

TRINITY INDUSTRIES INC

Form 10-Q

October 26, 2011

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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, 2011
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
Trinity Industries, Inc.
(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 Stemmons Freeway
Dallas, Texas
(Address of principal executive offices)

75207-2401
(Zip Code)

Registrant's telephone number, including area code **(214) 631-4420**

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 (Check one).

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller
reporting company)

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, 2011 the number of shares of common stock outstanding was 80,134,838.

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Table of Contents**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,	
	2011	2010	2011	2010
	(in millions, except per share amounts)			
Revenues:				
Manufacturing	\$ 643.7	\$ 417.9	\$ 1,738.2	\$ 1,174.2
Leasing	153.1	122.1	413.3	362.9
	796.8	540.0	2,151.5	1,537.1
Operating costs:				
Cost of revenues:				
Manufacturing	548.7	343.7	1,474.7	975.3
Leasing	82.7	63.8	217.2	198.3
Other	7.1	2.1	22.6	8.3
	638.5	409.6	1,714.5	1,181.9
Selling, engineering, and administrative expenses:				
Manufacturing	35.8	33.7	103.2	99.6
Leasing	6.2	5.4	17.5	14.3
Other	11.5	9.6	30.6	28.7
	53.5	48.7	151.3	142.6
Gain on disposition of flood-damaged property, plant, and equipment	0.6	10.2	0.6	10.2
Total operating profit	105.4	91.9	286.3	222.8
Other (income) expense:				
Interest income	(0.5)	(0.3)	(1.2)	(1.0)
Interest expense	47.9	45.3	136.2	136.3
Other, net	5.3	0.2	4.2	1.1
	52.7	45.2	139.2	136.4
Income before income taxes	52.7	46.7	147.1	86.4
Provision for income taxes	21.1	15.2	58.3	29.5

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Net income	31.6	31.5	88.8	56.9
Net income (loss) attributable to noncontrolling interest	(0.3)	1.8	2.7	6.8
Net income attributable to Trinity Industries, Inc.	\$ 31.9	\$ 29.7	\$ 86.1	\$ 50.1
Net income attributable to Trinity Industries, Inc. per common share:				
Basic	\$ 0.40	\$ 0.37	\$ 1.07	\$ 0.63
Diluted	\$ 0.40	\$ 0.37	\$ 1.07	\$ 0.63
Weighted average number of shares outstanding:				
Basic	77.7	77.0	77.4	76.8
Diluted	77.9	77.1	77.7	76.9
Dividends declared per common share	\$ 0.09	\$ 0.08	\$ 0.26	\$ 0.24
See accompanying notes to consolidated financial statements.				

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Table of Contents**Trinity Industries, Inc. and Subsidiaries
Consolidated Balance Sheets**

	September 30, 2011 (unaudited)	December 31, 2010
	(in millions)	
Assets		
Cash and cash equivalents	\$ 272.8	\$ 354.0
Short-term marketable securities		158.0
Receivables, net of allowance	317.3	232.0
Income tax receivable		7.4
Inventories:		
Raw materials and supplies	314.2	169.4
Work in process	138.5	83.3
Finished goods	93.8	78.6
	546.5	331.3
Property, plant, and equipment, at cost, including TRIP Holdings of \$1,273.5 and \$1,282.1	5,422.7	5,202.2
Less accumulated depreciation, including TRIP Holdings of \$115.6 and \$90.3	(1,191.7)	(1,090.2)
	4,231.0	4,112.0
Goodwill	225.9	197.6
Restricted cash, including TRIP Holdings of \$61.5 and \$46.0	229.4	207.1
Other assets	192.2	160.6
	\$ 6,015.1	\$ 5,760.0
Liabilities and Stockholders Equity		
Accounts payable	\$ 212.9	\$ 132.8
Accrued liabilities	363.4	375.6
Debt:		
Recourse, net of unamortized discount of \$102.7 and \$111.1	456.3	450.3
Non-recourse:		
Parent and wholly-owned subsidiaries	1,602.3	1,453.5
TRIP Holdings	913.3	1,003.9

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	2,971.9	2,907.7
Deferred income	31.9	33.6
Deferred income taxes	423.2	391.0
Other liabilities	93.9	73.6
	4,097.2	3,914.3
Stockholders' equity:		
Preferred stock 1.5 shares authorized and unissued		
Common stock 200.0 shares authorized	81.7	81.7
Capital in excess of par value	626.1	606.1
Retained earnings	1,265.8	1,200.5
Accumulated other comprehensive loss	(114.3)	(95.5)
Treasury stock	(24.7)	(28.0)
	1,834.6	1,764.8
Noncontrolling interest	83.3	80.9
	1,917.9	1,845.7
	\$ 6,015.1	\$ 5,760.0

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows
(unaudited)**

	Nine Months Ended September 30, 2011 2010 (in millions)	
Operating activities:		
Net income	\$ 88.8	\$ 56.9
Adjustments to reconcile net income to net cash (required) provided by operating activities:		
Depreciation and amortization	144.3	143.3
Stock-based compensation expense	16.3	11.3
Excess tax benefits from stock-based compensation	(0.3)	0.1
Provision for deferred income taxes	32.4	48.2
Gain on disposition of railcars from our lease fleet	(11.0)	(4.5)
Gain on disposition of property, plant, equipment, and other assets	(3.5)	(7.7)
Gain on disposition of flood-damaged property, plant, and equipment	(0.6)	(10.2)
Other	3.8	3.6
Changes in assets and liabilities:		
(Increase) decrease in receivables	(79.3)	(81.8)
(Increase) decrease in income tax receivable	7.4	(11.0)
(Increase) decrease in inventories	(208.8)	(114.9)
(Increase) decrease in other assets	(37.7)	17.6
Increase (decrease) in accounts payable	78.6	58.1
Increase (decrease) in accrued liabilities	(25.6)	(40.1)
Increase (decrease) in other liabilities	15.9	(21.7)
Net cash provided by operating activities	20.7	47.2
Investing activities:		
(Increase) decrease in short-term marketable securities	158.0	(150.0)
Proceeds from sales of railcars from our lease fleet	48.1	19.7
Proceeds from disposition of property, plant, equipment, and other assets	6.2	37.3
Proceeds from disposition of flood-damaged property, plant, and equipment	0.6	11.9
Capital expenditures leasing	(236.0)	(173.2)
Capital expenditures manufacturing and other	(38.8)	(21.8)
Capital expenditures replacement of flood-damaged property, plant, and equipment	(13.3)	(9.7)
Acquisitions, net of cash acquired	(42.5)	(46.9)
Net cash required by investing activities	(117.7)	(332.7)
Financing activities:		
Proceeds from issuance of common stock, net	1.8	1.2
Excess tax benefits from stock-based compensation	0.3	(0.1)
Payments to retire debt assumed debt of Quixote		(40.0)

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Payments to retire debt other	(1,068.5)	(77.3)
Proceeds from issuance of long-term debt	1,124.5	
(Increase) decrease in restricted cash	(22.3)	(11.3)
Purchase of additional interest in TRIP Holdings		(28.6)
Dividends paid to common shareholders	(20.0)	(19.0)
Net cash provided (required) by financing activities	15.8	(175.1)
Net decrease in cash and cash equivalents	(81.2)	(460.6)
Cash and cash equivalents at beginning of period	354.0	611.8
Cash and cash equivalents at end of period	\$ 272.8	\$ 151.2

See accompanying notes to consolidated financial statements.

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

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss		Treasury Stock		Trinity Noncontrolling Stockholders		Total Stockholders' Equity
	Shares	Amount			Loss	Shares	Amount	Equity	Interest	Equity	
Balances at December 31, 2010	81.7	\$ 81.7	\$ 606.1	\$ 1,200.5	\$ (95.5)	(1.9)	\$ (28.0)	\$ 1,764.8	\$ 80.9	\$ 1,845.7	
Net income				86.1				86.1	2.7	88.8	
Other comprehensive income, net of tax:											
Currency translation adjustments					(0.1)			(0.1)		(0.1)	
Change in unrealized loss on derivative financial instruments					(3.2)			(3.2)	(0.3)	(3.5)	
Comprehensive net income								82.8	2.4	85.2	
Cash dividends on common stock				(20.8)				(20.8)		(20.8)	
Restricted shares issued, net			5.1			0.2	0.9	6.0		6.0	
Stock options exercised			(0.6)			0.2	2.4	1.8		1.8	
Reclassification of purchase of additional interest in TRIP Holdings			15.5		(15.5)						
Balances at September 30, 2011	81.7	\$ 81.7	\$ 626.1	\$ 1,265.8	\$ (114.3)	(1.5)	\$ (24.7)	\$ 1,834.6	\$ 83.3	\$ 1,917.9	

See accompanying notes to consolidated financial statements.

Table of Contents**Trinity Industries, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(unaudited)****Note 1. Summary of Significant Accounting Policies****Basis of Presentation**

The foregoing consolidated financial statements are unaudited and have been prepared from the books and records of Trinity Industries, Inc. and its subsidiaries (Trinity , Company , we , or our) including its majority-owned subsidiary TRIP Rail Holdings LLC (TRIP Holdings). In our opinion, all normal and recurring adjustments necessary for a fair presentation of the financial position of the Company as of September 30, 2011, and the results of operations for the three and nine month periods ended September 30, 2011 and 2010, and cash flows for the nine month periods ended September 30, 2011 and 2010, have been made in conformity with generally accepted accounting principles. Because of seasonal and other factors, the results of operations for the nine month period ended September 30, 2011 may not be indicative of expected results of operations for the year ending December 31, 2011. These interim financial statements and notes are condensed as permitted by the instructions to Form 10-Q and should be read in conjunction with the audited consolidated financial statements of the Company included in its Form 10-K for the year ended December 31, 2010.

Stockholders Equity

On December 9, 2010, the Company s Board of Directors authorized a new \$200 million share repurchase program, effective January 1, 2011. This program replaced the Company s previous share repurchase program and expires December 31, 2012. No shares were repurchased under this program during the nine months ended September 30, 2011.

For the quarter ended June 30, 2011, an amount of \$15.5 million was reclassified between capital in excess of par value and accumulated other comprehensive loss to properly reflect the additional amount of accumulated unrealized loss on derivative financial instruments attributable to the Company after the purchase of additional interests in TRIP Holdings.

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board issued Accounting Standards Update No. 2011-05, Comprehensive Income (ASC Topic 220): Presentation of Comprehensive Income, (ASU 2011-05) which amends current comprehensive income guidance. This accounting update eliminates the option to present the components of other comprehensive income as part of the statement of shareholders equity. Instead, the Company must report comprehensive income in either a single continuous statement of comprehensive income which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. ASU 2011-05 will be effective for public companies during the interim and annual periods beginning after Dec. 15, 2011 with early adoption permitted. The adoption of ASU 2011-05 will not have an impact on the Company s consolidated financial position, results of operations or cash flows as it only requires a change in the format of the current presentation.

Reclassifications

Certain prior year balances have been reclassified in the Consolidated Statements of Operations to conform to the 2011 presentation.

Note 2. Acquisitions and Divestitures

For the three and nine months ended September 30, 2011, all of our acquisition and divestiture activity was incurred by the Construction Products Group and is summarized as follows:

Three Months Ended September 30, 2011	Nine Months Ended
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