

TRINITY INDUSTRIES INC  
Form 10-Q  
April 22, 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 MARCH 31, 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

(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 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 April 15, 2016 the number of shares of common stock outstanding was 150,806,218.

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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,	
	2016	2015
	(in millions, except per share amounts)	
Revenues:		
Manufacturing	\$1,010.1	\$1,382.5
Leasing	177.8	244.2
	1,187.9	1,626.7
Operating costs:		
Cost of revenues:		
Manufacturing	793.9	1,084.5
Leasing	96.0	126.6
	889.9	1,211.1
Selling, engineering, and administrative expenses:		
Manufacturing	61.4	61.3
Leasing	10.4	10.3
Other	24.7	26.7
	96.5	98.3
Gains (losses) on dispositions of property:		
Net gains on railcar lease fleet sales owned more than one year at the time of sale	2.1	14.9
Other	(0.2)	) 0.9
	1.9	15.8
Total operating profit	203.4	333.1
Other (income) expense:		
Interest income	(1.2)	) (0.5)
Interest expense	45.8	51.5
Other, net	(0.7)	) (2.3)
	43.9	48.7
Income before income taxes	159.5	284.4
Provision for income taxes	57.4	95.4
Net income	102.1	189.0
Net income attributable to noncontrolling interest	4.9	8.8
Net income attributable to Trinity Industries, Inc.	\$97.2	\$180.2
Net income attributable to Trinity Industries, Inc. per common share:		
Basic	\$0.64	\$1.15
Diluted	\$0.64	\$1.13
Weighted average number of shares outstanding:		
Basic	148.3	151.2
Diluted	148.3	154.3
Dividends declared per common share	\$0.11	\$0.10
See accompanying notes to consolidated financial statements.		



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

	Three Months Ended March 31, 2016 2015 (in millions)	
Net income	\$102.1	\$189.0
Other comprehensive income (loss):		
Derivative financial instruments:		
Unrealized losses arising during the period, net of tax benefit of \$0.2 and \$0.2	(0.4 )	(0.3 )
Reclassification adjustments for losses included in net income, net of tax benefit of \$0.4 and \$2.1	1.0	3.8
Currency translation adjustment	1.5	(3.8 )
Defined benefit plans:		
Amortization of net actuarial losses, net of tax benefit of \$0.5 and \$0.5	0.8	0.8
	2.9	0.5
Comprehensive income	105.0	189.5
Less: comprehensive income attributable to noncontrolling interest	5.4	9.4
Comprehensive income attributable to Trinity Industries, Inc.	\$99.6	\$180.1
See accompanying notes to consolidated financial statements.		

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

	March 31, December 31, 2016      2015 (unaudited) (in millions)	
<b>ASSETS</b>		
Cash and cash equivalents	\$635.7	\$ 786.0
Short-term marketable securities	199.9	84.9
Receivables, net of allowance	375.0	369.9
Income tax receivable	21.9	94.9
Inventories:		
Raw materials and supplies	457.8	478.6
Work in process	260.2	222.8
Finished goods	218.1	241.7
	936.1	943.1
Restricted cash, including partially-owned subsidiaries of \$83.6 and \$89.9	185.6	195.8
Property, plant, and equipment, at cost, including partially-owned subsidiaries of \$1,981.6 and \$1,980.1	7,372.2	7,145.4
Less accumulated depreciation, including partially-owned subsidiaries of \$327.6 and \$313.7	(1,848.7 )	(1,797.4 )
	5,523.5	5,348.0
Goodwill	754.7	753.8
Other assets	277.3	309.5
	\$8,909.7	\$ 8,885.9
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable	\$223.8	\$ 216.8
Accrued liabilities	452.3	529.6
Debt:		
Recourse, net of unamortized discount of \$40.0 and \$44.2	840.4	836.7
Non-recourse:		
Wholly-owned subsidiaries	917.5	928.7
Partially-owned subsidiaries	1,413.1	1,430.0
	3,171.0	3,195.4
Deferred income	25.8	27.1
Deferred income taxes	813.5	752.2
Other liabilities	117.3	116.1
	4,803.7	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	559.5	548.5
Retained earnings	3,300.9	3,220.3
Accumulated other comprehensive loss	(113.0 )	(115.4 )
Treasury stock	(36.3 )	(1.0 )
	3,712.6	3,653.9
Noncontrolling interest	393.4	394.8
	4,106.0	4,048.7
	\$8,909.7	\$ 8,885.9

See accompanying notes to consolidated financial statements.



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Consolidated Statements of Cash Flows  
(unaudited)

	Three Months Ended March 31, 2016 2015 (in millions)	
Operating activities:		
Net income	\$102.1	\$189.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	69.4	64.0
Stock-based compensation expense	10.3	16.4
Excess tax benefits from stock-based compensation	(0.4 )	(0.4 )
Provision (benefit) for deferred income taxes	60.5	(2.9 )
Net gains on railcar lease fleet sales owned more than one year at the time of sale	(2.1 )	(14.9 )
(Gains) losses on dispositions of property and other assets	0.2	(0.9 )
Non-cash interest expense	7.2	7.7
Other	(1.0 )	0.8
Changes in assets and liabilities:		
(Increase) decrease in receivables	67.9	(76.6 )
(Increase) decrease in inventories	7.0	31.7
(Increase) decrease in restricted cash	—	(9.4 )
(Increase) decrease in other assets	30.4	0.8
Increase (decrease) in accounts payable	7.0	4.0
Increase (decrease) in accrued liabilities	(73.3 )	(103.3 )
Increase (decrease) in other liabilities	0.9	3.4
Net cash provided by operating activities	286.1	109.4
Investing activities:		
(Increase) decrease in short-term marketable securities	(115.0 )	(25.0 )
Proceeds from dispositions of property and other assets	1.1	1.6
Proceeds from railcar lease fleet sales owned more than one year at the time of sale	6.7	78.5
Capital expenditures – leasing, net of sold lease fleet railcars owned one year or less with a net cost of \$5.7 and \$53.1	(222.8 )	(283.4 )
Capital expenditures – manufacturing and other	(26.3 )	(53.5 )
Acquisitions, net of cash acquired	—	(45.5 )
Other	0.2	4.2
Net cash required by investing activities	(356.1 )	(323.1 )
Financing activities:		
Excess tax benefits from stock-based compensation	0.4	0.4
Payments to retire debt	(30.4 )	(70.9 )
(Increase) decrease in restricted cash	10.2	33.0
Shares repurchased	(34.7 )	(18.0 )
Dividends paid to common shareholders	(16.8 )	(15.6 )
Purchase of shares to satisfy employee tax on vested stock	(0.1 )	(0.4 )
Distributions to noncontrolling interest	(6.8 )	(11.3 )
Other	(2.1 )	(0.7 )



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Net cash required by financing activities	(80.3 )	(83.5 )
Net decrease in cash and cash equivalents	(150.3 )	(297.2 )
Cash and cash equivalents at beginning of period	786.0	887.9
Cash and cash equivalents at end of period	\$635.7	\$590.7
See accompanying notes to consolidated financial statements.		

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Trinity 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	—	—	—	97.2	—	—	—	97.2	4.9	102.1
Other comprehensive income	—	—	—	—	—	—	—	—	—	—