	$4,409.9

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OSHKOSH CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Condensed Consolidating Balance Sheet
As of September 30, 2015

	Oshkosh Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	$14.8	$6.3	$21.8	$—	$42.9
Receivables, net	29.4	692.9	290.1	(47.8)	964.6
Inventories, net	—	926.2	375.5	—	1,301.7
Other current assets	11.5	81.7	26.9	—	120.1
Total current assets	55.7	1,707.1	714.3	(47.8)	2,429.3
Investment in and advances to consolidated subsidiaries	5,744.0	1,128.0	(192.4)	(6,679.6)	—
Intercompany receivables	47.2	998.7	4,331.3	(5,377.2)	—
Intangible assets, net	—	984.4	623.4	—	1,607.8
Other long-term assets	117.3	228.9	229.7	—	575.9
Total assets	$5,964.2	$5,047.1	$5,706.3	$(12,104.6)	$4,613.0
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable	$16.3	$415.3	$168.7	$(47.5)	$552.8
Customer advances	—	438.3	1.9	—	440.2
Other current liabilities	165.0	202.4	98.0	(0.3)	465.1
Total current liabilities	181.3	1,056.0	268.6	(47.8)	1,458.1
Long-term debt, less current maturities	855.0	—	—	—	855.0
Intercompany payables	2,957.5	2,372.5	47.2	(5,377.2)	—
Other long-term liabilities	59.3	191.3	138.2	—	388.8
Shareholders' equity	1,911.1	1,427.3	5,252.3	(6,679.6)	1,911.1
Total liabilities and shareholders' equity	$5,964.2	$5,047.1	$5,706.3	$(12,104.6)	$4,613.0

OSHKOSH CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Condensed Consolidating Statement of Cash Flows
For the Three Months Ended December 31, 2015

	Oshkosh Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net cash provided (used) by operating activities	$(84.7)	$86.8	$69.7	$—	$71.8
Investing activities:					
Additions to property, plant and equipment	(7.0)	(5.1)	(9.2)	—	(21.3)
Additions to equipment held for rental	—	—	(15.0)	—	(15.0)
Proceeds from sale of equipment held for rental	—	0.6	18.1	—	18.7
Intercompany investing	—	(76.6)	(75.3)	151.9	—
Other investing activities	(0.5)	(0.1)	—	—	(0.6)
Net cash provided (used) by investing activities	(7.5)	(81.2)	(81.4)	151.9	(18.2)
Financing activities:					
Net increase in short-term debt	28.2	—	—	—	28.2
Proceeds from issuance of debt (original maturities greater than three months)	150.0	—	3.6	—	153.6
Repayment of debt (original maturities greater than three months)	(135.0)	—	—	—	(135.0)
Repurchases of Common Stock	(100.1)	—	—	—	(100.1)
Dividends paid	(14.1)	—	—	—	(14.1)
Proceeds from exercise of stock options	1.4	—	—	—	1.4
Excess tax benefit from stock-based compensation	0.8	—	—	—	0.8
Intercompany financing	158.4	(6.5)	—	(151.9)	—
Net cash provided (used) by financing activities	89.6	(6.5)	3.6	(151.9)	(65.2)
Effect of exchange rate changes on cash	—	0.2	2.2	—	2.4
Increase (decrease) in cash and cash equivalents	(2.6)	(0.7)	(5.9)	—	(9.2)
Cash and cash equivalents at beginning of period	14.8	6.3	21.8	—	42.9
Cash and cash equivalents at end of period	$12.2	$5.6	$15.9	$—	$33.7

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OSHKOSH CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Condensed Consolidating Statement of Cash Flows
For the Three Months Ended December 31, 2014

	Oshkosh Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net cash provided (used) by operating activities	$(65.7)	$(23.5)	$36.9	$—	$(52.3)
Investing activities:					
Additions to property, plant and equipment	(8.8)				