

TRINITY INDUSTRIES INC  
Form 10-Q  
October 27, 2016

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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 SEPTEMBER 30, 2016  
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  
(Exact name of registrant as specified in its charter)

Delaware 75-0225040  
(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

2525 N. Stemmons Freeway, Dallas, Texas 75207-2401  
(Address of principal executive offices) (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 October 14, 2016 the number of shares of common stock outstanding was 152,256,733.

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## PART I

## Item 1. Financial Statements

## Trinity Industries, Inc. and Subsidiaries

## Consolidated Statements of Operations

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in millions, except per share amounts)			
Revenues:				
Manufacturing	\$938.5	\$1,295.6	\$2,837.4	\$4,123.5
Leasing	173.2	246.6	647.1	722.2
	1,111.7	1,542.2	3,484.5	4,845.7
Operating costs:				
Cost of revenues:				
Manufacturing	745.4	976.0	2,258.4	3,162.3
Leasing	81.9	133.4	356.5	377.8
	827.3	1,109.4	2,614.9	3,540.1
Selling, engineering, and administrative expenses:				
Manufacturing	54.9	71.5	176.6	202.2
Leasing	11.8	15.4	33.9	38.4
Other	35.6	39.7	95.0	98.7
	102.3	126.6	305.5	339.3
Gains on dispositions of property:				
Net gains on railcar lease fleet sales owned more than one year at the time of sale	—	57.8	13.5	102.8
Other	1.5	0.9	1.0	11.8
	1.5	58.7	14.5	114.6
Total operating profit	183.6	364.9	578.6	1,080.9
Other (income) expense:				
Interest income	(1.4 )	(0.6 )	(3.9 )	(1.6 )
Interest expense	45.3	46.7	136.7	148.8
Other, net	0.2	(1.0 )	(5.4 )	(4.0 )
	44.1	45.1	127.4	143.2
Income before income taxes	139.5	319.8	451.2	937.7
Provision for income taxes	49.9	107.6	160.7	315.7
Net income	89.6	212.2	290.5	622.0
Net income attributable to noncontrolling interest	5.4	7.9	14.5	25.5
Net income attributable to Trinity Industries, Inc.	\$84.2	\$204.3	\$276.0	\$596.5
Net income attributable to Trinity Industries, Inc. per common share:				
Basic	\$0.55	\$1.32	\$1.81	\$3.84
Diluted	\$0.55	\$1.31	\$1.81	\$3.78
Weighted average number of shares outstanding:				
Basic	148.7	150.0	148.3	150.6
Diluted	148.7	150.9	148.3	153.1
Dividends declared per common share	\$0.11	\$0.11	\$0.33	\$0.32
See accompanying notes to consolidated financial statements.				



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

	Three Months Ended September 30, 2016 2015		Nine Months Ended September 30, 2016 2015	
	(in millions)			
Net income	\$89.6	\$212.2	\$290.5	\$622.0
Other comprehensive income (loss):				
Derivative financial instruments:				
Unrealized losses arising during the period, net of tax expense (benefit) of \$0.1, \$(0.2), \$(0.1), and \$(0.4)	—	(0.5 )	(0.7 )	(0.8 )
Reclassification adjustments for losses included in net income, net of tax benefit of \$0.1, \$0.2, \$0.6, and \$3.3	1.2	1.2	3.4	7.6
Currency translation adjustment	(0.4 )	(2.6 )	1.4	(5.2 )
Defined benefit plans:				
Amortization of net actuarial losses, net of tax benefit of \$0.4, \$0.5, \$1.4, and \$1.5	0.8	0.8	2.4	2.4
	1.6	(1.1 )	6.5	4.0
Comprehensive income	91.2	211.1	297.0	626.0
Less: comprehensive income attributable to noncontrolling interest	6.2	8.4	16.5	27.5
Comprehensive income attributable to Trinity Industries, Inc.	\$85.0	\$202.7	\$280.5	\$598.5
See accompanying notes to consolidated financial statements.				

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

	September 30, 2016 (unaudited) (in millions)	December 31, 2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 557.8	\$ 786.0
Short-term marketable securities	284.7	84.9
Receivables, net of allowance	372.2	369.9
Income tax receivable	54.9	94.9
Inventories:		
Raw materials and supplies	406.1	478.6
Work in process	265.1	222.8
Finished goods	198.4	241.7
	869.6	943.1
Restricted cash, including partially-owned subsidiaries of \$81.7 and \$89.9	183.9	195.8
Property, plant, and equipment, at cost, including partially-owned subsidiaries of \$1,978.6 and \$1,980.1	7,713.9	7,145.4
Less accumulated depreciation, including partially-owned subsidiaries of \$351.9 and \$313.7	(1,950.7 )	(1,797.4 )
	5,763.2	5,348.0
Goodwill	754.5	753.8
Other assets	294.8	309.5
	\$9,135.6	\$ 8,885.9
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable	\$211.0	\$ 216.8
Accrued liabilities	477.7	529.6
Debt:		
Recourse, net of unamortized discount of \$31.5 and \$44.2	847.4	836.7
Non-recourse:		
Wholly-owned subsidiaries	880.7	928.7
Partially-owned subsidiaries	1,379.0	1,430.0
	3,107.1	3,195.4
Deferred income	24.2	27.1
Deferred income taxes	936.0	752.2
Other liabilities	125.2	116.1
	4,881.2	4,837.2
Stockholders' equity:		
Preferred stock – 1.5 shares authorized and unissued	—	—
Common stock – 400.0 shares authorized	1.5	1.5
Capital in excess of par value	528.9	548.5
Retained earnings	3,446.4	3,220.3
Accumulated other comprehensive loss	(110.9 )	(115.4 )
Treasury stock	(4.4 )	(1.0 )
	3,861.5	3,653.9
Noncontrolling interest	392.9	394.8
	4,254.4	4,048.7
	\$9,135.6	\$ 8,885.9

See accompanying notes to consolidated financial statements.



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

	Nine Months Ended September 30, 2016 2015 (in millions)	
Operating activities:		
Net income	\$290.5	\$622.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	210.6	197.9
Stock-based compensation expense	33.2	46.3
Excess tax benefits from stock-based compensation	(0.8 )	(13.1 )
Provision for deferred income taxes	158.1	13.8
Net gains on railcar lease fleet sales owned more than one year at the time of sale	(13.5 )	(102.8 )
Gains on dispositions of property and other assets	(1.0 )	(11.8 )
Non-cash interest expense	21.3	23.0
Other	(3.1 )	(1.1 )
Changes in assets and liabilities:		
(Increase) decrease in receivables	37.7	(43.9 )
(Increase) decrease in inventories	73.5	50.7
(Increase) decrease in restricted cash	—	(9.4 )
(Increase) decrease in other assets	8.5	(16.1 )
Increase (decrease) in accounts payable	(5.8 )	(0.8 )
Increase (decrease) in accrued liabilities	(26.4 )	(128.7 )
Increase (decrease) in other liabilities	9.3	4.3
Net cash provided by operating activities	792.1	630.3
Investing activities:		
(Increase) decrease in short-term marketable securities	(199.8 )	75.0
Proceeds from dispositions of property and other assets	8.9	6.1
Proceeds from railcar lease fleet sales owned more than one year at the time of sale	37.7	313.4
Capital expenditures – leasing, net of sold lease fleet railcars owned one year or less with a net cost of \$92.0 and \$150.0	(555.2 )	(642.2 )
Capital expenditures – manufacturing and other	(101.1 )	(145.1 )
Acquisitions, net of cash acquired	—	(46.2 )
Divestitures	—	51.3
Other	4.0	4.8
Net cash required by investing activities	(805.5 )	(382.9 )
Financing activities:		
Proceeds from issuance of common stock, net	—	0.2
Excess tax benefits from stock-based compensation	0.8	13.1
Payments to retire debt	(106.0 )	(530.8 )
Proceeds from issuance of debt	—	242.4
Decrease in restricted cash	11.9	32.3
Shares repurchased	(34.7 )	(107.5 )
Dividends paid to common shareholders	(50.0 )	(48.0 )



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Purchase of shares to satisfy employee tax on vested stock	(16.4 )	(27.4 )
Distributions to noncontrolling interest	(18.4 )	(30.4 )
Other	(2.0 )	(1.4 )
Net cash required by financing activities	(214.8 )	(457.5 )
Net decrease in cash and cash equivalents	(228.2 )	(210.1 )
Cash and cash equivalents at beginning of period	786.0	887.9
Cash and cash equivalents at end of period	\$557.8	\$677.8
See accompanying notes to consolidated financial statements.		

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

	Common Stock Shares	\$0.01 Par Value	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock Shares	Trinity Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity	
(in millions, except par value)										
Balances at December 31, 2015	152.9	\$ 1.5	\$ 548.5	\$ 3,220.3	\$ (115.4 )	(0.1)	\$(1.0)	\$ 3,653.9	\$ 394.8	\$ 4,048.7
Net income	—	—	—	276.0	—	—	—	276.0	14.5	290.5
Other comprehensive income	—	—	—	—	4.5	—	—	4.5	2.0	6.5
Cash dividends on common stock	—	—	—	(49.9 )	—	—	—	(49.9 )	—	(49.9 )
Restricted shares, net	2.6	—	36.8	—	—	(1.1)	(20.0 )	16.8	—	16.8
Shares repurchased	—	—	—	—	—	(2.1)	(34.7 )	(34.7 )	—	(34.7 )
Excess net tax deficiency from stock-based compensation	—	—	(4.7 )	—	—	—	—	(4.7 )	—	(4.7 )
Disbursements to non-controlling interest	—	—	—	—	—	—	—	—	(18.4 )	(18.4 )
Retirement of treasury stock	(3.1 )	—	(51.7 )	—	—	3.1	51.7	—	—	—
Other	—	—	—	—	—	—	(0.4 )	(0.4 )	—	(0.4 )
Balances at September 30, 2016	152.4	\$ 1.5	\$ 528.9	\$ 3,446.4	\$ (110.9 )	(0.2)				