John Bean Technologies CORP
Form 10-Q
August 14, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended June 30, 2008

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 1-34036

John Bean Technologies Corporation

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of** **incorporation or organization)**	**91-1650317** **(I.R.S. Employer** **Identification No.)**
200 East Randolph Drive, Chicago, Illinois **(Address of principal executive offices)**	**60601** **(Zip code)**

(312) 861-5900

(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 x

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, non-accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x	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 x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	**Outstanding at August 1, 2008**
Common Stock, par value $0.01 per share	**27,558,726**

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

John Bean Technologies Corporation

Condensed Combined Statements of Income (Unaudited)

(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	**2007**	**2008**	**2007**
Revenue	$ 276.7	$ 237.9	$ 536.9	$ 432.7
Costs and expenses:				
Cost of sales	209.0	183.1	407.3	329.6
Selling, general and administrative expense	41.0	38.6	80.2	74.9
Research and development expense	6.4	4.5	11.9	9.0
Total costs and expenses	256.4	226.2	499.4	413.5
Other (expense) income, net	(1.0)	(0.1)	1.1	(0.8)
Income before net interest income and income taxes	19.3	11.6	38.6	18.4
Net interest income	0.2		0.3	0.1
Income from continuing operations before income taxes	19.5	11.6	38.9	18.5
Provision for income taxes	6.5	3.6	13.9	6.5
Income from continuing operations	13.0	8.0	25.0	12.0
Income (loss) from discontinued operations, net of income taxes		(0.2)	0.3	(1.0)
Net income	$ 13.0	$ 7.8	$ 25.3	$ 11.0

The accompanying notes are an integral part of the condensed combined financial statements.

John Bean Technologies Corporation

Condensed Combined Balance Sheets

(In millions)

	June 30, 2008 (Unaudited)	December 31, 2007
Assets:		
Current assets:		
Cash and cash equivalents	$ 5.7	$ 9.5
Trade receivables, net of allowances of $6.1 and $6.2, respectively	163.1	179.2
Inventories	162.7	147.2
Prepaid expenses	5.6	4.1
Other current assets	28.6	27.4
Assets of discontinued operations	2.5	2.4
Total current assets	368.2	369.8
Investments	8.0	7.2
Property, plant and equipment, net of accumulated depreciation of $219.1 and $207.9, respectively	132.5	126.8
Goodwill	24.2	23.8
Intangible assets, net	20.4	21.2
Other assets	8.8	9.2
Deferred income taxes	16.2	15.9
Total assets	$ 578.3	$ 573.9
Liabilities and owner s equity:		
Current liabilities:		
Advance payments and progress billings	$ 102.2	$ 105.3
Accounts payable, trade and other	92.3	101.3
Other current liabilities	98.8	97.6
Liabilities of discontinued operations	2.0	2.0
Total current liabilities	295.3	306.2
Accrued pension and other postretirement benefits, less current portion	22.0	19.2
Other liabilities	38.1	34.3
Owner s net investment	220.2	218.3
Accumulated other comprehensive income (loss)	2.7	(4.1)
Total owner s equity	222.9	214.2
Total liabilities and owner s equity	$ 578.3	$ 573.9

The accompanying notes are an integral part of the condensed combined financial statements.

John Bean Technologies Corporation

Condensed Combined Statements of Cash Flows (Unaudited)

(In millions)

	Six Months Ended June 30,	
	2008	2007
Cash provided (required) by operating activities of continuing operations:		
Net income	$ 25.3	$ 11.0
(Income) loss from discontinued operations, net of tax	(0.3)	1.0
Income from continuing operations	25.0	12.0
Adjustments to reconcile net income to cash provided (required) by operating activities of continuing operations:		
Depreciation and amortization	12.6	12.4
Stock based compensation	4.3	4.1
Other	(0.6)	(0.1)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Trade receivables, net	16.2	(0.2)
Inventories	(12.7)	(24.3)
Accounts payable, trade and other	(12.1)	14.1
Advance payments and progress billings	(2.3)	5.0
Other assets and liabilities, net	4.1	(1.4)
Cash provided by operating activities of continuing operations	34.5	21.6
Net cash required by discontinued operations operating	(0.2)	(2.4)
Cash provided by operating activities	34.3	19.2
Cash provided (required) by investing activities:		
Capital expenditures	(12.2)	(10.2)
Proceeds from disposal of assets	0.6	0.9
Cash required by investing activities of continuing operations	(11.6)	(9.3)
Cash provided by discontinued operations investing	0.7	
Cash required by investing activities	(10.9)	(9.3)
Cash provided (required) by financing activities:		
Net decrease in short-term debt	(0.1)	
Distribution to owners	(27.7)	(11.4)
Cash required by financing activities	(27.8)	(11.4)
Effect of exchange rate changes on cash and cash equivalents	0.6	0.3
Decrease in cash and cash equivalents	(3.8)	(1.2)
Cash and cash equivalents, beginning of period	9.5	10.3
Cash and cash equivalents, end of period	$ 5.7	$ 9.1

The accompanying notes are an integral part of the condensed combined financial statements.

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John Bean Technologies Corporation

Notes to Condensed Combined Financial Statements (Unaudited)

Note 1: Background and Basis of Presentation

Background On October 29, 2007, FMC Technologies, Inc. (FMC Technologies) announced an intention to separate into two independent publicly-traded companies through the spin-off and distribution of 100% of the FoodTech and Airport Systems businesses. On July 31, 2008, FMC Technologies effected the spin-off of these businesses by distributing all of its holdings of the common stock of John Bean Technologies Corporation (JBT Corporation or we) on a pro rata basis to its stockholders. JBT Corporation is now an independent public company traded on the New York Stock Exchange (symbol JBT). Prior to the spin-off, FMC Technologies received necessary regulatory approvals including a favorable private letter ruling on the tax-free nature of the transaction from the Internal Revenue Service, as well as a declaration of effectiveness for JBT Corporation s Registration Statement on Form 10, as amended (Form 10), as filed with the Securities and Exchange Commission (SEC). Distribution of the JBT Corporation common stock to the stockholders of FMC Technologies occurred on July 31, 2008, at a ratio of .216 of a share of JBT Corporation common stock for every share of FMC Technologies common stock held by each such holder on the record date of July 22, 2008.

Description of Business JBT Corporation designs, manufactures and services sophisticated machinery and systems for, and provides services to, customers in the food processing and air transportation industries. We have manufacturing operations worldwide and are strategically located to facilitate delivery of our products and services to our customers. We report our results through two business segments JBT FoodTech and JBT AeroTech.

Basis of Presentation The following (a) condensed balance sheet as of December 31, 2007, which has been derived from audited financial statements, and (b) unaudited interim condensed financial statements, and notes thereto (the statements), of JBT Corporation have been prepared pursuant to the rules and regulations of the SEC. As permitted under those rules, certain footnotes or other financial information that are normally required by United States generally accepted accounting principles (U.S. GAAP) can be condensed or omitted. Therefore, these statements should be read in conjunction with our audited annual combined financial statements and notes thereto included in our Information Statement that was filed with the SEC on Form 8-K on July 28, 2008.

In the opinion of management, the statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of our financial condition and operating results as of and for the periods presented. Revenue, expenses, assets and liabilities can vary during each quarter of the year. Therefore, the results and trends in these statements may not be representative of those for the full year or any future period.

Our combined financial statements have been prepared in United States dollars and in accordance with U.S. GAAP on a carve-out basis from the consolidated financial statements of FMC Technologies using the historical results of operations and bases of the assets and liabilities of the transferred businesses and including allocations from FMC Technologies. This presentation incorporates the same principles used when preparing consolidated financial statements, including elimination of intercompany transactions. Allocated expenses include general and administrative services such as accounting, treasury, tax, legal, human resources, information technology and other corporate and infrastructure services. Many assets, liabilities and expenses could be specifically identified with JBT Corporation businesses or personnel and were directly allocated. To the extent amounts could not be specifically identified and allocated, we primarily used JBT Corporation s proportion of total FMC Technologies revenue as a reasonable allocation method. Allocations have been determined on the basis of assumptions and estimates that management believes to be a reasonable reflection of JBT Corporation s utilization of those services. These allocations and estimates, however, are not necessarily indicative of the assets, liabilities and expenses that would have resulted if JBT Corporation had operated as a separate entity in the past, or that may result in the future.

The combined financial statements do not reflect the debt or interest expense JBT Corporation might have incurred if we were a stand-alone entity. In addition, the combined financial statements may not be indicative of our combined financial position, operating results or cash flows in the future or what our financial position, operating results and cash flows would have been had JBT Corporation been a separate, stand-alone entity during the periods presented.

Recently issued accounting pronouncements In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS 141R), replacing SFAS No. 141. SFAS 141R changes or clarifies the acquisition method of accounting for acquired contingencies, transaction costs, step acquisitions, restructuring costs and other major areas affecting how the acquirer recognizes and measures the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. In addition, this pronouncement amends previous interpretations of intangible asset accounting by requiring the capitalization of in-process research and development and proscribing impacts to current income tax expense (rather than a reduction to goodwill) for changes in deferred tax benefits related to a business combination. SFAS 141R will be applied prospectively for business combinations occurring after December 31, 2008.

In March 2008, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 161, *Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133* (SFAS 161). SFAS 161 requires enhanced disclosures about derivative instruments and hedging activities. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, and is effective for us beginning January 1, 2009.

Note 2: Financial Statement Information

Inventories

Inventories consisted of the following:

(In millions)	**June 30, 2008**	**December 31, 2007**
Raw materials	$ 76.6	$ 63.9
Work in process	66.6	59.1
Finished goods	75.0	76.5
Gross inventories before LIFO reserves and valuation adjustments	218.2	199.5
LIFO reserves and valuation adjustments	(55.5)	(52.3)
Net inventories	$ 162.7	$ 147.2

Derivative Financial Instruments

The following table of all outstanding derivative instruments is based on estimated fair value amounts that have been determined using available market information and commonly accepted valuation methodologies. Accordingly, the estimates presented may not be indicative of the amounts that we would realize in a current market exchange and do not represent potential gains or losses on these agreements.

	June 30, 2008		**December 31, 2007**	
(In millions)	**Current**	**Other**	**Current**	**Other**
Assets	$ 7.1	$ 0.9	$ 5.4	$ 1.4
Liabilities	$ 5.0	$ 4.3	$ 3.9	$ 3.7

The gains and losses, net of remeasurement of assets and liabilities, recorded in earnings for instruments not designated as hedging instruments were a loss of $0.2 million and a gain of $0.8 million for the three months ended June 30, 2008 and 2007, respectively, and a gain of $1.9 million and $1.1 million for the six month periods ending June 30, 2008 and 2007, respectively. The gains and losses are recorded in cost of sales on the combined statements of income and in other expense, net in the reconciliation of segment operating profit to income before income taxes.

Pension and Other Postretirement Benefits

JBT Corporation employees are eligible to participate in pension and postretirement benefit plans sponsored by FMC Technologies. As JBT Corporation participated in FMC Technologies plans, we accounted for our pension and other postretirement benefit costs under the multiemployer plan approach and have recognized the pension and other postretirement benefit costs allocated to us by FMC Technologies as an expense, with a corresponding contribution in owner s net investment. The expense has been allocated to us based on the service cost from JBT Corporation employees and a proportion of other FMC Technologies corporate staff service cost. We allocated the FMC Technologies corporate staff service cost primarily using JBT Corporation s proportion of FMC Technologies consolidated revenue. In addition, we maintain certain foreign pension plans covering only JBT Corporation employees. For the three months ended June 30, 2008 and 2007, we incurred $1.7 million and $2.0 million, respectively, in pension and other postretirement benefit expense. For the six months ended June 30, 2008 and 2007, we incurred $3.1 million and $4.1 million, respectively, in pension and other postretirement benefit expense.

FMC Technologies is expected to perform a valuation of its U.S. pension plan and other postretirement benefit plan obligations in order to transfer a portion of the obligations and plan assets to JBT Corporation upon spin-off. The amounts are not currently estimable and are expected to be finalized and transferred during the fourth quarter of 2008.

Stock-based compensation

Stock-based compensation expense was $2.3 million for the three months ended June 30, 2008 and 2007, and $4.3 and $4.1 for the six months ended June 30, 2008 and 2007, respectively, and includes expense for FMC Technologies awards granted to employees of JBT Corporation businesses as well as an allocation of expense for awards granted to FMC Technologies corporate employees. We allocated the FMC Technologies corporate staff stock-based compensation primarily using JBT Corporation s proportion of FMC Technologies consolidated revenue.

Warranty Obligations

We provide warranties of various lengths and terms to certain of our customers based on standard terms and conditions and negotiated agreements. We provide for the estimated cost of warranties at the time revenue is recognized for products where reliable, historical experience of warranty claims and costs exists. We also provide warranty liability when additional specific obligations are identified. The obligation reflected in other current liabilities in the combined balance sheets is based on historical experience by product and considers failure rates and the related costs in correcting a product failure. Warranty cost and accrual information is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2008**	**2007**	**2008**	**2007**
Balance at beginning of period	$ 12.6	$ 8.4	$ 12.3	$ 8.7
Expense for new warranties	3.6	2.8	6.8	4.8
Adjustments to existing accruals	(0.4)	0.1	0.2	0.2
Claims paid	(2.6)	(2.5)	(6.1)	(4.9)
Balance at end of period	$ 13.2	$ 8.8	$ 13.2	$ 8.8

Owner s Equity

Comprehensive income consisted of the following: