

John Bean Technologies CORP
Form 10-Q
May 04, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2018

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 1-34036

John Bean Technologies Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

91-1650317
(I.R.S. Employer
Identification No.)

70 West Madison Street, Suite 4400
Chicago, Illinois
(Address of principal executive offices)

60602
(Zip code)

(312) 861-5900
(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 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 2, 2018
Common Stock, par value \$0.01 per share	31,734,657

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

JOHN BEAN TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended March 31,	
(In millions, except per share data)	2018	2017
Revenue	\$409.2	\$344.5
Operating expenses:		
Cost of sales	305.6	246.9
Selling, general and administrative expense	76.9	70.8
Research and development expense	7.9	6.3
Restructuring expense	12.7	0.4
Other expense (income), net	0.2	(0.1)
Operating income	5.9	20.2
Other (expense) income, net	(0.2)	0.3
Interest expense, net	(3.7)	(3.4)
Income from continuing operations before income taxes	2.0	17.1
Income tax provision (benefit)	0.4	(0.5)
Income from continuing operations	1.6	17.6
Loss from discontinued operations, net of income taxes	(0.4)	(0.2)
Net income	\$1.2	\$17.4
Basic earnings per share:		
Income from continuing operations	\$0.05	\$0.59
Loss from discontinued operations	(0.01)	(0.01)
Net income	\$0.04	\$0.58
Diluted earnings per share:		
Income from continuing operations	\$0.05	\$0.58
Loss from discontinued operations	(0.01)	(0.01)
Net income	\$0.04	\$0.57
Cash dividends declared per share	\$0.10	\$0.10

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

JOHN BEAN TECHNOLOGIES CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

(In millions)	Three Months Ended March 31,	
	2018	2017
Net income	\$1.2	\$17.4
Other comprehensive income		
Foreign currency translation adjustments	2.5	4.3
Pension and other postretirement benefits adjustments, net of tax of \$0.3 and \$0.5 for 2018 and 2017, respectively	1.4	0.8
Derivatives designated as hedges, net of tax of \$0 and \$0.2 for 2018 and 2017, respectively	1.1	0.4
Other comprehensive income	5.0	5.5
Comprehensive income	\$6.2	\$22.9

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

JOHN BEAN TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2018	December 31, 2017
	(Unaudited)	
(In millions, except per share data and number of shares)		
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 30.6	\$ 34.0
Trade receivables, net of allowances of \$3.3 and \$3.2, respectively	287.6	316.4
Inventories, net	305.4	190.2
Other current assets	55.0	48.0
Total current assets	678.6	588.6
Property, plant and equipment, net of accumulated depreciation of \$281.1 and \$273.3, respectively	242.9	233.0
Goodwill	305.7	301.8
Intangible assets, net	218.4	216.8
Deferred income taxes	14.4	13.1
Other assets	38.0	38.1
Total Assets	\$ 1,498.0	\$ 1,391.4
Liabilities and Stockholders' Equity:		
Current Liabilities:		
Short-term debt and current portion of long-term debt	\$ 8.9	\$ 10.5
Accounts payable, trade and other	156.8	157.1
Advance and progress payments	245.3	127.6
Other current liabilities	132.7	146.2
Total current liabilities	543.7	441.4
Long-term debt, less current portion	407.4	372.7
Accrued pension and other postretirement benefits, less current portion	82.7	85.9
Other liabilities	45.2	49.5
Commitments and contingencies (Note 11)		
Stockholders' Equity:		
Preferred stock, \$0.01 par value; 20,000,000 shares authorized; no shares issued	—	—
Common stock, \$0.01 par value; 120,000,000 shares authorized; March 31, 2018 and December 31, 2017: 31,623,079 issued and 31,577,182 outstanding	0.3	0.3
Common stock held in treasury, at cost; March 31, 2018 and December 31, 2017: 45,897 shares	(4.0) (4.0)
Additional paid-in capital	254.6	252.2
Retained earnings	303.4	333.7
Accumulated other comprehensive loss	(135.3) (140.3)
Total stockholders' equity	419.0	441.9
Total Liabilities and Stockholders' Equity	\$ 1,498.0	\$ 1,391.4

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

JOHN BEAN TECHNOLOGIES CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

	Three Months Ended March 31,	
(In millions)	2018	2017
Cash flows (required) provided by operating activities:		
Net income	\$1.2	\$17.4
Loss from discontinued operations, net	0.4	0.2
Income from continuing operations	1.6	17.6
Adjustments to reconcile income from continuing operations to cash provided by continuing operating activities:		
Depreciation and amortization	13.7	12.2
Gain on disposal of assets	—	(0.4)
Stock-based compensation	2.4	1.8
Pension expense	0.7	0.1
Other	0.4	—
Changes in operating assets and liabilities:		
Trade receivables - billed, net	26.5	26.8
Contract assets	(26.8)	(8.3)
Inventories	(1.4)	(22.8)
Accounts payable, trade and other	(0.1)	(2.6)
Advance and progress payments	1.6	20.5
Accrued pension and other postretirement benefits, net	(4.5)	(0.4)
Other assets and liabilities, net	(18.2)	(20.5)
Cash (required) provided by continuing operating activities	(4.1)	24.0
Cash required by discontinued operating activities	(0.6)	(0.2)
Cash (required) provided by operating activities	(4.7)	23.8
Cash flows required by investing activities:		
Acquisitions, net of cash acquired	(18.8)	(61.0)
Capital expenditures	(10.4)	(7.9)
Proceeds from disposal of assets	0.2	0.5
Cash required by investing activities	(29.0)	(68.4)
Cash flows provided by financing activities:		
Net payments on short-term debt	(0.1)	(1.0)
Proceeds from short-term foreign credit facilities	—	1.0
Payments of short-term foreign credit facilities	(1.5)	(0.8)
Net proceeds (payments) from domestic credit facilities	34.7	(117.1)
Repayment of long-term debt	—	(0.5)
Proceeds from stock issuance, net of stock issuance costs	—	184.6
Settlement of taxes withheld on equity compensation awards	—	(9.5)
Dividends	(3.2)	(3.2)
Cash provided by financing activities	29.9	53.5
Effect of foreign exchange rate changes on cash and cash equivalents	0.4	0.8

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(Decrease) increase in cash and cash equivalents	(3.4)	9.7
Cash and cash equivalents, beginning of period	34.0	33.2
Cash and cash equivalents, end of period	\$30.6	\$42.9

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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JOHN BEAN TECHNOLOGIES CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business

John Bean Technologies Corporation and its majority-owned consolidated subsidiaries (the “Company,” “JBT,” “our,” “us,” or “we”) provide global technology solutions to high-value segments of the food and beverage and air transportation industries. We design, produce and service sophisticated products and systems for multi-national and regional customers through our JBT FoodTech and JBT AeroTech segments. We have manufacturing operations worldwide and are strategically located to facilitate delivery of our products and services to our customers.

Basis of Presentation

In accordance with Securities and Exchange Commission (“SEC”) rules for interim periods, the accompanying unaudited condensed consolidated financial statements (the “interim financial statements”) do not include all of the information and notes for complete financial statements as required by accounting principles generally accepted in the United States of America (“U.S. GAAP”). As such, the accompanying interim financial statements should be read in conjunction with the JBT Annual Report on Form 10-K for the year ended December 31, 2017, which provides a more complete understanding of the Company’s accounting policies, financial position, operating results, business, properties, and other matters. The year-end condensed consolidated balance sheet was derived from audited financial statements.

In the opinion of management, the interim financial statements reflect all normal recurring adjustments necessary for a fair presentation of our financial condition and operating results as of and for the periods presented. Revenue, expenses, assets and liabilities can vary during each quarter of the year. Therefore, the interim results and trends in the interim financial statements may not be representative of those for the full year or any future period.

Use of estimates

Preparation of financial statements that follow U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Recently adopted accounting standards

Beginning in 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (“Topic 606”), plus a number of related ASU’s designed to clarify and interpret Topic 606. The new standard replaced most existing revenue recognition guidance in U.S. GAAP. The core principle of the ASU requires revenue recognition based upon newly defined criteria, either at a point in time or over time as control of goods or services is transferred. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and estimates, and changes in those estimates. The new standard became effective for us as of January 1, 2018 and was adopted on a modified-retrospective basis.

The cumulative effect of the changes made to our consolidated January 1, 2018 balance sheet for the adoption of Topic 606 was as follows (in millions):

	As Reported	Adjustments due to Topic 606	As Restated
	December 31, 2017		January 1, 2018
Trade receivables, net of allowance	\$ 316.4	\$ (31.3)	\$ 285.1
Inventories	190.2	103.6	293.8
Other current assets	48.0	7.0	55.0
Deferred income taxes	\$ 13.1	2.3	\$ 15.4
Total Assets	\$ 1,391.4	\$ 81.6	\$ 1,473.0
Advance and progress payments	127.6	113.1	240.7
Other current liabilities	96.4	(2.3)	94.1
Other long-term liabilities	49.5	(1.2)	48.3
Retained earnings	333.7	(28.0)	305.7
Total Liabilities and Stockholders' Equity	\$ 1,391.4	\$ 81.6	\$ 1,473.0

In October 2016, the FASB issued ASU 2016-16, Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory. The new guidance is intended to simplify the accounting for intercompany asset transfers. The core principle requires an entity to immediately recognize the tax consequences of intercompany asset transfers. The ASU is effective for annual reporting periods, including interim periods within those annual periods, beginning after December 15, 2017. The Company adopted the new ASU as of January 1, 2018. There was no impact on our consolidated financial statements and related disclosures as a result of adopting the ASU.

In March 2017, the FASB issued ASU No. 2017-07, Compensation - Retirement Benefits (ASC 715) - Improving the Presentation of Net Periodic Pension Costs and Net Periodic Postretirement Benefit Cost. The core principle of the ASU is to provide more transparency in the presentation of these costs by requiring the service cost component to be reported in the same line item as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented separately from the service cost component and outside a subtotal of income from operations. The amendments require that the Consolidated Statements of Income impacts be applied retrospectively, while Balance Sheet changes be applied prospectively. The ASU is effective for annual reporting periods, including interim periods within those annual periods, beginning after December 15, 2017. The Company adopted the new ASU as of January 1, 2018. As such, the Company revised operating income for the first quarter 2017 by \$0.3 million, and reported this income in non operating income. There was no impact to net income or to the Balance Sheet or Statement of Cash Flows.

Recently issued accounting standards not yet adopted

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), plus a number of related statements designed to clarify and interpret Topic 842. The new standard will replace most existing lease guidance in U.S. GAAP. The core principle of the ASU is the requirement for lessees to report a right to use asset and a lease payment obligation on the balance sheet but recognize expenses on their income statements in a manner similar to today's accounting, and for lessors the guidance remains substantially similar to current U.S. GAAP. The ASU is effective for annual reporting periods, including interim periods within those annual periods, beginning after December 15, 2018. However, early adoption is permitted. Entities are required to use a modified retrospective approach for leases that

exist or are entered into after the beginning of the earliest comparative period in the financial statements. We are in the process of evaluating the impact this standard will have on our consolidated financial statements and related disclosures.

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In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (ASC 815) - Targeted Improvements to Accounting for Hedging Activities. The core principle is to simplify hedge accounting, as well as improve the financial reporting of hedging results, for both financial and commodity risks, in the financial statements and related disclosures. The ASU is effective for annual reporting periods, including interim periods within those annual periods, beginning after December 15, 2018. Early adoption is permitted in any interim period after the issuance of the amendment, however, any adjustments should be made as of the beginning of the fiscal year in which the interim period occurred. The Company is currently evaluating the effect, if any, that the ASU will have on our consolidated financial statements and related disclosures.

In February 2018, the FASB issued ASU No. 2018-02, Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The core principle is to reclassify the tax effects of items within accumulated other comprehensive income to retained earnings in order to reflect the adjustment of deferred taxes due to the Tax Cuts and Jobs Act enacted in December 2017. The ASU is effective for annual reporting periods, including interim periods within those annual periods, beginning after December 15, 2018. Early adoption is permitted in any interim period for reporting periods for which financial statements have not yet been issued. The Company is currently evaluating the effect, if any, that the ASU will have on our consolidated financial statements and related disclosures.

NOTE 2. ACQUISITIONS

During 2018 and 2017 the Company acquired four businesses for an aggregate consideration of \$127.3 million, net of cash acquired. A summary of the acquisitions made during the period is as follows:

Date	Type	Company/Product Line	Location (Near)	Segment
January 26, 2018	Stock	Schröder	Breidenbach, Germany	FoodTech

Manufacturer of engineered processing and packaging solutions to the food industry.

July 31, 2017	Stock	PLF International Ltd.	Harwich (Sussex), England	FoodTech
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Manufacturer of high speed powder filling systems for global food and beverage, and nutraceutical markets headquartered in Harwich (Essex), England.

July 3, 2017	Stock	Aircraft Maintenance Support Services, Ltd. (AMSS)	Cardiff, Wales	AeroTech
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Manufacturer of military and commercial aviation equipment.

February 24, 2017	Stock	Avure Technologies, Inc.	Middletown, OH	FoodTech
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Manufacturer of high pressure processing (HPP) systems. HPP is a cold pasteurization technology that ensures food safety without heat or preservatives, maintaining fresh food characteristics such as flavor and nutritional value, while extending shelf life.

Each acquisition has been accounted for as a business combination. Tangible and identifiable intangible assets acquired and liabilities assumed were recorded at their respective estimated fair values. The excess of the consideration transferred over the estimated fair value of the net assets received has been recorded as goodwill. The factors that contributed to the recognition of goodwill primarily relate to acquisition-driven anticipated cost savings and revenue enhancement synergies coupled with the assembled workforce acquired.

The following presents the allocation of acquisition costs to the assets acquired and the liabilities assumed, based on their estimated values:

	PLF ⁽¹⁾	Avure ⁽²⁾	Other ⁽³⁾⁽¹⁾	Total
(In millions)				
Financial assets	\$20.8	\$ 4.3	\$11.1	\$36.2
Inventories	1.0	14.4	9.8	25.2
Property, plant and equipment	2.2	4.5	9.9	16.6
Other intangible assets ⁽⁴⁾	17.9	20.8	9.7	48.4
Deferred taxes	(3.4)	(3.6)	(0.7)	(7.7)
Financial liabilities	(5.5)	(10.5)	(9.5)	(25.5)
Total identifiable net assets	\$33.0	\$ 29.9	\$30.3	\$93.2
Cash consideration paid	\$46.1	\$ 58.9	\$32.6	\$137.6
Holdback payments due to seller	5.5	—	1.9	7.4
Total consideration	51.6	58.9	34.5	145.0
Cash acquired	15.5	—	2.2	17.7
Net consideration	\$36.1	\$ 58.9	\$32.3	\$127.3
Goodwill	\$18.6	\$ 29.0	\$4.2	\$51.8

The purchase accounting for these acquisitions is preliminary. For PLF, AMSS and Schröder the valuation of certain working capital balances, intangibles, income tax balances and residual goodwill related to each is not complete. We are also currently assessing the amount of goodwill that we expect to be deductible for tax purposes. (1) These amounts are subject to adjustment as additional information is obtained within the measurement period (not to exceed 12 months from the acquisition date). During the quarter ended March 31, 2018 we had no measurement period adjustments.

(2) The purchase accounting for this acquisition is final.

(3) Other balances include AMSS and Schröder, which are preliminary, refer to Note (1).

The acquired definite-lived intangibles are being amortized on a straight-line basis over their estimated useful lives, (4) which range from five to fourteen years. The tradename intangible assets for Avure and PLF have been identified as indefinite-lived intangible assets and will be reviewed annually for impairment.

NOTE 3. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill by business segment were as follows:

(In millions)	JBT	JBT	Total
	FoodTech	AeroTech	
Balance as of December 31, 2017	\$ 290.8	\$ 11.0	\$301.8
Acquisitions	1.8	—	1.8
Currency translation	1.9	0.2	2.1
Balance as of March 31, 2018	\$ 294.5	\$ 11.2	\$305.7

Intangible assets consisted of the following:

(In millions)	March 31, 2018		December 31, 2017	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Customer relationships	\$ 161.4	\$ 36.8	\$ 158.8	\$ 33.5
Patents and acquired technology	95.6	33.7	92.1	32.1
Tradenames	20.6	9.7	20.0	9.5
Indefinite lived intangible assets	16.1	—	15.9	—
Other	14.6	9.7	14.5	9.4
Total intangible assets	\$ 308.3	\$ 89.9	\$ 301.3	\$ 84.5

NOTE 4. INVENTORIES

Inventories consisted of the following:

(In millions)	March 31, December 31,	
	2018	2017
Raw materials	\$ 80.8	\$ 72.6
Work in process	166.8	73.7
Finished goods	122.3	109.2
Gross inventories before LIFO reserves and valuation adjustments	369.9	255.5
LIFO reserves and valuation adjustments	(64.5)	(65.3)
Inventories, net	\$ 305.4	\$ 190.2

NOTE 5. PENSION

Components of net periodic benefit cost (income) were as follows:

(In millions)	Pension Benefits	
	Three Months Ended March 31,	
	2018	2017
Service cost	\$0.5	\$0.4
Interest cost	2.7	2.7
Expected return on plan assets	(4.2)	(4.3)
Settlement charge	0.1	—
Amortization of net actuarial losses	1.6	1.3
Net periodic cost	\$0.7	\$0.1

We expect to contribute \$15.3 million to our pension and other postretirement benefit plans in 2018. We contributed \$2.0 million to our U.S. qualified pension plan during the three months ended March 31, 2018. The components of net periodic cost other than service cost are included in other (expense) income, net below operating income in our consolidated statements of income.

NOTE 6. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income or loss (“AOCI”) represents the cumulative balance of other comprehensive income, net of tax, as of the balance sheet date. For JBT, AOCI is primarily composed of adjustments related to pension and other postretirement benefit plans, derivatives designated as hedges, and foreign currency translation adjustments. Changes in the AOCI balances for the three months ended March 31, 2018 and 2017 by component are shown in the following tables:

Pension and Other Postretirement Benefits	Derivatives Designated as Hedges	Foreign Currency Translation	Total
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(In millions)