

GREENBRIER COMPANIES INC
Form 10-Q
July 03, 2013

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 May 31, 2013

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the transition period from _____ to _____

Commission File No. 1-13146

THE GREENBRIER COMPANIES, INC.

(Exact name of registrant as specified in its charter)

Oregon
(State of

Incorporation)

One Centerpointe Drive, Suite 200, Lake Oswego, OR
(Address of principal executive offices)

(503) 684-7000

93-0816972
(I.R.S. Employer

Identification No.)

97035
(Zip Code)

(Registrant's telephone number, including area code)

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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 Regulations 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 definition 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 ☐ 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 ☒

The number of shares of the registrant's common stock, without par value, outstanding on July 1, 2013 was 27,221,816 shares.

Forward-Looking Statements

From time to time, The Greenbrier Companies, Inc. and its subsidiaries (Greenbrier or the Company) or their representatives have made or may make forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including, without limitation, statements as to expectations, beliefs and strategies regarding the future. Such forward-looking statements may be included in, but not limited to, press releases, oral statements made with the approval of an authorized executive officer or in various filings made by us with the Securities and Exchange Commission, including this filing on Form 10-Q. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements rely on a number of assumptions concerning future events and include statements relating to:

availability of financing sources and borrowing base for working capital, other business development activities, capital spending and leased railcars for syndication (sale of railcars with lease attached);

ability to renew, maintain or obtain sufficient credit facilities and financial guarantees on acceptable terms;

ability to utilize beneficial tax strategies;

ability to grow our businesses;

ability to obtain lease and sales contracts which provide adequate protection against changes in interest rates and increased costs of materials and components;

ability to obtain adequate insurance coverage at acceptable rates;

ability to obtain adequate certification and licensing of products; and

short-term and long-term revenue and earnings effects of the above items.

The following factors, among others, could cause actual results or outcomes to differ materially from the forward-looking statements:

fluctuations in demand for newly manufactured railcars or marine barges;

fluctuations in demand for wheels, repair & parts;

delays in receipt of orders, risks that contracts may be canceled during their term or not renewed and that customers may not purchase the amount of products or services under the contracts as anticipated;

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ability to maintain sufficient availability of credit facilities and to maintain compliance with or to obtain appropriate amendments to covenants under various credit agreements;

domestic and global economic conditions including such matters as embargoes or quotas;

U.S., Mexican and other global political or security conditions including such matters as terrorism, war, civil disruption and crime;

growth or reduction in the surface transportation industry;

ability to maintain good relationships with third party labor providers or collective bargaining units;

steel and specialty component price fluctuations and availability, scrap surcharges, steel scrap prices and other commodity price fluctuations and availability and their impact on product demand and margin;

delay or failure of acquired businesses, assets, start-up operations, or new products or services to compete successfully;

changes in product mix and the mix of revenue levels among reporting segments;

labor disputes, energy shortages or operating difficulties that might disrupt operations or the flow of cargo;

production difficulties and product delivery delays as a result of, among other matters, inefficiencies associated with the start-up of production lines or increased production rates, changing technologies or non-performance of alliance partners, subcontractors or suppliers;

ability to renew or replace expiring customer contracts on satisfactory terms;

ability to obtain and execute suitable contracts for leased railcars for syndication;

lower than anticipated lease renewal rates, earnings on utilization based leases or residual values for leased equipment;

discovery of defects in railcars resulting in increased warranty costs or litigation;

resolution or outcome of pending or future litigation and investigations;

natural disasters or severe weather patterns that may affect either us, our suppliers or our customers;

loss of business from, or a decline in the financial condition of, any of the principal customers that represent a significant portion of our total revenues;

competitive factors, including introduction of competitive products, new entrants into certain of our markets, price pressures, limited customer base, and competitiveness of our manufacturing facilities and products;

industry overcapacity and our manufacturing capacity utilization;

decreases or write-downs in carrying value of inventory, goodwill, intangibles or other assets due to impairment;

severance or other costs or charges associated with lay-offs, shutdowns, or reducing the size and scope of operations;

changes in future maintenance or warranty requirements;

ability to adjust to the cyclical nature of the industries in which we operate;

changes in interest rates and financial impacts from interest rates;

ability and cost to maintain and renew operating permits;

actions by various regulatory agencies, including potential environmental remediation obligations;

changes in fuel and/or energy prices;

risks associated with our intellectual property rights or those of third parties, including infringement, maintenance, protection, validity, enforcement and continued use of such rights;

expansion of warranty and product support terms beyond those which have traditionally prevailed in the rail supply industry;

availability of a trained work force and availability and/or price of essential raw materials, specialties or components, including steel castings, to permit manufacture of units on order;

failure to successfully integrate acquired businesses;

discovery of previously unknown liabilities associated with acquired businesses;

failure of or delay in implementing and using new software or other technologies;

ability to replace maturing lease and management services revenue and earnings with revenue and earnings from new commercial transactions, including new railcar leases, additions to the lease fleet and new management services contracts;

credit limitations upon our ability to maintain effective hedging programs; and

financial impacts from currency fluctuations and currency hedging activities in our worldwide operations.

Any forward-looking statements should be considered in light of these factors. Words such as anticipates, believes, forecast, potential, goal, contemplates, expects, intends, plans, projects, hopes, seeks, estimates, could, would, will, may, can, designed to, expressions identify forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements. Many of the important factors that will determine these results and values are beyond our ability to control or predict. You are cautioned not to put undue reliance on any forward-looking statements. Except as otherwise required by law, we do not assume any obligation to update any forward-looking statements.

All references to years refer to the fiscal years ended August 31st unless otherwise noted.

THE GREENBRIER COMPANIES, INC.**PART I. FINANCIAL INFORMATION****Item 1. Condensed Financial Statements****Consolidated Balance Sheets***(In thousands, unaudited)*

	May 31, 2013	August 31, 2012
Assets		
Cash and cash equivalents	\$ 31,606	\$ 53,571
Restricted cash	8,906	6,277
Accounts receivable, net	162,352	146,326
Inventories	344,168	316,741
Leased railcars for syndication	71,091	97,798
Equipment on operating leases, net	332,924	362,968
Property, plant and equipment, net	197,779	182,429
Goodwill	57,416	137,066
Intangibles and other assets, net	79,364	81,368
	\$ 1,285,606	\$ 1,384,544
Liabilities and Equity		
Revolving notes	\$ 92,968	\$ 60,755
Accounts payable and accrued liabilities	286,964	329,508
Deferred income taxes	86,229	95,363
Deferred revenue	16,203	17,194
Notes payable	372,942	428,079
Commitments and contingencies (Note 15)		
Equity:		
Greenbrier		
Preferred stock - without par value; 25,000 shares authorized; none outstanding		
Common stock - without par value; 50,000 shares authorized; 27,222 and 27,143 shares outstanding at May 31, 2013 and August 31, 2012		
Additional paid-in capital	258,282	252,256
Retained earnings	154,126	185,890
Accumulated other comprehensive loss	(7,701)	(6,369)
Total equity - Greenbrier	404,707	431,777
Noncontrolling interest	25,593	21,868
Total equity	430,300	453,645
	\$ 1,285,606	\$ 1,384,544

The accompanying notes are an integral part of these financial statements

THE GREENBRIER COMPANIES, INC.**Consolidated Statements of Operations***(In thousands, except per share amounts, unaudited)*

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2013	2012	2013	2012
Revenue				
Manufacturing	\$ 284,591	\$ 364,930	\$ 864,006	\$ 947,792
Wheels, Repair & Parts	131,167	125,145	355,219	362,788
Leasing & Services	17,905	17,722	52,978	53,601
	433,663	507,797	1,272,203	1,364,181
Cost of revenue				
Manufacturing	253,360	325,424	774,502	852,464
Wheels, Repair & Parts	120,476	111,610	325,086	324,055
Leasing & Services	9,808	8,825	26,542	27,783
	383,644	445,859	1,126,130	1,204,302
Margin	50,019	61,938	146,073	159,879
Selling and administrative expense	25,322	28,784	76,364	76,998
Net gain on disposition of equipment	(5,131)	(2,585)	(9,615)	(8,897)
Goodwill impairment	76,900		76,900	
Earnings (loss) from operations	(47,072)	35,739	2,424	91,778
Other costs				
Interest and foreign exchange	5,905	6,560	18,127	18,574
Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates	(52,977)	29,179	(15,703)	73,204
Income tax expense	(2,729)	(8,655)	(12,905)	(21,798)
Earnings (loss) before earnings (loss) from unconsolidated affiliates	(55,706)	20,524	(28,608)	51,406
Earnings (loss) from unconsolidated affiliates	82	201	(63)	(99)
Net earnings (loss)	(55,624)	20,725	(28,671)	51,307
Net earnings attributable to noncontrolling interest	(406)	(1,608)	(3,093)	(4)
Net earnings (loss) attributable to Greenbrier	\$ (56,030)	\$ 19,117	\$ (31,764)	\$ 51,303
Basic earnings (loss) per common share	\$ (2.10)	\$ 0.71	\$ (1.20)	\$ 1.94
Diluted earnings (loss) per common share	\$ (2.10)	\$ 0.61	\$ (1.20)	\$ 1.65
Weighted average common shares:				
Basic	26,619	26,981	26,510	26,378
Diluted	26,619	33,862	26,510	33,640

The accompanying notes are an integral part of these financial statements

THE GREENBRIER COMPANIES, INC.

Consolidated Statements of Comprehensive Income (Loss)

(In thousands, unaudited)

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2013	2012	2013	2012
Net earnings (loss)	\$ (55,624)	\$ 20,725	\$ (28,671)	\$ 51,307
Other comprehensive income (loss)				