John Bean Technologies CORP
Form 10-Q
November 04, 2010

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

FORM 10-Q

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

For the quarterly period ended September 30, 2010

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.)
200 East Randolph Drive, Chicago, Illinois (Address of principal executive offices)	60601 (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 x 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, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” “non-accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer¨	Accelerated filer x
Non-accelerated filer ¨	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 x

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

Class	Outstanding at November 1, 2010
Common Stock, par value $0.01 per share	28,238,271

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

John Bean Technologies Corporation
Condensed Consolidated Statements of Income (Unaudited)

(In millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenue	$ 216.5	$ 196.4	$ 593.8	$ 595.6
Costs and expenses:				
Cost of sales	160.3	142.4	436.3	435.7
Selling, general and administrative expense	36.0	36.4	106.6	109.2
Research and development expense	4.5	3.9	13.1	12.4
Total costs and expenses	200.8	182.7	556.0	557.3
Other income, net	0.8	1.0	1.0	1.9
Net interest expense	(2.0)	(2.1)	(5.9)	(6.6)
Income from continuing operations before income taxes	14.5	12.6	32.9	33.6
Provision for income taxes	5.1	4.2	11.4	11.4
Income from continuing operations	9.4	8.4	21.5	22.2
Loss from discontinued operations, net of taxes	-	(0.1)	-	(0.1)
Net income	$ 9.4	$ 8.3	$ 21.5	$ 22.1
Basic earnings per share				
Income from continuing operations	$ 0.33	$ 0.30	$ 0.76	$ 0.80
Income from discontinued operations	-	-	-	-
Basic earnings per share	$ 0.33	$ 0.30	$ 0.76	$ 0.80
Diluted earnings per share				
Income from continuing operations	$ 0.32	$ 0.29	$ 0.74	$ 0.78
Income from discontinued operations	-	-	-	-
Diluted earnings per share	$ 0.32	$ 0.29	$ 0.74	$ 0.78
Cash dividends per share	$ 0.07	$ 0.07	$ 0.21	$ 0.21
Weighted average shares outstanding:				
Basic	28.3	27.7	28.2	27.6
Diluted	29.2	28.7	29.1	28.5

The accompanying notes are an integral part of the condensed consolidated financial statements.

John Bean Technologies Corporation
Condensed Consolidated Balance Sheets

(In millions, except per share data and number of shares)

	September 30, 2010 (Unaudited)	December 31, 2009
Assets:		
Current Assets:		
Cash and cash equivalents	$ 12.5	$ 14.4
Trade receivables, net of allowances of $3.8 and $5.1, respectively	166.7	149.3
Inventories	131.6	107.0
Other current assets	43.3	32.7
Total current assets	354.1	303.4
Property, plant and equipment, net of accumulated depreciation of $225.3 and $218.1, respectively	121.9	126.5
Other assets	94.6	103.2
Total Assets	$ 570.6	$ 533.1
Liabilities and Stockholders' Equity:		
Current Liabilities:		
Accounts payable, trade and other	$ 78.8	$ 65.9
Advance and progress payments	78.7	69.5
Other current liabilities	92.4	98.2
Total current liabilities	249.9	233.6
Long-term debt, less current portion	143.7	131.8
Accrued pension and other postretirement benefits, less current portion	63.2	77.1
Other liabilities	31.0	28.8
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; 2010: 28,238,271 issued and 28,186,129 outstanding; 2009: 27,663,335 issued and 27,611,193 outstanding	0.3	0.3
Common stock held in treasury, at cost; 2010: 52,142 shares; 2009: 52,142 shares	(0.7)	(0.7)
Additional paid-in capital	57.2	53.5
Retained earnings	59.8	44.7
Accumulated other comprehensive loss	(33.8)	(36.0)
Total stockholders' equity	82.8	61.8
Total Liabilities and Stockholders' Equity	$ 570.6	$ 533.1

The accompanying notes are an integral part of the condensed consolidated financial statements.

John Bean Technologies Corporation
Condensed Consolidated Statements of Cash Flows (Unaudited)

(In millions)

	Nine Months Ended September 30, 2010	2009
Cash Flows From Operating Activities:		
Net income	$ 21.5	$ 22.1
Loss from discontinued operations, net of income taxes	-	0.1
Income from continuing operations	21.5	22.2
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	17.1	16.5
Stock-based compensation	5.4	5.9
Other	(3.9)	7.0
Changes in operating assets and liabilities:		
Trade receivables, net	(12.2)	40.1
Inventories	(23.5)	(12.0)
Accounts payable, trade and other	12.9	(4.9)
Advance payments and progress billings	5.1	(10.2)
Accrued pension and other postretirement benefits, net	(13.1)	(17.3)
Other assets and liabilities, net	(6.9)	(14.1)
Cash provided by continuing operating activities	2.4	33.2
Net cash required by discontinued operating activities	(0.1)	-
Cash provided by operating activities	2.3	33.2
Cash Flows From Investing Activities:		
Acquisitions	(0.4)	(6.7)
Capital expenditures	(13.4)	(14.5)
Proceeds from disposal of assets	0.9	1.2
Cash required by investing activities	(12.9)	(20.0)
Cash Flows From Financing Activities:		
Net increase (decrease) in short-term debt	0.1	(0.1)
Net proceeds (payments) on credit facilities	9.7	(40.0)
Issuance of long-term debt	2.9	-
Dividends	(6.2)	(5.8)
Other	1.9	0.2
Cash provided (required) by financing activities	8.4	(45.7)
Effect of foreign exchange rate changes on cash and cash equivalents	0.3	1.6
Decrease in cash and cash equivalents	(1.9)	(30.9)
Cash and cash equivalents, beginning of period	14.4	43.6
Cash and cash equivalents, end of period	$ 12.5	$ 12.7

The accompanying notes are an integral part of the condensed consolidated financial statements.

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 consolidated subsidiaries ("JBT Corporation" or "we") provide global technology solutions for the food processing and air transportation industries. We design, manufacture, test and service technologically sophisticated systems and products for 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—The preceding (a) condensed consolidated balance sheet as of December 31, 2009, which has been derived from audited financial statements, and (b) unaudited interim condensed consolidated financial statements, and notes thereto (the "statements"), of JBT Corporation have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. As permitted under those rules, certain footnotes or other financial information that are normally required by accounting principles generally accepted in the United States can be condensed or omitted. Therefore, these statements should be read in conjunction with our audited annual consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2009.

In the opinion of management, the statements reflect all adjustments (consisting of 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 results and trends in these statements may not be representative of those for the full year or any future period.

Recently adopted accounting pronouncements— On January 1, 2010, we adopted the updated guidance related to revenue recognition for arrangements with multiple deliverables, which addresses the accounting for multiple-deliverable arrangements and provides guidance on whether multiple deliverables exist, how to separate deliverables and how to measure and allocate arrangement consideration between the identified units of accounting. We elected to adopt the updated guidance on a prospective basis for applicable transactions originating or modified after December 31, 2009. The adoption of the updated guidance did not have a material impact on our consolidated results of operations or financial position.

On January 1, 2010, we adopted the updated guidance related to fair value measurements and disclosures, which requires separate disclosure of significant transfers in and out of Level 1 and Level 2 fair value measurements and to describe the reasons for the transfers. In addition, in the reconciliation for fair value measurements using significant unobservable inputs, or Level 3, a separate disclosure is required of information about purchases, sales, issuances and settlements (that is, on a gross basis rather than one net number). The updated guidance also requires fair value measurement disclosures for each class of assets and liabilities and disclosures about the valuation techniques and inputs used to measure fair value. We have not yet adopted the guidance with respect to the activity in Level 3 fair value measurements as it is not effective until our first quarter of 2011. We have updated our disclosures to comply with the updated guidance, which did not have an impact on our consolidated results of operations or financial condition.

Note 2: Inventories

Inventories consisted of the following:

(In millions)

	September 30, 2010	December 31, 2009
Raw materials	$72.1	$61.7
Work in process	43.5	28.5
Finished goods	76.9	74.6
Gross inventories before LIFO reserves and valuation adjustments	192.5	164.8
LIFO reserves and valuation adjustments	(60.9)	(57.8)
Net inventories	$131.6	$107.0

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Note 3: Pension and Other Postretirement Benefits

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

	Pension Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2010	2009	2010	2009
Service cost	$ 0.4	$ 2.1	$ 1.2	$ 6.3
Interest cost	3.5	3.7	10.6	11.2
Expected return on assets	(4.6)	(4.4)	(13.8)	(13.1)
Amortization of prior service benefit	-	-	-	(0.1)
Amortization of actuarial losses, net	0.2	0.6	0.5	1.8
Curtailment gain	-	(0.8)	-	(0.8)
Settlement cost	-	0.1	0.3	0.5
Net periodic benefit (income) cost	$ (0.5)	$ 1.3	$ (1.2)	$ 5.8

	Other Postretirement Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2010	2009	2010	2009
Service cost	$ -	$ -	$ 0.1	$ 0.1
Interest cost	0.1	0.1	0.3	0.3
Amortization of prior service benefit	(0.2)	(0.1)	(0.7)	(0.6)
Net periodic benefit income	$ (0.1)	$ -	$ (0.3)	$ (0.2)

Note 4: Stock-based Compensation

Stock-based compensation expense was $1.9 million and $2.1 million for the three months ended September 30, 2010 and 2009, respectively, and $5.4 million and $5.9 million for the nine months ended September 30, 2010 and 2009, respectively.

In the nine months ended September 30, 2010, we granted the following restricted stock awards:

	Shares	Weighted Average Grant Date Fair Value
Time-based	273,213	
Performance-based	91,371 *	
Granted during the nine months ended September 30, 2010	364,584	$16.75

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* Assumes target payout

We granted time-based restricted stock awards, most of which vest after three years. The fair value of these time-based awards was determined using the market value of our common stock on the grant date. Compensation cost is recognized over the lesser of the stated vesting period or the period until the employee reaches age 62, the retirement eligible age under the plan. We also granted restricted stock awards with performance-based conditions. The vesting period for these awards is three years.

For current year performance-based awards, actual payouts may vary from zero to 182,742 shares and will be dependent upon our performance relative to prior year with respect to earnings growth and return on investment for the year ending December 31, 2010. Compensation cost is measured based on the current expected outcome of the performance conditions and may be adjusted until the performance period ends.

Note 5: Stockholders' Equity

During the nine months ended September 30, 2010 and the year ended December 31, 2009, 0.6 million shares and 0.1 million shares, respectively, were issued in connection with our stock-based compensation plan.

Comprehensive income consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2010	2009	2010	2009
Net income	$9.4	$8.3	$21.5	$22.1
Foreign currency translation adjustments	11.8	5.8	2.2	12.5
Derivatives designated as hedges, net of tax of $(0.1) for the three months ended September 30, 2010 and 2009, and $0.6 for the nine months ended September 30, 2009	(0.2)	(0.2)	-	1.0
Pension and other postretirement liability adjustments, net of tax of $0.1 and $9.8 for the three months ended September 30, 2010 and 2009, respectively, and $0.1 and $10.0 for the nine months ended September 30, 2010 and 2009, repectively.	-	15.0	-	15.7
Comprehensive income	$21.0	$28.9	$23.7	$51.3

Note 6: Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS is computed in the same manner, except that the weighted average number of common shares outstanding is adjusted to reflect the assumed conversion of all dilutive securities.

The following table sets forth the computation of basic and diluted EPS from continuing operations for the respective periods and our basic and dilutive shares outstanding:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions, except per share data)	2010	2009	2010	2009
Basic earnings per share:				
Income from continuing operations	$9.4	$8.4	$21.5	$22.2
Weighted average number of shares outstanding	28.3	27.7	28.2	27.6
Basic earnings per share from continuing operations	$0.33	$0.30	$0.76	$0.80
Diluted earnings per share:				
Income from continuing operations	$9.4	$8.4	$21.5	$22.2
Weighted average number of shares outstanding	28.3	27.7	28.2	27.6
Effect of dilutive securities:				
Options on common stock	0.1	-	0.1	0.1
Restricted stock	0.8	1.0	0.8	0.8
Total shares and dilutive securities	29.2	28.7	29.1	28.5
Diluted earnings per share from continuing operations	$0.32	$0.29	$0.74	$0.78

Note 7: Derivative Financial Instruments and Risk Management

Derivative financial instruments— We hold derivative financial instruments for the purpose of hedging foreign currency risks and interest rate risks of certain identifiable and anticipated transactions.

We manufacture and sell our products in a number of countries throughout the world and, as a result, are exposed to movements in foreign currency exchange rates. Our major foreign currency exposures involve the markets in Western Europe, South America and Asia. The purpose of our foreign currency hedging activities is to manage the economic impact of exchange rate volatility associated with anticipated foreign currency purchases and sales made in the normal course of business as well as intercompany borrowings. We primarily utilize forward exchange contracts with maturities of less than 2 years. As of September 30, 2010, we held forward exchange contracts with an aggregate notional value of $308.0 million. Many of our sales and purchase contracts are written contemplating this risk and therefore contain embedded derivatives, which we take into consideration as part of our risk management policy.

Additionally, we have entered into an interest rate swap to hedge a portion of our variable rate debt. The interest rate swap effectively fixes the annual interest rate on a portion of our variable rate debt at 3.675% plus a margin dependent on our leverage ratio. For the periods prior to January 30, 2010, the interest rate swap covered $50 million of our borrowings and for the period from January 30, 2010 to January 31, 2011, the interest rate swap covers $25 million of our borrowings.

Our policy is to hold derivatives only for the purpose of hedging risks and not for trading purposes where the objective is solely to generate profit. Generally, we enter into hedging relationships such that changes in the fair values or cash flows of transactions being hedged are expected to be offset by corresponding changes in the fair value of the derivatives.

With the exception of the interest rate swap and certain foreign exchange derivatives entered into prior to our spin-off in July 2008, we do not apply hedge accounting. All derivatives are recognized on the balance sheet at their fair value and classified based on the instrument's maturity date. We do not offset fair value amounts for derivative instruments held with the same counterparty. Changes in the fair value of derivative instruments are recorded in current earnings or deferred in accumulated other comprehensive income (loss) until the underlying transactions are recognized in earnings, depending on the type of hedging transaction and whether a derivative is designated as, and is effective as, a hedge. Cash flows from derivatives are classified as cash flows from operating activities.

The following table presents the fair value of derivative instruments included within the condensed consolidated balance sheets:

	As of September 30, 2010		As of December 31, 2009	
	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
(In millions)	(1)	(2)	(1)	(2)
Derivatives designated as hedging instruments:				