

TRINITY INDUSTRIES INC
Form 10-Q
April 25, 2019

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, 2019

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

(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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "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

At April 18, 2019, the number of shares of common stock outstanding was 129,837,772.

TRINITY INDUSTRIES, INC.
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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, 2019 2018 (in millions, except per share amounts)	
Revenues:		
Manufacturing	\$404.6	\$358.9
Leasing	200.2	174.3
	604.8	533.2
Operating costs:		
Cost of revenues:		
Manufacturing	351.6	306.5
Leasing	111.8	93.4
	463.4	399.9
Selling, engineering, and administrative expenses:		
Manufacturing	23.2	23.5
Leasing	12.8	12.2
Other	23.6	37.7
	59.6	73.4
Gains on dispositions of property:		
Net gains on railcar lease fleet sales owned more than one year at the time of sale	7.9	2.1
Other	2.1	0.1
	10.0	2.2
Total operating profit	91.8	62.1
Other (income) expense:		
Interest income	(1.3)	(3.9)
Interest expense	52.7	46.3
Other, net	0.3	(1.2)
	51.7	41.2
Income from continuing operations before income taxes	40.1	20.9
Provision for income taxes	8.9	5.7
Income from continuing operations	31.2	15.2
Income (loss) from discontinued operations, net of provision (benefit) for income taxes of (\$0.2) and \$9.1	(1.1)	26.4
Net income	30.1	41.6
Net income (loss) attributable to noncontrolling interest	(0.5)	1.4
Net income attributable to Trinity Industries, Inc.	\$30.6	\$40.2
Basic earnings per common share:		
Income from continuing operations	\$0.24	\$0.09
Income (loss) from discontinued operations	(0.01)	0.18
Basic net income attributable to Trinity Industries, Inc.	\$0.23	\$0.27

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Diluted earnings per common share:		
Income from continuing operations	\$0.24	\$0.09
Income (loss) from discontinued operations	(0.01)	0.17
Diluted net income attributable to Trinity Industries, Inc.	\$0.23	\$0.26
Weighted average number of shares outstanding:		
Basic	130.4	147.4
Diluted	132.2	153.7
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, 2019 2018 (in millions)	
Net income	\$30.1	\$41.6
Other comprehensive income (loss):		
Derivative financial instruments:		
Unrealized gains (losses) arising during the period, net of tax expense (benefit) of \$(1.7) and \$0.2	(5.5)	0.8
Reclassification adjustments for losses included in net income, net of tax expense (benefit) of \$(0.4) and \$0.3	0.9	1.0
Currency translation adjustment	—	(0.7)
Defined benefit plans:		
Amortization of net actuarial losses, net of tax benefit of \$0.3 and \$0.4	0.8	0.8
	(3.8)	1.9
Comprehensive income	26.3	43.5
Less: comprehensive income (loss) attributable to noncontrolling interest	(0.3)	1.8
Comprehensive income attributable to Trinity Industries, Inc.	\$26.6	\$41.7
See accompanying notes to Consolidated Financial Statements.		

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

	March 31, December 31, 2019 2018 (unaudited) (in millions)	
ASSETS		
Cash and cash equivalents	\$73.9	\$ 179.2
Receivables, net of allowance	370.0	276.6
Income tax receivable	16.1	40.4
Inventories:		
Raw materials and supplies	349.9	342.5
Work in process	204.1	119.3
Finished goods	64.4	62.9
	618.4	524.7
Restricted cash, including partially-owned subsidiaries of \$29.0 and \$36.6	114.2	171.6
Property, plant, and equipment, at cost, including partially-owned subsidiaries of \$2,042.3 and \$2,032.0	8,723.2	8,253.4
Less accumulated depreciation, including partially-owned subsidiaries of \$485.9 and \$472.0	(1,976.4)	(1,919.0)
	6,746.8	6,334.4
Goodwill	208.8	208.8
Other assets	265.7	253.5
	\$8,413.9	\$ 7,989.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$197.3	\$ 212.1
Accrued liabilities	336.3	368.3
Debt:		
Recourse	647.5	397.4
Non-recourse:		
Wholly-owned subsidiaries	2,513.7	2,316.6
Partially-owned subsidiaries	1,305.2	1,315.2
	4,466.4	4,029.2
Deferred income	—	17.7
Deferred income taxes	752.7	743.1
Other liabilities	96.1	56.8
	5,848.8	5,427.2
Stockholders' equity:		
Preferred stock – 1.5 shares authorized and unissued	—	—
Common stock – 400.0 shares authorized	1.3	1.3
Capital in excess of par value	77.3	1.2
Retained earnings	2,347.9	2,326.1
Accumulated other comprehensive loss	(120.9)	(116.8)
Treasury stock	(91.1)	(1.0)
	2,214.5	2,210.8
Noncontrolling interest	350.6	351.2
	2,565.1	2,562.0
	\$8,413.9	\$ 7,989.2

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, 2019 2018 (in millions)	
Operating activities:		
Net income	\$30.1	\$41.6
(Income) loss from discontinued operations, net of income taxes	1.1	(26.4)
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	67.5	58.2
Stock-based compensation expense	5.5	6.2
Provision for deferred income taxes	9.7	4.9
Net gains on railcar lease fleet sales owned more than one year at the time of sale	(7.9)	(2.1)
Gains on dispositions of property and other assets	(2.1)	(0.1)
Non-cash interest expense	3.6	7.4
Other	(1.1)	1.1
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	(69.1)	13.9
(Increase) decrease in inventories	(93.7)	(2.2)
(Increase) decrease in other assets	4.3	(4.7)
Increase (decrease) in accounts payable	(14.8)	8.3
Increase (decrease) in accrued liabilities	(52.8)	(34.5)
Increase (decrease) in other liabilities	(6.2)	2.2
Net cash (used in) provided by operating activities - continuing operations	(125.9)	73.8
Net cash provided by operating activities - discontinued operations	—	99.9
Net cash (used in) provided by operating activities	(125.9)	173.7
Investing activities:		
(Increase) decrease in short-term marketable securities	—	98.7
Proceeds from dispositions of property and other assets	7.3	1.9
Proceeds from railcar lease fleet sales owned more than one year at the time of sale	29.4	15.5
Capital expenditures – leasing, net of sold lease fleet railcars owned one year or less with a net cost of \$12.5 and \$0	(465.0)	(318.2)
Capital expenditures – manufacturing and other	(11.5)	(8.2)
Other	1.3	0.8
Net cash used in investing activities - continuing operations	(438.5)	(209.5)
Net cash used in investing activities - discontinued operations	—	(32.0)
Net cash used in investing activities	(438.5)	(241.5)
Financing activities:		
Payments to retire debt	(214.8)	(26.5)
Proceeds from issuance of debt	649.7	0.9
Shares repurchased	(15.0)	(49.3)
Dividends paid to common shareholders	(17.3)	(19.5)
Purchase of shares to satisfy employee tax on vested stock	(0.5)	(0.1)
Distributions to noncontrolling interest	(0.4)	(5.8)

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Other	—	(3.0)
Net cash provided by (used in) financing activities	401.7	(103.3)
Net decrease in cash, cash equivalents, and restricted cash	(162.7)	(171.1)
Cash, cash equivalents, and restricted cash at beginning of period	350.8	973.8
Cash, cash equivalents, and restricted cash at end of period	\$188.1	\$802.7
See accompanying notes to Consolidated Financial Statements.		

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Table of ContentsTrinity Industries, Inc. and Subsidiaries
Consolidated Statements 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	Treasury Stock Amount	Trinity Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
(in millions, except par value)										
Balances at December 31, 2018	133.3	\$ 1.3	\$ 1.2	\$ 2,326.1	\$ (116.8)	(0.1)	\$(1.0)	\$ 2,210.8	\$ 351.2	\$ 2,562.0
Net income	—	—	—	30.6	—	—	—	30.6	(0.5)	30.1
Other comprehensive (loss) income	—	—	—	—	(4.1)	—	—	(4.1)	0.3	(3.8)
Cash dividends declared on common stock (\$0.17 per common share)	—	—	—	(22.3)	—	—	—	(22.3)	—	(22.3)
Stock-based compensation expense	—	—	5.5	—	—	—	—	5.5	—	5.5
Shares repurchased	—	—	70.0	—	—	(3.5)	(89.0)	(19.0)	—	(19.0)
Other restricted share activity	—	—	0.6	—	—	—	(1.1)	(0.5)	—	(0.5)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	—	(0.4)	(0.4)
Cumulative effect of adopting new accounting standard	—	—	—	13.7	—	—	—	13.7	—	13.7
Other	—	—	—	(0.2)	—	—	—	(0.2)	—	(0.2)
Balances at March 31, 2019	133.3	\$ 1.3	\$ 77.3	\$ 2,347.9	\$ (120.9)	(3.6)	\$(91.1)	\$ 2,214.5	\$ 350.6	\$ 2,565.1
	Common Stock Shares	\$0.01 Par Value	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock Shares	Treasury Stock Amount	Trinity Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
(in millions, except par value)										
Balances at December 31, 2017	150.9	\$ 1.6	\$ 482.5	\$ 4,123.4	\$ (104.8)	(0.1)	\$(1.6)	\$ 4,501.1	\$ 356.9	\$ 4,858.0
Net income	—	—	—	40.2	—	—	—	40.2	1.4	41.6
Other comprehensive income	—	—	—	—	1.5	—	—	1.5	0.4	1.9
Cash dividends declared on common stock	—	—	—	(19.4)	—	—	—	(19.4)	—	(19.4)

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(\$0.13 per common share)

Stock-based compensation expense	—	—	6.2	—	—	—	—	6.2	—	6.2
Shares repurchased	—	—	—	—	—	(1.5)	(50.0)	(50.0)	—	(50.0)
Stock options exercised	—	—	0.1	—	—	—	—	0.1	—	0.1
Distributions to noncontrolling interest	—	—	—	—	—	—	—	—	—	—