John Bean Technologies CORP
Form 10-Q
October 29, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2015

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	**91-1650317**
(State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization) Identification No.)

70 West Madison Street, Chicago, Illinois 60602
(Address of principal executive offices) (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

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 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," "non-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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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 October 23, 2015
Common Stock, par value $0.01 per share	29,138,862

PART I—FINANCIAL INFORMATION

ITEM 1.FINANCIAL STATEMENTS

John Bean Technologies Corporation

Condensed Consolidated statements of income

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions, except per share data)	**2015**	**2014**	**2015**	**2014**
Revenue	$273.3	$243.2	$752.9	$688.8
Operating expenses:				
Cost of sales	198.8	179.0	542.7	504.3
Selling, general and administrative expense	46.4	43.5	137.4	132.0
Research and development expense	5.0	3.4	13.0	10.6
Restructuring expense	-	1.3	-	12.5
Other expense, net	2.0	0.8	1.8	0.9
Operating income	21.1	15.2	58.0	28.5
Interest income	0.2	0.3	0.7	1.1
Interest expense	(1.7)	(2.0)	(6.0)	(5.6)
Income from continuing operations before income taxes	19.6	13.5	52.7	24.0
Provision for income taxes	6.9	4.5	17.6	8.3
Income from continuing operations	12.7	9.0	35.1	15.7
Loss from discontinued operations, net of taxes	(0.1)	-	(0.1)	(0.1)
Net income	$12.6	$9.0	$35.0	$15.6
Basic earnings per share:				
Income from continuing operations	$0.43	$0.30	$1.19	$0.53
Loss from discontinued operations	-	-	-	-
Net income	$0.43	$0.30	$1.19	$0.53
Diluted earnings per share:				
Income from continuing operations	$0.43	$0.30	$1.18	$0.53
Loss from discontinued operations	(0.01)	-	(0.01)	(0.01)
Net income	$0.42	$0.30	$1.17	$0.52
Cash dividends declared per share	$0.09	$0.09	$0.27	$0.27

John Bean Technologies Corporation

Condensed Consolidated statements of comprehensive Income (LOSS)

(Unaudited)

(In millions)	**Three Months Ended September 30, 2015**	**2014**	**Nine Months Ended September 30, 2015**	**2014**
Net income	$12.6	$9.0	$35.0	$15.6
Other comprehensive loss				
Foreign currency translation adjustments	(9.6)	(12.3)	(19.6)	(12.7)
Pension and other postretirement benefits adjustments, net of tax of $0.5 and $0.8 for 2015; $0.3 and $0.9 for 2014, respectively	1.4	0.4	3.0	1.4
Derivatives designated as hedges, net of tax of ($1.2) for 2015	(1.8)	-	(1.8)	-
Other comprehensive loss	(10.0)	(11.9)	(18.4)	(11.3)
Comprehensive income (loss)	$2.6	$(2.9)	$16.6	$4.3

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

John Bean Technologies Corporation

Condensed Consolidated balance sheets

(In millions, except per share data and number of shares)	**September 30, 2015 (Unaudited)**	**December 31, 2014**
Assets:		
Current Assets:		
Cash and cash equivalents	$ 37.9	$ 33.3
Trade receivables, net of allowances of $1.9 and $3.0, respectively	182.3	176.2
Inventories	137.7	111.8
Other current assets	42.0	43.4
Deferred Taxes	23.9	23.2
Total current assets	423.8	387.9
Property, plant and equipment, net of accumulated depreciation of $222.1 and $232.7, respectively	159.4	147.6
Goodwill	93.8	69.2
Intangible assets - customer relationships, net of accumulated amortization of $14.6 and $12.4, respectively	39.2	37.4
Intangible assets - other, net of accumulated amortization of $35.2 and $34.5, respectively	34.9	22.6
Other assets	30.6	33.1
Total Assets	$ 781.7	$ 697.8
Liabilities and Stockholders' Equity:		
Current Liabilities:		
Short-term debt and current portion of long-term debt	$ 2.3	$ 4.2
Accounts payable, trade and other	109.6	89.5
Advance and progress payments	108.8	86.2
Other current liabilities	104.6	106.5
Total current liabilities	325.3	286.4
Long-term debt, less current portion	230.7	173.8
Accrued pension and other postretirement benefits, less current portion	73.9	93.1
Other liabilities	30.1	25.3
Commitments and contingencies (Note 12)		
Stockholders' Equity:		
Preferred stock, $0.01 par value; 20,000,000 shares authorized; no shares issued	-	-
Common stock, $0.01 par value; 120,000,000 shares authorized; 2015: 29,316,041 issued and 29,138,862 outstanding; 2014: 29,138,162 issued and 29,091,502 outstanding;	0.3	0.3
Common stock held in treasury, at cost; 2015: 177,179 shares; 2014: 46,660 shares	(6.4)	(1.5)
Additional paid-in capital	70.1	71.1
Retained earnings	193.2	166.4
Accumulated other comprehensive loss	(135.5)	(117.1)
Total stockholders' equity	121.7	119.2
Total Liabilities and Stockholders' Equity	$ 781.7	$ 697.8

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

John Bean Technologies Corporation

Condensed Consolidated statementS of cash flows

(Unaudited)

(In millions)	**Nine Months Ended September 30, 2015**	**2014**
Cash Flows From Operating Activities:		
Net income	$35.0	$15.6
Loss from discontinued operations, net of income taxes	0.1	0.1
Income from continuing operations	35.1	15.7
Adjustments to reconcile income from continuing operations to cash provided by operating activities of continuing operations:		
Depreciation and amortization	20.9	18.7
Stock-based compensation	5.2	5.6
Other	1.8	1.9
Changes in operating assets and liabilities:		
Trade receivables, net	(0.5)	30.4
Inventories	(17.2)	(24.5)
Accounts payable, trade and other	14.2	3.1
Advance and progress payments	18.9	8.8
Other assets and liabilities, net	(30.5)	(10.2)
Cash provided by continuing operating activities	47.9	49.5
Net cash required by discontinued operating activities	(0.1)	(0.4)
Cash provided by operating activities	47.8	49.1
Cash Flows required by Investing Activities:		
Acquisitions, net of cash acquired	(50.9)	(37.6)
Capital expenditures	(26.5)	(28.0)
Proceeds from disposal of assets	0.9	1.3
Proceeds from property available for sale	2.0	-
Cash required by investing activities	(74.5)	(64.3)
Cash Flows provided by Financing Activities:		
Net decrease in short-term debt	(1.6)	1.8
Cash provided by refinancing of credit facility	183.7	-
Cash payments to settle existing credit facility	(183.7)	-
Cash payments to settle private placement debt	(75.0)	-
Net borrowings on credit facilities	134.1	30.5
Repayment of long-term debt	(0.9)	(5.2)
Excess tax benefits	2.1	1.0
Tax withholdings on stock-based compensation awards	(5.5)	(3.5)
Purchase of stock held in treasury	(7.7)	(1.8)

Dividends	(8.3)	(8.1)
Cash provided by financing activities	37.2	14.7
Effect of foreign exchange rate changes on cash and cash equivalents	(5.9)	(5.6)
Increase (decrease) in cash and cash equivalents	4.6	(6.1)
Cash and cash equivalents, beginning of period	33.3	29.4
Cash and cash equivalents, end of period	$37.9	$23.3

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

John Bean Technologies Corporation

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 1. Description of Business and Basis of Presentation

Description of Business

John Bean Technologies Corporation and its majority-owned consolidated subsidiaries ("JBT" or "we") provide global technology solutions for the food processing and air transportation industries. We design, manufacture, test and service technologically sophisticated systems and products for customers through our JBT FoodTech and JBT AeroTech segments. We have manufacturing operations worldwide and are strategically located to facilitate delivery of our products and services to our customers.

Basis of Presentation

In accordance with Securities and Exchange Commission ("SEC") rules for interim periods, the accompanying unaudited condensed consolidated financial statements (the "interim financial statements") do not include all of the information and notes for complete financial statements as required by accounting principles generally accepted in the United States of America ("U.S. GAAP"). As such, the accompanying interim financial statements should be read in conjunction with the JBT Annual Report on Form 10-K for the year ended December 31, 2014, which provides a more complete understanding of the Company's accounting policies, financial position, operating results, business, properties, and other matters. The year-end condensed consolidated balance sheet was derived from audited financial statements.

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 interim results and trends in these statements may not be representative of those for the full year or any future period.

We have reclassified the prior year intangible asset balances to conform to the current year presentation.

Use of estimates

Preparation of financial statements that follow U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Recently issued accounting standards not yet adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The new standard will replace most existing revenue recognition guidance in U.S. GAAP. The core principle of the ASU requires companies to reevaluate when revenue is recorded on a transaction based upon newly defined criteria, either at a point in time or over time as goods or services are delivered. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and estimates, and changes in those estimates. The new standard becomes effective for us as of January 1, 2018, and allows for both retrospective and modified-retrospective methods of adoption. We are currently evaluating the effect, if any, that the updated standard will have on our consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30) – Simplifying Presentation of Debt Issuance Costs*. The core principle of the ASU is that an entity should present debt issuance costs as a direct deduction from the face amount of that debt in the balance sheet similar to the manner in which a debt discount or premium is presented, and not reflected as a deferred charge or deferred credit. The ASU requires additional disclosure about the nature of and reason for the change in accounting principle, the transition method, a description of the prior-period information that has been retrospectively adjusted and the effect of the change on the financial statement line item (that is, the debt issuance cost asset and the debt liability). The new standard becomes effective for us as of January 1, 2016, and requires retrospective implementation in which the balance sheet of each individual period presented is to be adjusted to reflect the period-specific effects of applying the new guidance, early adoption is permitted. Subsequent to the issuance of ASU 2015-03 the SEC staff made an announcement regarding the presentation of debt issuance costs associated with line-of-credit arrangements, which was codified by the FASB in ASU 2015-15. This guidance, which clarifies the exclusion of line-of-credit arrangements from the scope of ASU 2015-03, is effective upon adoption of ASU 2015-03. We are currently evaluating the effect, if any, that the updated standard will have on our consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU No. 2015-05, *Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*. The ASU applies to cloud computing arrangements including software as a service, platform as a service, infrastructure as a service, and other similar hosting arrangements, and was issued to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement. The ASU provides guidance about whether the arrangement includes a software license. The core principle of the ASU is that if a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance will not change U.S. GAAP for a customer's accounting for service contracts. The ASU is effective for annual reporting periods, including interim periods within those annual periods, beginning after December 15, 2015. The company anticipates the adoption in the effective period and we are currently evaluating the effect, if any, that the ASU will have on our consolidated financial statements and related disclosures.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330) – Simplifying the Measurement of Inventory*. The core principle of the ASU is that entities that historically used the lower of cost or market in the subsequent measurement of inventory will instead be required to measure inventory at the lower of cost and net realizable value. The guidance will not change U.S. GAAP for inventory measured using LIFO or the retail inventory method. The ASU is effective for annual reporting periods, including interim periods within those annual periods, beginning after December 15, 2016. The company anticipates the adoption in the effective period and we are currently evaluating the effect, if any, that the ASU will have on our consolidated financial statements and related disclosures.

In September 2015, the FASB issued ASU No. 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments.* The ASU eliminates the requirement for an acquirer to retrospectively adjust the financial statements for measurement-period adjustments that occur in periods after a business combination is consummated. The core principle of the ASU is that entities will be required to recognize the cumulative impact of a measurement period adjustment (including the impact on prior periods) in the reporting period in which the adjustment is identified. The ASU is effective for annual reporting periods, including interim periods within those annual periods, beginning after December 15, 2015. However early adoption is permitted. The company anticipates the adoption for the year ended December 31, 2015.

Note 2. Acquisitions

Consistent with our growth strategy, we completed several acquisitions during 2015 and 2014 focused on strengthening our protein processing and liquid foods portfolios.

Fiscal year 2015

Stork Food and Dairy Systems B.V.

On July 31, 2015, John Bean Technologies Corporation and its wholly-owned subsidiary John Bean Technologies Europe B.V. acquired the shares of Stork Food & Dairy Systems, B.V. ("SFDS"), located in Amsterdam, The Netherlands for 46.2 million euro ($50.7 million), which is net of cash acquired of 1.0 million euro ($1.1 million). Consideration for the transaction was provided by cash on hand supplemented with borrowings under our revolving credit facility. SFDS develops, produces and supplies integrated aseptic processing /sterilization and filling systems to the beverage and food processing industries. This acquisition enables us to add complementary aseptic and thermal processing and filling technologies to our liquid foods product portfolio, and will significantly strengthen our ability to provide complete solutions to our customers in the global liquid foods industry.

This acquisition has been accounted for as a business combination. Tangible and identifiable intangible assets acquired and liabilities assumed were recorded at their respective estimated fair values. The excess of the consideration transferred over the estimated fair value of the net assets received has been recorded as goodwill. The factors that contributed to the recognition of goodwill primarily relate to acquisition-driven anticipated cost savings and revenue enhancement synergies coupled with the assembled workforce acquired that is not recognized separate and apart from goodwill as it is neither separable nor contractual in nature. We are currently assessing the amount of goodwill that we expect to be deductible for tax purposes.

Acquisition-related transaction costs totaling $1.1 million were recognized as other expense at the time they were incurred.

Because the transaction was completed on July 31, 2015, the purchase accounting is preliminary as the valuation of substantially all assets acquired, including accounts receivable, inventories, projects in progress, property, plant and equipment, and all identifiable intangibles, and liabilities assumed, including payables and contingent liabilities, as well as income tax balances and residual goodwill related to this acquisition is not complete; and significant information is still being assembled and reviewed. These amounts are subject to adjustment as additional information is obtained within the measurement period (not to exceed 12 months from the acquisition date).

The following table summarizes the provisional fair values recorded for the assets acquired and liabilities assumed for SFDS:

(In millions)	
Assets:	
Cash	$1.1
Accounts receivable	10.0
Other receivables	2.5
Inventories	4.8
Costs in excess of billings on projects in progress	7.8
Property, plant and equipment	9.8
Intangible assets:	
Tradename	12.1
Customer relationships	2.1
Patents	3.9
Deferred Tax Asset	1.1
Total assets	$55.2
Liabilities:	
Accounts payable	9.2
Billings in excess of costs on projects	7.6
Other liabilities	9.7
Deferred taxes	5.9
Warranty obligations	0.6
Total liabilities	33.0
Total purchase price	$51.8
Goodwill	$29.6

The tradename, patents and customer relationships will be amortized over their estimated useful lives of twenty-five, seven, and fifteen years, respectively.

Fiscal year 2014

Wolf-Tec Acquisition

On December 1, 2014, John Bean Technologies Corporation and its wholly-owned subsidiaries JBT Holdings, LLC and John Bean Technologies Limited, acquired substantially all of the assets and assumed certain liabilities of

Wolf-Tec, Inc. (“Wolf-Tec”) for $53.7 million in cash, which is net of cash acquired of $0.2 million. Consideration for the transaction was provided by cash on hand supplemented with borrowings under our revolving credit facility. The acquisition enables us to better meet customer needs through an expanded portfolio of protein processing equipment and solutions. Our product lines and those of Wolf-Tec are highly complementary, with equipment of both companies frequently utilized on the same production line. The acquisition also provides us with further entry into the beef, pork, and seafood processing markets. The acquisition is strategic in that Wolf-Tec has a strong brand presence, excellent technology and is renowned for its sales and customer support. The acquisition of Wolf-Tec combined with our global reach has and will continue to create strong future growth opportunities.

This acquisition has been accounted for as a business combination. Tangible and identifiable intangible assets acquired and liabilities assumed were recorded at their respective estimated fair values. The excess of the consideration transferred over the estimated fair value of the net assets received has been recorded as goodwill. The factors that contributed to the recognition of goodwill primarily relate to acquisition-driven anticipated cost savings, revenue enhancement synergies in our protein processing business and the acquisition of an assembled workforce. Approximately $13.4 million of the goodwill is expected to be deductible for tax purposes. Acquisition related costs totaling $0.7 million were recognized as other expense in the condensed consolidated statements of income at the time they were incurred.

We have substantially completed the purchase price allocation for this acquisition, which is based on the fair value of assets acquired and liabilities assumed. However, if additional information is obtained about these assets and liabilities within the measurement period (not to exceed 12 months from the date of the acquisition), including through asset appraisals and learning more about the newly acquired business, we will refine our estimates of fair value.

During the quarter ended September 30, 2015 we refined our estimates of the customer relationship by $0.1 million and other liabilities by ($0.1 million). The impact of these adjustments was reflected as a decrease in goodwill of $0.2 million. No other significant refinements of the valuation occurred during the quarter. Adjustments during the nine months ended September 30, 2015 included net refinements to customer relationships of $2.7 million, intellectual property of ($3.4 million), tradename of $1.5 million, non-compete of $0.8 million, deferred tax assets of $0.9 million, other liabilities of ($1.1 million), and other immaterial refinements of accounts receivable, inventory, and property, plant and equipment. The net impact of these adjustments was reflected as a net decrease in goodwill of $4.2 million.

The following table summarizes the provisional fair values recorded for the assets acquired and liabilities assumed for Wolf-Tec:

(In millions)	
Assets:	
Cash	$0.2
Accounts receivable	2.3
Other current assets	0.3
Inventories	6.5
Property, plant and equipment	7.7
Intangible assets:	
Customer relationships	17.3
Intellectual property	2.8
Tradename	1.5
Noncompete agreement	0.8
Backlog & other assets	0.3
Deferred Tax Asset	0.9
Total assets	$40.6
Liabilities:	
Accounts payable	1.7
Deferred revenue	0.3
Other liabilities	1.3
Total liabilities	$3.3
Total purchase price	$53.9
Goodwill	$16.6

The customer relationships, intellectual property, and tradename will be amortized over their estimated useful lives of fifteen, ten, and ten years, respectively. The non-compete agreement will be amortized over its term of five years and the backlog asset was amortized over four months, reflecting its pattern of use.

ICS Solutions Acquisition

On July 1, 2014, we completed the acquisition of 100% of the outstanding shares of ICS Solutions, a subsidiary of Stork Food & Dairy Systems B.V., for cash consideration of $35.7 million, which is net of cash acquired of $10.0 million. We funded this acquisition with cash on hand as well as borrowings against our revolving line of credit. ICS Solutions, located in Amsterdam, The Netherlands and Gainesville, Georgia, is a worldwide leader in the engineering, installation and servicing of high-capacity food preservation equipment. The acquisition was strategically important as ICS Solutions' hydromatic continuous sterilizer is complementary to our product portfolio of fillers, seamers and in-container sterilization technologies. With this acquisition, we have leveraged our worldwide presence and are providing a complete range of high-capacity, in-container sterilization solutions to our customers in the growing global beverage, dairy and canning industries. In addition, this acquisition is allowing us to improve operational effectiveness as well as enhance sales and service support for our customers through the combination of our businesses.

This acquisition has been accounted for as a business combination. Tangible and identifiable intangible assets acquired and liabilities assumed were recorded at their respective estimated fair values. The excess of the consideration transferred over the estimated fair value of the net assets acquired has been recorded as goodwill. The factors that contributed to the recognition of goodwill primarily relate to expected synergistic benefits from the expansion of our in-container product portfolio. Approximately $1.1 million of the goodwill is expected to be deductible for tax purposes. Acquisition-related costs were recognized in other expense as incurred and totaled $0.9 million for the year ended December 31, 2014.

The following table summarizes the fair values recorded for the assets acquired and liabilities assumed for ICS:

(In millions)	
Assets:	
Cash	$10.0
Accounts receivable	2.3
Inventories	0.4
Property, plant and equipment and other assets	0.1
Intangible assets:	
Customer relationships	15.7
Other intangible assets	8.4
Total assets	$36.9
Liabilities:	
Accounts payable	1.3
Deferred revenue	2.3
Other liabilities	2.4
Deferred taxes	4.1
Total liabilities	10.1
Total purchase price	$45.7
Goodwill	$18.9

The customer relationships and other intangible assets will be amortized over a weighted-average useful life of approximately 12 years.

Formcook Acquisition

During the first quarter of 2014, John Bean Technologies AB (JBT AB), our wholly-owned subsidiary, acquired certain assets and liabilities of Formcook AB, a regional leader in designing, manufacturing and servicing custom-built industrial cooking and forming technologies for the food processing industry. This transaction was accounted for as a business combination. The purchase price was less than $2 million. While the acquisition was not material to our 2014 results, it is strategically important to our efforts to strengthen our protein processing portfolio.

The pro forma impact of these acquisitions is not material individually or in the aggregate and as such, is not presented.

Note 3. Goodwill and intangible assets

The changes in the carrying amount of goodwill by business segment were as follows:

(In millions)	**JBT FoodTech**	**JBT AeroTech**	**Total**
Balance as of December 31, 2014	$ 61.4	$ 7.8	$69.2
Acquisitions	25.4	-	25.4
Currency translation	(0.7)	(0.1)	(0.8)
Balance as of September 30, 2015	86.1	7.7	93.8

Intangible assets consisted of the following:

	September 30, 2015		**December 31, 2014**	
(In millions)	**Gross carrying amount**	**Accumulated amortization**	**Gross carrying amount**	**Accumulated amortization**
Customer relationship	$53.8	$ 14.6	$49.8	$ 12.4
Patents and acquired technology	35.7	23.1	36.7	23.4
Trademarks	28.1	7.7	14.8	7.4
Other	6.3	4.4	5.6	3.7
Total intangible assets	$123.9	$ 49.8	$106.9	$ 46.9

As a result of the SFDS acquisition, annual intangible asset amortization expense is expected to increase by approximately $0.5 million for 2015.

Note 4. Inventories

Inventories consisted of the following:

(In millions)	**September 30, 2015**	**December 31, 2014**

Raw materials	$ 62.5	$ 53.7
Work in process	59.2	45.3
Finished goods	84.4	79.2
Gross inventories before LIFO reserves and valuation adjustments	206.1	178.2
LIFO reserves and valuation adjustments	(68.4)	(66.4)
Net inventories	$ 137.7	$ 111.8

Note 5. DEBT

On February 10, 2015, we entered into a new five-year $450 million revolving credit facility, with Wells Fargo Bank, N.A. as administrative agent, and repaid our prior revolving credit facility. This credit facility permits borrowings in the U.S. and in The Netherlands. Borrowings bear interest, at our option, at one month U.S. LIBOR subject to a floor rate of zero or an alternative base rate, which is the greater of Wells Fargo’s Prime Rate, the Federal Funds Rate plus 50 basis points, and LIBOR plus 1%, plus, in each case, a margin dependent on our leverage ratio. We must also pay an annual commitment fee of 15.0 to 30.0 basis points dependent on our leverage ratio. The credit agreement evidencing the facility contains customary representations, warranties, and covenants, including a maximum interest coverage ratio and maximum leverage ratio, as well as certain events of default. As of September 30, 2015 we had $229.1 million drawn on the credit facility at a weighted-average interest rate of 1.6%.

On July 31, 2015 our $75 million principal amount of 6.66% senior unsecured notes became due. We used borrowings under the $450 million revolving credit facility noted above to fund the repayment in full of these senior unsecured notes.

Note 6. Pension and Other Postretirement Benefits

Components of net periodic benefit cost were as follows:

	Pension Benefits				Other Postretirement Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Service cost	$0.4	$0.4	$1.1	$1.3	$-	$-	$-	$-
Interest cost	3.4	3.6	10.3	11.0	-	0.1	0.2	0.3
Expected return on plan assets	(4.8)	(4.9)	(14.3)	(14.8)	-	-	-	-
Amortization of prior service (credit) cost	-	-	-	0.1	(0.4)	-	(0.4)	-
Amortization of net actuarial losses	1.2	0.8	3.4	2.1	(0.1)	(0.1)	(0.8)	-
Settlements	-	-	0.3	0.2	-	-	-	(0.1)
Net periodic cost	$0.2	$(0.1)	$0.8	$(0.1)	$(0.5)	$-	$(1.0)	$0.2

We expect to contribute $17 million to our pension and other postretirement benefit plans in 2015. We contributed $10 million to our U.S. qualified pension plan during the nine months ended September 30, 2015.

On August 31, 2015, JBT amended the Retiree Welfare Benefits Plan to terminate future healthcare benefits effective January 1, 2016, which resulted in a release of $1.2 million of other postretirement benefit liability into other comprehensive income. The resulting negative prior service cost of $1.8 million will be amortized out of other comprehensive income into net income over the remaining life of the plan (through January 1, 2016). The gain from this plan amendment for the three and nine months ended September 30, 2015 was $0.4 million.

Note 7. accumulated other comprehensive income (loss)

Accumulated other comprehensive income or loss (“AOCI”) represents the cumulative balance of other comprehensive income, net of tax, as of the balance sheet date. For JBT, AOCI is primarily composed of adjustments related to pension and other postretirement benefit plans, derivatives designated as hedges, and foreign currency translation adjustments. Changes in the AOCI balances for the three months ended September 30, 2015 by component are shown in the following table:

(In millions)	Pension and Other Postretirement Benefits	Derivatives Designated as Hedges	Foreign Currency Translation	Total
Beginning balance, June 30, 2015	$ (94.8)	$ -	$ (30.7)	$(125.5)
Other comprehensive income (loss) before reclassification	1.3	(1.8)	(9.6)	(10.1)
Amounts reclassified from accumulated other comprehensive income	0.1	-	-	0.1
Ending balance, September 30, 2015	$ (93.4)	$ (1.8)	$ (40.3)	$(135.5)

Reclassification adjustments from AOCI into earnings for pension and other postretirement benefit plans for the three months ended September 30, 2015 were $0.3 million of benefit in cost of sales and $0.9 million of charges in selling, general and administrative expense, net of $0.5 million in provision from income taxes.

Changes in the AOCI balances for the nine months ended September 30, 2015 by component are shown in the following table:

(In millions)	Pension and Other Postretirement Benefits	Derivatives Designated as Hedges	Foreign Currency Translation	Total
Beginning balance, December 31, 2014	$ (96.4)	$ -	$ (20.7)	$(117.1)
Other comprehensive income (loss) before reclassification	1.3	(1.8)	(19.6)	(20.1)
Amounts reclassified from accumulated other comprehensive income	1.7	-	-	1.7
Ending balance, September 30, 2015	$ (93.4)	$ (1.8)	$ (40.3)	$(135.5)

Reclassification adjustments from AOCI into earnings for pension and other postretirement benefit plans for the nine months ended September 30, 2015 were $0.3 million of benefit in cost of sales, and $2.8 million of charges in selling, general and administrative expense, net of $0.8 million in provision for income taxes.

Note 8. stock-based compensation

On March 13, 2015, we granted 192,589 restricted stock units with a total fair value of $6.7 million to certain employees under an existing stock-based compensation plan. The units will vest three years from the date of grant, in March 2018, and are expected to be amortized over the vesting period. We recognize compensation expense based on estimated grant date fair values for all share-based awards issued to employees and directors. The total compensation expense was $1.9 million and $5.2 million for the three and nine months ended September 30, 2015, respectively. The total compensation expense was $1.9 million and $5.6 million for the three and nine months ended September 30, 2014, respectively.

Note 9. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share from continuing operations for the respective periods and our basic and diluted shares outstanding:

	Three Months	Nine Months Ended

(In millions, except per share data)	Ended September 30, 2015	2014	September 30, 2015	2014
Basic earnings per share:				
Income from continuing operations	$12.7	$9.0	$35.1	$15.7
Weighted average number of shares outstanding	29.5	29.6	29.5	29.5
Basic earnings per share from continuing operations	$0.43	$0.30	$1.19	$0.53
Diluted earnings per share:				
Income from continuing operations	$12.7	$9.0	$35.1	$15.7
Weighted average number of shares outstanding	29.5	29.6	29.5	29.5
Effect of dilutive securities:				
Restricted stock	0.3	0.3	0.3	0.3
Total shares and dilutive securities	29.8	29.9	29.8	29.8
Diluted earnings per share from continuing operations	$0.43	$0.30	$1.18	$0.53

Note 10. Derivative Financial Instruments and Risk Management

Derivative Financial Instruments

All derivatives are recorded as other assets or liabilities in the condensed consolidated balance sheets at their respective fair values. For derivatives designated as cash flow hedges, the effective portion of the unrealized gain or loss related to the derivatives are recorded in other comprehensive income (loss) until the transaction affects earnings. We assess both at inception of the hedge and on an ongoing basis, whether the derivative in the hedging transaction has been, and will continue to be, highly effective in offsetting changes in cash flows of the hedged item. The impact of any ineffectiveness is recognized in the condensed consolidated statements of income. Changes in the fair value of derivatives that do not meet the criteria for designation as a hedge are recognized in earnings.

Foreign Exchange: We manufacture and sell products in a number of countries throughout the world and, as a result, we are exposed to movements in foreign currency exchange rates. Our major foreign currency exposures involve the markets in Western Europe, South America and Asia. Some of our sales and purchase contracts contain embedded derivatives due to the nature of doing business in certain jurisdictions, which we take into consideration as part of our risk management policy. The purpose of our foreign currency hedging activities is to manage the economic impact of exchange rate volatility associated with anticipated foreign currency purchases and sales made in the normal course of business. We primarily utilize forward foreign exchange contracts with maturities of less than 2 years in managing this foreign exchange rate risk. We have not designated these forward foreign exchange contracts, which have a notional value at September 30, 2015 of $296.0 million, as hedges and therefore do not apply hedge accounting.

The following table presents the fair value of foreign currency derivatives included within the condensed consolidated balance sheets:

	As of September 30, 2015		As of December 31, 2014	
(In millions)	**Derivative Assets**	**Derivative Liabilities**	**Derivative Assets**	**Derivative Liabilities**
Other current assets / liabilities	$3.5	$ 1.7	$6.9	$ 3.9
Other assets / liabilities	2.4	0.1	2.2	-
Total	$5.9	$ 1.8	$9.1	$ 3.9

A master netting arrangement allows counterparties to net settle amounts owed to each other as a result of separate offsetting derivative transactions. We enter into master netting arrangements with our counterparties when possible to mitigate credit risk in derivative transactions by permitting us to net settle for transactions with the same counterparty. However, we do not net settle with such counterparties. As a result, we present derivatives at their gross fair values in the consolidated balance sheets.

As of September 30, 2015 and December 31, 2014, information related to these offsetting arrangements was as follows:

(in millions)	**As of September 30, 2015**				
Offsetting of Assets	**Gross Amounts of Recognized Assets**	**Gross Amounts Offset in the Consolidated Balance Sheets**	**Net Presented in the Consolidated Balance Sheets**	**Amount Subject to Master Netting Agreement**	**Net Amount**
Derivatives	$5.9	$ -	$ 5.9	$ (2.0)	$ 3.9

Offsetting of Liabilities	As of September 30, 2015 Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Presented in the Consolidated Balance Sheets	Amount Subject to Master Netting Agreement	Net Amount
Derivatives	$4.9	$ -	$ 4.9	$ (2.0)	$ 2.9

(in millions) Offsetting of Assets	As of December 31, 2014 Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net Presented in the Consolidated Balance Sheets	Amount Subject to Master Netting Agreement	Net Amount
Derivatives	$9.1	$ -	$ 9.1	$ (3.8)	$ 5.3

Offsetting of Liabilities	As of December 31, 2014 Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Presented in the Consolidated Balance Sheets	Amount Subject to Master Netting Agreement	Net Amount
Derivatives	$3.9	$ -	$ 3.9	$ (3.8)	$ 0.1

The following table presents the location and amount of the gain (loss) on foreign currency derivatives and on the remeasurement of assets and liabilities denominated in foreign currencies, as well as the net impact recognized in the consolidated statements of income:

Derivatives not designated as hedging instruments	**Location of Gain (Loss) Recognized in Income on Derivatives**	**Amount of Gain (Loss) Recognized in Income on Derivatives**			
		Three Months Ended September 30,		**Nine Months Ended September 30,**	
(In millions)		**2015**	**2014**	**2015**	**2014**
Foreign exchange contracts	Revenue	$(0.3)	$1.0	$-	$(0.5)
Foreign exchange contracts	Cost of sales	0.1	(0.5)	(0.4)	0.3
Foreign exchange contracts	Other income, net	(0.1)	(0.1)	-	-
Total		(0.3)	0.4	(0.4)	(0.2)
Remeasurement of assets and liabilities in foreign currencies		0.5	0.5	(0.7)	1.4
Net gain (loss) on foreign currency transactions		$0.2	$0.9	$(1.1)	$1.2

Interest Rates: On March 23, 2015 we entered into two forward starting interest rate swaps, designated as cash flow hedges against the cash flow variability related to the interest rate exposure on a portion of our variable rate debt. The first swap is for the period beginning August 10, 2015 through February 10, 2020 for variability in cash flow related to interest expense on $75 million of our borrowings, fixing the annual interest rate at 1.592% plus a margin dependent on our leverage ratio. The second swap is for the period from January 11, 2016 through February 10, 2020 for variability in cash flow related to interest expense on an additional $100 million of our borrowings, fixing the annual interest rate at 1.711% plus a margin dependent on our leverage ratio. At September 30, 2015, the fair value recorded in other liabilities on the condensed consolidated balance sheet is $3.1 million. The effective portion of these derivatives designated as cash flow hedges of $1.8 million has been reported in other comprehensive income (loss) on the condensed consolidated statements of comprehensive income (loss) as of September 30, 2015.

Ineffectiveness from cash flow hedges, all of which are interest rate swaps, was immaterial as of September 30, 2015.

Refer to Note 11. Fair Value of Financial Instruments, for a description of how the values of the above financial instruments are determined.

Credit Risk

By their nature, financial instruments involve risk including credit risk for non-performance by counterparties. Financial instruments that potentially subject us to credit risk primarily consist of trade receivables and derivative contracts. We manage the credit risk on financial instruments by transacting only with financially secure counterparties, requiring credit approvals and establishing credit limits, and monitoring counterparties' financial condition. Our maximum exposure to credit loss in the event of non-performance by the counterparty is limited to the amount drawn and outstanding on the financial instrument. Allowances for losses are established based on collectability assessments.

Note 11. Fair Value of Financial Instruments

The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

- *Level 1*: Unadjusted quoted prices in active markets for identical assets and liabilities.
- *Level 2*: Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- *Level 3*: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

Financial assets and financial liabilities measured at fair value on a recurring basis are as follows:

	As of September 30, 2015				As of December 31, 2014			
(In millions)	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:								
Investments	$8.5	$ 8.5	$ -	$ -	$10.7	$10.7	$ -	$ -
Derivatives	5.9	-	5.9	-	9.1	-	9.1	-
Total assets	$14.4	$ 8.5	$ 5.9	$ -	$19.8	$10.7	$ 9.1	$ -
Liabilities:								
Derivatives	$4.9	$ -	$ 4.9	$ -	$3.9	$-	$ 3.9	$ -

Investments represent securities held in a trust for the non-qualified deferred compensation plan. Investments are classified as trading securities and are valued based on quoted prices in active markets for identical assets that we have the ability to access. Investments are reported separately on the consolidated balance sheet. Investments include an unrealized loss of $0.7 million as of September 30, 2015 and $0.2 million as of December 31, 2014.

We use the income approach to measure the fair value of derivative instruments on a recurring basis. This approach calculates the present value of the future cash flow by measuring the change between the derivative contract rate and the published market indicative currency rate, multiplied by the contract notional values, and applying an appropriate discount rate. We also perform a qualitative assessment of counterparty credit risk.

The carrying amounts of cash and cash equivalents, trade receivables and payables, as well as financial instruments included in other current assets and other current liabilities, approximate fair values because of their short-term maturities.

The carrying values and the estimated fair values of our debt financial instruments are summarized on the table below:

	As of September 30, 2015		As of December 31, 2014	
(In millions)	**Carrying Value**	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
Senior unsecured notes due July 31, 2015	$-	$ -	$75.0	$ 77.6
Five-year revolving credit facility, expires February 10, 2020	229.1	229.1	94.3	94.3
Brazilian loan due April 15, 2016	0.6	0.5	2.0	1.8
Brazilian loan due October 16, 2017	2.9	2.5	4.3	3.7

Foreign credit facilities	0.2	0.2	2.3	2.3
Other	0.3	0.3	0.1	0.1

There is no active or observable market for our fixed rate borrowings, which include our senior unsecured notes and our Brazilian loans. Therefore, the estimated fair value of the notes and the Brazilian loans are based on discounted cash flows using current interest rates available for debt with similar terms and remaining maturities. The estimates of the all-in interest rate for discounting the notes and the loans are based on a broker quote for notes and loans with similar terms. We do not have a rate adjustment for risk profile changes, covenant issues or credit rating changes, therefore the broker quote is deemed to be the closest approximation of current market rates. The carrying values of the remaining borrowings approximate their fair values due to their variable interest rates.

Note 12. Commitments and Contingencies

In the normal course of our business, we are subject to pending and threatened legal actions, some for which the relief or damages sought may be substantial. Although we are not able to predict the outcome of such actions, after reviewing all pending and threatened actions with counsel and based on information currently available, management believes that the outcome of such actions, individually or in the aggregate, will not have a material adverse effect on our results of operations or financial position. However, it is possible that the ultimate resolution of such matters, if unfavorable, may be material to our results of operations in a particular future period as the time and amount of any resolution of such actions and its relationship to the future results of operations are not currently known.

Liabilities are established for pending legal claims only when losses associated with the claims are judged to be probable, and the loss can be reasonably estimated. In many lawsuits and arbitrations, it is not considered probable that a liability has been incurred or not possible to estimate the ultimate or minimum amount of that liability until the case is close to resolution, in which case no liability would be recognized until that time.

We are currently the subject of an audit being conducted by the State of Delaware to determine whether we have complied with Delaware unclaimed property (escheat) laws. This audit is being conducted by an outside firm on behalf of the State of Delaware and covers the years from 1986 through the present. In addition to seeking the turnover of unclaimed property subject to escheat laws, the State of Delaware may seek interest, penalties, and other relief. An estimate of a possible loss from this audit cannot be made at this time.

Guarantees and Product Warranties

In the ordinary course of business with customers, vendors and others, we issue standby letters of credit, performance bonds, surety bonds and other guarantees. These financial instruments, which totaled $128.9 million at September 30, 2015, represent guarantees of our future performance. We also have provided $6.6 million of bank guarantees and letters of credit to secure a portion of our existing financial obligations. The majority of these financial instruments expire within two years; we expect to replace them through the issuance of new or the extension of existing letters of credit and surety bonds.

In some instances, we guarantee our customers' financing arrangements. We are responsible for payment of any unpaid amounts but will receive indemnification from third parties for between sixty and ninety-five percent of the contract values. In addition, we generally retain recourse to the equipment sold. As of September 30, 2015, the gross value of such arrangements was $10.3 million, of which our net exposure under such guarantees is $1.6 million.

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 a warranty liability when additional specific obligations are identified. The warranty obligation reflected in other current liabilities in the consolidated 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 September 30,		**Nine Months Ended September 30,**	
(In millions)	**2015**	**2014**	**2015**	**2014**
Balance at beginning of period	$10.0	$9.6	$10.2	$10.1
Expense for new warranties	3.1	2.4	8.0	6.6
Adjustments to existing accruals	-	(0.2)	(0.3)	(0.8)
Claims paid	(2.7)	(2.5)	(7.4)	(6.5)
Added through acquisition	0.6	0.5	0.6	0.5

Translation	(0.1)	(0.3)	(0.2)	(0.4)
Balance at end of period	$10.9	$9.5	$10.9	$9.5

Note 13. Business Segment Information

Segment operating profit is defined as total segment revenue less segment operating expenses. Business segment information was as follows:

(In millions)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Revenue				
JBT FoodTech	$177.8	$148.0	$480.9	$457.0
JBT AeroTech	95.8	95.6	272.8	232.4
Intercompany eliminations	(0.3)	(0.4)	(0.8)	(0.6)
Total revenue	$273.3	$243.2	$752.9	$688.8
Income before income taxes				
Segment operating profit:				
JBT FoodTech	$20.5	$15.5	$56.1	$50.4
JBT AeroTech	9.5	10.3	26.2	17.9
Total segment operating profit	30.0	25.8	82.3	68.3
Corporate items:				
Corporate expense (1)	(8.9)	(9.3)	(24.3)	(27.3)
Restructuring expense (2)	-	(1.3)	-	(12.5)
Operating income	21.1	15.2	58.0	28.5
Net interest expense	(1.5)	(1.7)	(5.3)	(4.5)
Income from continuing operations before income taxes	$19.6	$13.5	$52.7	$24.0

(1) Corporate expense generally includes corporate staff costs, stock-based compensation, pension and other postretirement benefit expenses not related to service, LIFO adjustments, certain foreign currency-related gains and losses, and the impact of unusual or strategic events not representative of segment operations.

(2) Refer to Note 14.

NOTE 14. RESTRUCTURING

Restructuring costs primarily consist of employee separation benefits under our existing severance programs, foreign statutory termination benefits, certain one-time termination benefits, contract termination costs, asset impairment charges and other costs that are associated with restructuring actions. Certain restructuring charges are accrued prior to payments made in accordance with applicable guidance. For such charges, the amounts are determined based on estimates prepared at the time the restructuring actions were approved by management.

During the fourth quarter of 2013, we implemented a restructuring plan that included management changes both in the U.S. and in non-U.S. subsidiaries. We incurred severance costs of $1.6 million in connection with this plan in the fourth quarter of 2013. We completed the plan in the third quarter of 2015.

In the first quarter of 2014, we implemented a plan to optimize the overall JBT cost structure on a global basis. The initiatives under this plan include streamlining operations, consolidating certain facilities and enhancing our general and administrative infrastructure. Remaining payments required