

CUBIC CORP /DE/
Form 10-K/A
May 12, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

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

For the Fiscal Year Ended September 30, 2013

Commission File Number 001-08931

CUBIC CORPORATION

Exact Name of Registrant as Specified in its Charter

Delaware
State of Incorporation

95-1678055
IRS Employer Identification No.

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9333 Balboa Avenue
San Diego, California 92123
Telephone (858) 277-6780

Securities registered pursuant to Section 12(b) of the Act:

Common Stock
Title of each class

New York Stock Exchange, Inc.
Name of exchange on which registered

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. o Yes x No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. o Yes x No

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. x Yes o 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). x Yes o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 x

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 x No

The aggregate market value of 16,839,117 shares of common stock held by non-affiliates of the registrant was: \$717,683,187 as of March 31, 2013, based on the closing stock price on that date. Shares of common stock held by each officer and director and by each person or group who owns 10% or more of the outstanding common stock have been excluded in that such persons or groups may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Number of shares of common stock outstanding as of April 28, 2014 including shares held by affiliates is: 26,788,525 (after deducting 8,945,300 shares held as treasury stock).

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's definitive Proxy Statement filed with the Securities and Exchange Commission on January 9, 2014 pursuant to Regulation 14A in connection with its 2013 Annual Meeting of Shareholders are incorporated by reference into Part III.

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CUBIC CORPORATION

ANNUAL REPORT ON FORM 10-K/A

For the Year Ended September 30, 2013

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EXPLANATORY NOTE REGARDING RESTATEMENT

On February 10, 2014, the Audit and Compliance Committee of the Board of Directors of Cubic Corporation (Company, we, or us), after consultation with Ernst & Young LLP, our independent registered public accounting firm, determined that our financial statements for the fiscal years ended September 30, 2013 and 2012, and each of the quarters of 2013 and 2012 can no longer be relied upon as being in compliance with U.S. generally accepted accounting principles (GAAP), and that we would restate such financial statements to make the necessary accounting corrections.

This Amendment No. 1 on Form 10-K/A to our Annual Report on Form 10-K for the year ended September 30, 2013 is being filed to restate our previously filed consolidated financial statements and data (and related disclosures) for the fiscal years ended September 30, 2013 and 2012, and each of the quarters of 2013 and 2012, and includes certain immaterial corrections to our previously filed consolidated financial statements and data (and related disclosures) for periods prior to the fiscal year ended September 30, 2012.

Accordingly, this Form 10-K/A includes changes to (1) our consolidated balance sheets as of September 30, 2013 and 2012 and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the fiscal years ended September 30, 2013, 2012 and 2011; (2) our selected financial data as of, and for our fiscal years ended, September 30, 2013, 2012, 2011, 2010 and 2009, in Item 6 of this Form 10-K/A; (3) our management's discussion and analysis of financial condition and results of operations as of and for our fiscal years ended September 30, 2013, 2012 and 2011, in Item 7 of this Form 10-K/A; (4) our unaudited quarterly financial information for each quarter in our fiscal years ended September 30, 2013 and 2012 in Note 18 Summary of Quarterly Results of Operations (Unaudited) of the Notes to Consolidated Financial Statements, in Item 8 of this Form 10-K/A; (5) our Risk Factors, in item 1A of this Form 10-K/A; and (6) our disclosures and conclusions regarding Controls and Procedures in Item 9A in this Form 10-K/A. The restatement resulted from our identification of certain errors in our recognition of revenue at a wholly owned subsidiary. See below and Note 2, Restatement of Consolidated Financial Statements of the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K/A for a detailed discussion of the errors and effect of the restatement.

This Form 10-K/A amends and restates in its entirety our Annual Report on Form 10-K for the year ended September 30, 2013. We are filing this Form 10-K/A concurrently with our Quarterly Report on Form 10-Q for the quarter ended December 31, 2013, which was delayed due to the restatement, and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014. Financial information included in the reports on Form 10-K, Form 10-Q and Form 8-K filed by us for the fiscal years ended September 30, 2013 and 2012, and each of the quarters of 2013 and 2012, and all earnings press releases and similar communications issued by us for such periods, should not be relied upon and are superseded in their entirety by this Form 10-K/A.

The following tables present the summary impacts of the restatement adjustments on our previously reported consolidated retained earnings at September 30, 2010 and consolidated sales, operating income, net income and earnings per share for the years ended September 30, 2013, 2012 and 2011 (in thousands, except per share data):

| | | |
|--|----|---------|
| Retained earnings at September 30, 2010 - As previously reported | \$ | 553,452 |
| Adjustments | | (1,687) |
| Retained earnings at September 30, 2010 - As restated | \$ | 551,765 |

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| September 30, | 2013 | 2012 | 2011 |
|--|--------------|--------------|--------------|
| Sales (previously reported) | \$ 1,360,723 | \$ 1,381,495 | \$ 1,295,581 |
| Adjustments | 684 | 22,589 | 6,003 |
| Sales (as restated) | \$ 1,361,407 | \$ 1,404,084 | \$ 1,301,584 |
| Operating income (previously reported) | \$ 36,392 | \$ 128,022 | \$ 113,508 |
| Adjustments | 4,343 | 8,183 | 5,075 |
| Operating income (as restated) | \$ 40,735 | \$ 136,205 | \$ 118,583 |
| Net income (previously reported) | \$ 19,798 | \$ 91,900 | \$ 83,594 |
| Adjustments | 5,288 | 5,527 | 2,450 |
| Net income (as restated) | \$ 25,086 | \$ 97,427 | \$ 86,044 |
| Earnings per share (previously reported) | \$ 0.74 | \$ 3.44 | \$ 3.13 |
| Adjustments | 0.20 | 0.20 | 0.09 |
| Earnings per share (as restated) | \$ 0.94 | \$ 3.64 | \$ 3.22 |

Correction of Identified Errors

On February 20, 2014, we announced that we would be restating certain previously issued audited consolidated financial statements and unaudited condensed consolidated financial statements primarily to correct two errors in the recognition of revenue.

In 2012, we restated our financial statements for the years ended September 30, 2011, 2010 and 2009, the quarters ended March 31, 2012 and December 31, 2011 and each of the prior quarters of 2011 and 2010. This previous restatement was the result of our determination that we had made errors in the calculation of revenues for a significant number of our contracts due to incorrect application of GAAP. In the course of our financial statement closing process for the quarter ended December 31, 2013, we identified two errors related to revenue recognition for two contracts with the same customer that date back to the previous restatement period. The first error was related to the computation of revenues for a contract that was entered into in 2011. The error resulted from a miscalculation in a revenue recognition model that was created during the previous restatement activity. The second error relates to a contract entered into in 2007 and was the result of a failure to appropriately update the contract value in our revenue accounting system as well as a failure to properly account for a 2008 amendment to this contract. Upon modification of this second contract in 2008, the cost-to-cost percentage of completion method should no longer have been used, and revenue should have been recognized using a service-based model.

In addition to the errors described above, we also made adjustments related to other individually immaterial errors including certain corrections that had been previously identified but not recorded because they were not material, individually or in the aggregate, to the Company's consolidated financial statements. These corrections included: certain accrued liabilities and reserves and miscellaneous reclassification entries; adjustments to various income tax and indirect tax accrual accounts; and adjustments to sales and cost of sales to correct cutoff on immaterial revenue recognition transactions. While none of these other adjustments were individually material, they are being made as part of the restatement process.

For more information regarding the restatement, refer to Management's Discussion and Analysis of Financial Condition and Results of Operations, in Item 7 of this Form 10-K/A and Note 2, Restatement of Consolidated Financial Statements, and Note 18, Summary of Quarterly Results of Operations (Unaudited), of the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K/A.

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In connection with the restatement, management has assessed the effectiveness of our disclosure controls and procedures and has included revised disclosure in Item 9A of this Form 10-K/A, Controls and Procedures. Management identified material weaknesses in our internal control over financial reporting with respect to the identified revenue recognition errors related to one of our wholly owned subsidiaries as described under Management's Report on Internal Control over Financial Reporting in Item 9A of this Form 10-K/A. Solely as a result of these material weaknesses, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective at a reasonable assurance level as of September 30, 2013. Management has taken and is taking steps, as described under Management's Remediation Initiatives in Item 9A of this Form 10-K/A, to remediate the material weaknesses in our internal control over financial reporting. We believe that, as a result of management's in-depth review of its accounting processes, and the additional procedures management has implemented, there are no material inaccuracies or omissions of material fact in this Form 10-K/A and, to the best of our knowledge, we believe that the consolidated financial statements in this Form 10-K/A fairly present in all material aspects the financial condition, results of operations and cash flows of the Company in conformity with GAAP.

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Item 15 of this Form 10-K/A has been amended to contain the currently-dated certifications from our principal executive officer and principal financial officer, as required by Section 302 and 906 of the Sarbanes-Oxley Act of 2002. Ernst & Young LLP has dual dated its reports on the consolidated financial statements and internal control over financial reporting to the board of directors and stockholders with regard to the effects on the consolidated financial statements of the restatement as described in Note 2 of the consolidated financial statements and the material weaknesses described previously and updated their consent to the date of this filing.

PART I

Item 1. BUSINESS.

GENERAL

CUBIC CORPORATION (Cubic) is a leading international provider of cost-effective systems and solutions that address the mass transit and global defense markets' most pressing challenges. We believe that we have significant transportation and defense industry expertise which, combined with our innovative technology capabilities, contributes to our leading customer positions and allows us to deepen and further expand each of our business segments in key markets. We operate in three reportable business segments across the global transportation and defense markets.

Our Cubic Transportation Systems (CTS) business accounted for approximately 39% of our sales in fiscal year 2013. CTS specializes in the design, development, production, installation, maintenance and operation of automated fare payment and revenue management infrastructure and technologies for transit operators. As part of our turnkey solutions, CTS also provides these customers with a comprehensive suite of business process outsourcing (BPO) services and expertise, such as card and payment media management, central systems and application support, retail network management, passenger call centers and financial clearing and settlement support. As transit authorities seek to optimize their operations by outsourcing bundled systems and services, CTS has transformed itself from a provider of automated fare collection (AFC) systems into a systems integrator and services company focused on the intelligent transportation market.

Our complementary defense businesses, Mission Support Services (MSS) and Cubic Defense Systems (CDS), provided approximately 61% of our sales in fiscal year 2013. MSS is a provider of live, virtual and constructive training services to all four branches of the U.S. military, including the special operations communities, as well as to allied nations. In addition, MSS offers a broad range of highly specialized national security solutions to the intelligence community. CDS is a leading provider of realistic, high-fidelity air, ground combat, surface, and cyber training systems for the U.S. and allied nations. These training solutions offer the latest live, virtual, constructive, and game-based technology, integrated to optimize training effectiveness. CDS is also a key supplier of secure communications solutions, including Intelligence, Surveillance and Reconnaissance (ISR) data links, Communications datalinks, Cyber products, and Asset Tracking systems.

We have a broad customer base across our businesses, with approximately 61% of our fiscal year 2013 sales generated from the U.S. federal, state and local governments. Approximately 5% of these domestic sales were attributable to Foreign Military Sales, which are sales to allied foreign governments facilitated by the U.S. government. The remainder of the fiscal year 2013 sales were attributable to sales to foreign government agencies. In fiscal year 2013, 59% of our total sales were derived from services, with product sales accounting for the remaining 41%. Headquartered in San Diego, California, we had approximately 8,200 employees working on 5 continents and in 26 countries as of

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September 30, 2013.

We were incorporated in the State of California in 1949 and began operations in 1951. In 1984, we moved our corporate domicile to the State of Delaware. Our internet address is www.Cubic.com. The content on our website is available for information purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this Form 10-K/A. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports can be found on our internet website under the heading "Investor Relations". We make these reports readily available free of charge in a reasonably practicable time after we electronically file these materials with the Securities and Exchange Commission (the SEC).

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BUSINESS SEGMENTS

Information regarding the amounts of revenue, operating profit and loss and identifiable assets attributable to each of our business segments, is set forth in Note 17 to the Consolidated Financial Statements for the year ended September 30, 2013. Additional information regarding the amounts of revenue and operating profit and loss attributable to major classes of products and services is set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations, which follows in Item 7 of this Form 10-K/A.

TRANSPORTATION SYSTEMS SEGMENT

CTS is a systems integrator of payment and information technology and services for intelligent travel solutions. We deliver integrated systems for transportation and traffic management, delivering tools for travelers to choose the smartest and easiest way to travel and pay for their journeys, and enabling transportation authorities and agencies to manage demand across the entire transportation network all in real time. We offer fare collection devices, software, systems and multiagency, multimodal integration technologies, as well as a full suite of operational services that help agencies and operators efficiently collect fares, manage operations, reduce revenue leakage and make transportation more convenient. Through our NextBus and ITMS businesses, respectively, we also deliver real-time passenger information systems for tracking bus arrival times and we are a leading provider of intelligent transport solutions and technology maintenance services to UK and international government road transport agencies.

CTS is comprised of approximately 2,100 employees working in major transportation markets worldwide. As an established partner with transportation authorities and operators worldwide, we have installed over 130,000 devices and deployed several central systems which in total process approximately 23 billion fare-related transactions per, generating more than \$18 billion of revenue per year for such transportation authorities and operators. Products accounted for 47% of the segment's fiscal year 2013 sales, with services accounting for the remaining 53%.

We believe that we hold the leading market position in large-scale automated fare payment and revenue management systems and services for major metropolitan areas. CTS has delivered over 20 regional back office operations which together integrate over 130 transport operators and serve over 38 million people every day in major markets around the world. We have implemented and, in many cases, operate automated fare payment and revenue management systems for some of the world's largest public transit systems, such as London (Oyster®), the San Francisco Bay Area (Clipper®) and the Los Angeles region (TAP®). In addition, the segment has numerous active projects worldwide, including in the New York (Metrocard®) / New Jersey (PATCO®, PATH Smartlink®) region, Chicago (Ventra®), Vancouver, Sydney, Brisbane, the Frankfurt / RMV region, Sweden, the Washington, D.C. / Maryland / Virginia region, the San Diego region, Miami, Minneapolis / St. Paul and Atlanta. In addition to helping us secure similar projects in new markets, our comprehensive suite of new technologies and capabilities enables us to benefit from a recurring stream of revenues in established markets resulting from innovative new services, technology obsolescence, equipment refurbishment and the introduction of new or adjacent applications.

Consistent with our history of creating next-generation, state-of-the-art technologies and systems, we are in the process of developing and implementing components of our NextCity® initiative, which envisions integrated payment and information technology and services across all modes of transport and which has been furthered by our acquisitions of NextBus and ITMS. NextCity comprises a fully integrated solution offering innovative fare payment technologies, such as contactless bank cards, general purpose reloadable (GPR) cards, transit branded debit/credit cards and near field communication (NFC) phones directly at the point of travel, predictive data analytics, and intermodal compatibility across an entire transportation network. Two key information technology (IT) components of NextCity are the creation and distribution of real-time data through the integration of payment and information systems, ultimately enabling operators to manage demand and customers to manage their travel through improved data analytics and seamless access to predictive and relevant information, as well as the

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specialization in the development and supply of complex traffic management systems for the monitoring and control of urban and inter-urban road networks, encompassing integrated traffic and incident management, decision support, bus tracking and passenger information through integrated user interfaces.

Our hardware systems and services offerings are summarized as follows:

| Devices | | Systems | | Services |
|------------------------|---|---|---|--|
| • Point-of-sale | • | Multimodal payment and revenue management | • | Central system and application support |
| • Farebox | • | Bus | • | Systems operation and maintenance |
| • Driver control units | • | Bus Rapid Transit | • | Field asset management services |
| • Gates | • | Rail | • | Passenger call centers |
| • Validators | • | Light rail | • | Card and payment media management |
| • Vendor | • | Commuter rail | | |
| • Back office encoders | • | & | | |