

TRINITY INDUSTRIES INC
Form 10-Q
April 30, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2014

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 1-6903

Trinity Industries, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of Incorporation or
Organization)

75-0225040

(I.R.S. Employer Identification No.)

2525 N. Stemmons Freeway, Dallas, Texas

(Address of principal executive offices)

75207-2401

(Zip Code)

(214) 631-4420

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 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). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

At April 15, 2014 the number of shares of common stock outstanding was 77,458,282.

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PART I

Item 1. Financial Statements

Trinity Industries, Inc. and Subsidiaries
Consolidated Statements of Operations
(unaudited)

	Three Months Ended March 31,	
	2014	2013
	(in millions, except per share amounts)	
Revenues:		
Manufacturing	\$1,018.3	\$798.5
Leasing	442.2	134.4
	1,460.5	932.9
Operating costs:		
Cost of revenues:		
Manufacturing	794.7	641.2
Leasing	279.3	69.9
	1,074.0	711.1
Selling, engineering, and administrative expenses:		
Manufacturing	49.5	42.7
Leasing	11.0	9.7
Other	23.1	16.6
	83.6	69.0
Gains (losses) on disposition of property, plant, and equipment:		
Net gains on railcar lease fleet sales owned more than one year at the time of sale	77.5	6.8
Other	10.9	(0.1)
	88.4	6.7
Total operating profit	391.3	159.5
Other (income) expense:		
Interest income	(0.4)	(0.4)
Interest expense	46.3	49.2
Other, net	(0.4)	(2.7)
	45.5	46.1
Income from continuing operations before income taxes	345.8	113.4
Provision for income taxes	112.5	41.2
Net income from continuing operations	233.3	72.2
Discontinued operations:		
Gain on sale of discontinued operations, net of provision for income taxes of \$- and \$5.4	—	7.0
Loss from discontinued operations, net of benefit for income taxes of \$0.2 and \$0.3	(0.3)	(0.4)
Net income	233.0	78.8
Net income (loss) attributable to noncontrolling interest	6.6	(0.3)
Net income attributable to Trinity Industries, Inc.	\$226.4	\$79.1
Net income attributable to Trinity Industries, Inc. per common share:		
Basic:		
Continuing operations	\$2.91	\$0.91

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Discontinued operations	—	0.08
	\$2.91	\$0.99
Diluted:		
Continuing operations	\$2.85	\$0.91
Discontinued operations	—	0.08
	\$2.85	\$0.99
Weighted average number of shares outstanding:		
Basic	75.1	76.9
Diluted	77.0	77.0
Dividends declared per common share	\$0.15	\$0.11
See accompanying notes to consolidated financial statements.		

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Table of ContentsTrinity Industries, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
(unaudited)

	Three Months Ended	
	March 31,	
	2014	2013
	(in millions)	
Net income	\$233.0	\$78.8
Other comprehensive income (loss):		
Derivative financial instruments:		
Unrealized losses arising during the period, net of tax benefit of \$0.4 and \$0.5	(1.2) (0.7
Reclassification adjustments for losses included in net income, net of tax benefit of \$2.0 and \$2.8	4.3	4.6
Defined benefit plans:		
Amortization of net actuarial losses, net of tax benefit of \$0.1 and \$0.5	0.2	0.7
	3.3	4.6
Comprehensive income	236.3	83.4
Less: comprehensive income attributable to noncontrolling interest	7.3	0.4
Comprehensive income attributable to Trinity Industries, Inc.	\$229.0	\$83.0
See accompanying notes to consolidated financial statements.		

Table of ContentsTrinity Industries, Inc. and Subsidiaries
Consolidated Balance Sheets

	March 31, 2014 (unaudited) (in millions)	December 31, 2013
ASSETS		
Cash and cash equivalents	\$532.2	\$428.5
Short-term marketable securities	256.4	149.7
Receivables, net of allowance	421.4	372.7
Inventories:		
Raw materials and supplies	493.9	477.0
Work in process	273.2	201.4
Finished goods	136.9	136.3
	904.0	814.7
Restricted cash, including partially-owned subsidiaries of \$76.7 and \$77.1	231.4	260.7
Property, plant, and equipment, at cost, including partially-owned subsidiaries of \$1,889.1 and \$1,887.2	6,145.5	6,275.8
Less accumulated depreciation, including partially-owned subsidiaries of \$215.3 and \$202.1	(1,524.9)	(1,505.2)
	4,620.6	4,770.6
Goodwill	360.3	278.2
Other assets	253.9	238.3
	\$7,580.2	\$7,313.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$257.8	\$216.3
Accrued liabilities	614.7	567.4
Debt:		
Recourse, net of unamortized discount of \$70.6 and \$74.1	421.7	419.0
Non-recourse:		
Wholly-owned subsidiaries	1,279.2	1,314.7
Partially-owned subsidiaries	1,239.3	1,256.1
	2,940.2	2,989.8
Deferred income	39.8	40.8
Deferred income taxes	654.6	650.7
Other liabilities	103.2	99.3
	4,610.3	4,564.3
Stockholders' equity:		
Preferred stock – 1.5 shares authorized and unissued	—	—
Common stock – 200.0 shares authorized	81.7	81.7
Capital in excess of par value	696.4	686.6
Retained earnings	2,084.8	1,870.0
Accumulated other comprehensive loss	(75.6)	(78.2)
Treasury stock	(166.4)	(158.0)
	2,620.9	2,402.1
Noncontrolling interest	349.0	347.0
	2,969.9	2,749.1
	\$7,580.2	\$7,313.4

See accompanying notes to consolidated financial statements.

Table of ContentsTrinity Industries, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(unaudited)

	Three Months Ended	
	March 31,	
	2014	2013
	(in millions)	
Operating activities:		
Net income	\$233.0	\$78.8
Adjustments to reconcile net income to net cash provided by operating activities:		
(Income) loss from discontinued operations	0.3	(6.6)
Depreciation and amortization	55.3	50.0
Stock-based compensation expense	10.9	8.9
Excess tax benefits from stock-based compensation	(0.4)	(0.6)
Provision for deferred income taxes	1.0	36.0
Net gains on railcar lease fleet sales owned more than one year at the time of sale	(77.5)	(6.8)
Gains (losses) on disposition of property, plant, equipment, and other assets	(10.9)	0.1
Non-cash interest expense	7.8	8.1
Other	(0.7)	(2.4)
Changes in assets and liabilities:		
(Increase) decrease in receivables	(43.3)	(22.9)
(Increase) decrease in inventories	(57.9)	(26.3)
(Increase) decrease in restricted cash	25.0	—
(Increase) decrease in other assets	(10.6)	(20.2)
Increase (decrease) in accounts payable	38.4	10.9
Increase (decrease) in accrued liabilities	30.8	(8.2)
Increase (decrease) in other liabilities	3.9	6.1
Net cash provided by operating activities - continuing operations	205.1	104.9
Net cash provided (required) by operating activities - discontinued operations	0.2	(3.1)
Net cash provided by operating activities	205.3	101.8
Investing activities:		
(Increase) decrease in short-term marketable securities	(106.7)	(59.9)
Proceeds from railcar lease fleet sales owned more than one year at the time of sale	224.3	30.6
Proceeds from disposition of property, plant, equipment, and other assets	17.2	0.6
Capital expenditures – leasing, net of sold lease fleet railcars owned one year or less with a net cost of \$204.0 and \$0.1	0.4	(166.8)
Capital expenditures – manufacturing and other	(49.1)	(25.8)
Acquisitions, net of cash acquired	(112.6)	(9.1)
Other	3.0	(0.8)
Net cash required by investing activities - continuing operations	(23.5)	(231.2)
Net cash required by investing activities - discontinued operations	(0.1)	(0.4)
Net cash required by investing activities	(23.6)	(231.6)
Financing activities:		
Proceeds from issuance of common stock, net	0.3	1.4
Excess tax benefits from stock-based compensation	0.4	0.6
Payments to retire debt	(53.1)	(83.5)
(Increase) decrease in restricted cash	4.3	7.9

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Shares repurchased	(12.5) —	
Dividends paid to common shareholders	(11.6) (8.7)
Distributions to noncontrolling interest	(5.4) —	
Other	(0.1) (0.1)
Net cash required by financing activities - continuing operations	(77.7) (82.4)
Net cash required by financing activities - discontinued operations	(0.3) (0.3)
Net cash required by financing activities	(78.0) (82.7)
Net increase (decrease) in cash and cash equivalents	103.7	(212.5)
Cash and cash equivalents at beginning of period	428.5	573.0	
Cash and cash equivalents at end of period	\$532.2	\$360.5	
See accompanying notes to consolidated financial statements.			

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Trinity Industries, Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity
(unaudited)

Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock
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