

BRINKS CO
Form 10-Q
November 02, 2007

**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 September 30, 2007

**o 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 1-9148

THE BRINK'S COMPANY

(Exact name of registrant as specified in its
charter)

Virginia
(State or other jurisdiction of
incorporation or organization)

54-1317776
(I.R.S. Employer
Identification No.)

1801 Bayberry Court, Richmond, Virginia 23226-8100
(Address of principal executive offices) (Zip Code)

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(804) 289-9600

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

(Check one): Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of October 31, 2007, 48,491,344 shares of \$1 par value common stock were outstanding.

Part I - Financial Information**Item 1. Financial Statements****THE BRINK'S COMPANY
and subsidiaries****Consolidated Balance Sheets
(Unaudited)**

<i>(In millions)</i>	September 30, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 175.4	137.2
Accounts receivable, net	496.2	469.4
Prepaid expenses and other	100.8	72.4
Deferred income taxes	63.4	71.8
Total current assets	835.8	750.8
Property and equipment, net	1,070.9	981.9
Goodwill	137.5	124.0
Deferred income taxes	105.4	142.2
Other	199.7	189.1
Total assets	\$ 2,349.3	2,188.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 10.6	33.4
Current maturities of long-term debt	8.8	10.5
Accounts payable	153.4	142.8
Income taxes payable	4.7	33.9
Accrued liabilities	455.0	386.1
Total current liabilities	632.5	606.7
Long-term debt	115.9	126.3
Accrued pension costs	118.5	135.5
Postretirement benefits other than pensions	166.6	180.1
Deferred revenue	175.6	164.5
Deferred income taxes	10.4	20.8
Other	225.8	200.3
Total liabilities	1,445.3	1,434.2
Commitments and contingencies (notes 4, 5, 8 and 11)		
Shareholders' equity:		

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Common stock	48.5	48.5
Capital in excess of par value	441.9	414.7
Retained earnings	629.3	552.0
Accumulated other comprehensive loss	(215.7)	(261.4)
Total shareholders' equity	904.0	753.8
Total liabilities and shareholders' equity	\$ 2,349.3	2,188.0

See accompanying notes to consolidated financial statements.

THE BRINK'S COMPANY
and subsidiaries

Consolidated Statements of Operations
(Unaudited)

<i>(In millions, except per share amounts)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenues	\$ 817.0	709.5	2,336.2	2,048.2
Expenses:				
Operating expenses	624.7	537.5	1,791.8	1,573.8
Selling, general and administrative expenses	130.0	119.5	363.0	334.1
Total expenses	754.7	657.0	2,154.8	1,907.9
Other operating income (loss), net	(1.8)	1.9	2.6	5.0
Operating profit	60.5	54.4	184.0	145.3
Interest expense	(2.5)	(3.7)	(8.0)	(10.0)
Interest and other income, net	3.0	4.0	6.7	14.1
Income from continuing operations before income taxes and minority interest	61.0	54.7	182.7	149.4
Provision for income taxes	27.3	24.9	74.0	64.7
Minority interest	3.7	4.1	14.5	11.2
Income from continuing operations	30.0	25.7	94.2	73.5
Income (loss) from discontinued operations, net of income taxes	(4.1)	0.8	(11.3)	387.1
Net income	\$ 25.9	26.5	82.9	460.6
Earnings per common share				
Basic:				
Continuing operations	\$ 0.64	0.55	2.02	1.44
Discontinued operations	(0.09)	0.02	(0.24)	7.56
Net income	0.56	0.57	1.78	8.99
Diluted:				
Continuing operations	\$ 0.64	0.54	2.00	1.42
Discontinued operations	(0.08)	0.02	(0.24)	7.48
Net income	0.55	0.56	1.76	8.91
Weighted-average common shares outstanding				
Basic	46.6	46.7	46.5	51.2
Diluted	47.1	47.2	47.0	51.7

Cash dividends paid per common share	\$	0.1000	0.0625	0.2625	0.1500
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See accompanying notes to consolidated financial statements.

THE BRINK'S COMPANY
and subsidiaries

Consolidated Statement of Shareholders' Equity

Nine months ended September 30, 2007

(Unaudited)

<i>(In millions)</i>	Shares (a)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance as of December 31, 2006	48.5	\$ 48.5	414.7	552.0	(261.4)	753.8
Net income	-	-	-	82.9	-	82.9
Other comprehensive income	-	-	-	-	45.7	45.7
Dividends	-	-	-	(11.9)	-	(11.9)
Share-based compensation - stock options	-	-	9.7	-	-	9.7
Proceeds from exercise of stock options	-	-	6.8	-	-	6.8
Excess tax benefit of stock options exercised	-	-	3.9	-	-	3.9
Other share-based compensation	-	-	6.9	-	-	6.9
Retire shares of common stock and other	-	-	(0.1)	(0.7)	-	(0.8)
Adoption of Financial Accounting Standards Board Interpretation 48 (see notes 1 and 5)	-	-	-	7.0	-	7.0
Balance as of September 30, 2007	48.5	\$ 48.5	441.9	629.3	(215.7)	904.0

(a) Includes 1.9 million shares at September 30, 2007, held by The Brink's Company Employee Benefits Trust that have not been allocated to participants (2.3 million shares at December 31, 2006).

See accompanying notes to consolidated financial statements.

THE BRINK'S COMPANY
and subsidiaries

Consolidated Statements of Cash Flows
(Unaudited)

<i>(In millions)</i>	Nine Months Ended September 30,	
	2007	2006
Cash flows from operating activities:		
Net income	\$ 82.9	460.6
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
(Income) loss from discontinued operations, net of tax	11.3	(387.1)
Depreciation and amortization	137.2	119.0
Impairment charges:		
Subscriber disconnects	37.9	35.7
Other	2.1	-
Amortization of deferred revenue	(25.6)	(23.6)
Deferred income taxes	26.6	148.5
Provision for uncollectible accounts receivable	8.1	8.1
Share-based compensation	9.7	9.1
Other operating, net	16.1	17.2
Postretirement benefit funding (more) less than expense:		
Pension	(7.6)	11.2
Other than pension	(4.2)	(249.1)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(17.9)	(53.6)
Accounts payable, income taxes payable and accrued liabilities	36.6	(140.3)
Deferral of subscriber acquisition cost	(18.0)	(18.5)
Deferral of revenue from new subscribers	35.8	33.5
Prepaid and other current assets	(13.9)	(21.3)
Other, net	7.3	5.2
Discontinued operations, net	(3.5)	(4.1)
Net cash provided (used) by operating activities	320.9	(49.5)
Cash flows from investing activities:		
Capital expenditures	(228.6)	(203.4)
Acquisitions	(11.3)	(12.4)
Marketable securities:		
Purchases	(0.7)	(1,662.6)
Sales	1.0	1,636.9
Proceeds from disposal of BAX Global, net of \$90.3 million of cash disposed	-	1,010.5
Other, net	8.3	2.5
Discontinued operations, net	0.3	(6.5)
Net cash provided (used) by investing activities	(231.0)	765.0
Cash flows from financing activities:		
Long term debt:		
Additions	108.7	82.5
Repayments	(119.1)	(217.8)

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Short-term debt repayments, net	(24.5)	(0.4)
Repurchase shares of common stock of The Brink's Company	-	(618.5)
Dividends to:		
Shareholders of The Brink's Company	(11.9)	(7.2)
Minority interest holders in subsidiaries	(6.9)	(8.8)
Proceeds from exercise of stock options	6.8	17.8
Excess tax benefits from exercise of stock options	4.2	3.7
Other, net	(0.2)	(2.4)
Discontinued operations, net	(14.8)	(3.5)
Net cash used by financing activities	(57.7)	(754.6)
Effect of exchange rate changes on cash	6.0	2.8
Cash and cash equivalents:		
Increase (decrease)	38.2	(36.3)
Balance at beginning of period	137.2	96.2
Amount held by BAX Global at December 31, 2005	-	78.6
Balance at end of period	\$ 175.4	138.5

See accompanying notes to consolidated financial statements.

THE BRINK'S COMPANY
and subsidiaries

Notes to Consolidated Financial Statements
(Unaudited)

Note 1 - Basis of presentation

The Brink's Company (along with its subsidiaries, the "Company") has two operating segments:

- Brink's, Incorporated ("Brink's")
- Brink's Home Security, Inc. ("BHS")

On August 5, 2007, the Company sold Brink's United Kingdom domestic cash handling operations. These operations have been reported as discontinued operations for all periods presented. See note 8 for a description of the transaction.

The Company's unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial reporting and applicable quarterly reporting regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, the unaudited consolidated financial statements do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The Company revised the 2006 presentation of minority interest from a deduction in arriving at income before income taxes to a reduction in earnings after taxes. Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year. For further information, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements. Actual results could differ materially from those estimates. The most significant estimates used by management are related to goodwill and other long-lived assets, pension and other postretirement benefit obligations, and income taxes.

During the third quarter of 2007, adjustments were made to correct amounts previously reported for the first half of 2007 and prior annual periods. These adjustments decreased third quarter net income by \$4.6 million, including a decrease in operating profit of \$2.2 million and an increase in the provision for income taxes for continuing operations of \$2.1 million. The Company has concluded these adjustments are not material, individually or in the aggregate, to the current or any previous annual period.

Recently Adopted Accounting Standards

The Company adopted FASB Interpretation ("FIN") 48, *Accounting for Uncertainty in Income Taxes – an interpretation of SFAS 109*, effective January 1, 2007. This interpretation clarifies the accounting for uncertain tax positions. It prescribes a recognition threshold and measurement principle for tax positions taken or expected to be taken on tax returns. The adoption of this interpretation increased retained earnings at January 1, 2007, by \$7.0 million.

Note 2 – Segment information

The Company conducts business in two operating segments: Brink's and BHS. These segments are identified by the Company based on how resources are allocated and operating decisions are made. Management evaluates performance and allocates resources based on operating profit or loss, excluding corporate allocations.

Brink's offers services globally including armored car transportation, automated teller machine ("ATM") replenishment and servicing, currency deposit processing and cash management services including cash logistics services ("Cash Logistics"), deploying and servicing safes and safe control devices, including its patented CompuSafe® service, coin sorting and wrapping, integrated check and cash processing services ("Virtual Vault Services"), arranging the secure transportation of valuables ("Global Services"), transporting, storing and destroying sensitive information ("Secure Data Solutions") and guarding services, including airport security. Brink's operates in approximately 50 countries.

During the third quarter of 2007, Brink's recorded a \$2.0 million impairment charge to write down long-lived assets to estimated fair value. The charge was recorded as part of other operating income (loss), net, due to expected future operating losses and negative operating cash flows associated with these assets.

BHS offers monitored security services in North America primarily for owner-occupied, single-family residences. To a lesser extent, BHS offers security services for commercial properties. BHS typically installs and owns the on-site security systems, and charges fees to monitor and service the systems.

<i>(In millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenues:				
Brink's	\$ 692.7	597.9	1,977.8	1,722.2
BHS	124.3	111.6	358.4	326.0
Revenues	\$ 817.0	709.5	2,336.2	2,048.2
Operating profit:				
Brink's	\$ 53.0	51.0	146.9	129.3
BHS	25.5	23.4	84.5	71.3
Business segments	78.5	74.4	231.4	200.6
Corporate	(14.3)	(13.9)	(36.8)	(36.1)
Former operations	(3.7)	(6.1)	(10.6)	(19.2)
Operating profit	\$ 60.5	54.4	184.0	145.3

Note 3 - Earnings per share

Shares used to calculate earnings per share are as follows:

<i>(In millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Weighted-average common shares outstanding:				
Basic	46.6	46.7	46.5	51.2
Effect of dilutive stock options	0.5	0.5	0.5	0.5
Diluted	47.1	47.2	47.0	51.7
Antidilutive stock options excluded from denominator	0.7	0.3	0.3	0.2

Shares of the Company's common stock held by The Brink's Company Employee Benefits Trust (the "Employee Benefits Trust") that have not been allocated to participants under the Company's various benefit plans are excluded from earnings per share calculations since they are treated as treasury shares for the calculation of earnings per share. The Employee Benefits Trust held 1.9 million unallocated shares at September 30, 2007, and 2.3 million unallocated shares at September 30, 2006.

Note 4 – Employee and retiree benefits***Pension plans***

The Company has various defined benefit plans for eligible employees.

The components of net periodic pension cost for the Company's pension plans were as follows:

<i>(In millions)</i>	U.S. Plans		Non-U.S. Plans		Total	
	2007	2006	2007	2006	2007	2006
<i>Three months ended September 30,</i>						
Service cost	\$ -	-	2.3	2.1	2.3	2.1
Interest cost on PBO	11.1	10.6	2.6	2.3	13.7	12.9
Return on assets - expected	(13.3)	(12.7)	(2.5)	(2.0)	(15.8)	(14.7)
Other amortization, net	3.5	4.4	0.7	1.0	4.2	5.4
Net periodic pension cost	\$ 1.3	2.3	3.1	3.4	4.4	5.7
<i>Nine months ended September 30,</i>						
Service cost	\$ -	-	6.6	6.7	6.6	6.7
Interest cost on PBO	33.0	31.4	7.4	6.9	40.4	38.3
Return on assets - expected	(40.0)	(37.9)	(7.2)	(6.4)	(47.2)	(44.3)
Other amortization, net	9.7	12.7	2.2	3.1	11.9	15.8

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Net periodic pension cost	\$	2.7	6.2	9.0	10.3	11.7	16.5
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On September 7, 2007, the Company made a voluntary contribution to its primary U.S. pension plan of \$13 million. The Company does not expect to make additional contributions to the primary U.S. pension plan during 2007.

8

Postretirement benefits other than pensions***Company-Sponsored Plans***

The Company provides postretirement health care benefits (the “Company-sponsored plans”) for eligible active and retired employees in the U.S. and Canada of the Company’s current and former businesses, including eligible participants of the former coal operations (the “coal-related” plans).

The components of net periodic postretirement cost related to Company-sponsored plans were as follows:

<i>(In millions)</i>	Coal-related plans		Other plans		Total	
	2007	2006	2007	2006	2007	2006
<i>Three months ended September 30,</i>						
Service cost	\$ -	-	0.1	0.1	0.1	0.1
Interest cost on APBO	7.8	7.8	0.1	0.2	7.9	8.0
Return on assets – expected	(9.7)	(8.6)	-	-	(9.7)	(8.6)
Amortization of losses	2.8	3.6	(0.1)	-	2.7	3.6
Net periodic postretirement cost	\$ 0.9	2.8	0.1	0.3	1.0	3.1
<i>Nine months ended September 30,</i>						
Service cost	\$ -	-	0.2	0.3	0.2	0.3
Interest cost on APBO	23.5					