

TRINITY INDUSTRIES INC

Form 10-Q

November 01, 2007

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007
OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from _____ to _____.
Commission File Number 1-6903
Trinity Industries, Inc.
(Exact name of registrant as specified in its charter)**

Delaware
(State of Incorporation)

75-0225040
(I.R.S. Employer Identification No.)

2525 Stemmons Freeway
Dallas, Texas
(Address of principal executive offices)

75207-2401
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months 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.

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 .

At October 26, 2007 there were 81,494,233 shares of the Registrant's common stock outstanding.

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<u>Certification Pursuant to Section 906</u>		

Table of Contents**PART I****Item 1. Financial Statements****Trinity Industries, Inc. and Subsidiaries****Consolidated Statements of Operations**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
	(unaudited)			
	(in millions, except per share amounts)			
Revenues	\$ 1,008.4	\$ 810.1	\$ 2,729.5	\$ 2,383.9
Operating costs:				
Cost of revenues	804.9	660.0	2,194.5	1,949.6
Selling, engineering, and administrative expenses	56.6	49.4	168.3	149.7
	861.5	709.4	2,362.8	2,099.3
Operating profit	146.9	100.7	366.7	284.6
Other (income) expense:				
Interest income	(2.5)	(5.7)	(8.8)	(9.3)
Interest expense	19.5	18.1	55.8	46.5
Other, net	(3.6)	(1.3)	(14.5)	(13.9)
	13.4	11.1	32.5	23.3
Income from continuing operations before income taxes	133.5	89.6	334.2	261.3
Provision for income taxes	46.3	34.3	118.9	103.2
Income from continuing operations	87.2	55.3	215.3	158.1
Discontinued operations:				
Gain (loss) on sales of discontinued operations, net of provision (benefit) for income taxes of \$, \$(0.5), \$, and \$13.3		(1.4)		21.0
Loss from discontinued operations, net of provision (benefit) for income taxes of \$(0.1), \$1.6, \$(0.2), and \$(1.1)	(0.2)	(3.1)	(0.5)	(5.5)
Net income	\$ 87.0	\$ 50.8	\$ 214.8	\$ 173.6

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Net income per common share:

Basic:

Continuing operations	\$ 1.10	\$ 0.71	\$ 2.73	\$ 2.07
Discontinued operations	0.00	(0.06)	0.00	0.20

	\$ 1.10	\$ 0.65	\$ 2.73	\$ 2.27
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Diluted:

Continuing operations	\$ 1.08	\$ 0.70	\$ 2.67	\$ 2.00
Discontinued operations	0.00	(0.06)	0.00	0.19

	\$ 1.08	\$ 0.64	\$ 2.67	\$ 2.19
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Weighted average number of shares
outstanding:

Basic	79.1	77.5	78.8	76.5
Diluted	80.6	79.2	80.5	79.1

Dividends declared per common share	\$ 0.07	\$ 0.06	\$ 0.19	\$ 0.15
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See accompanying notes to consolidated financial statements.

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

	September 30, 2007 (unaudited)	December 31, 2006 (as reported)
	(in millions)	
Assets		
Cash and cash equivalents	\$ 222.4	\$ 311.5
Receivables, net of allowance	341.9	252.5
Inventories:		
Raw materials and supplies	331.0	316.5
Work in process	138.7	139.1
Finished goods	144.7	73.3
	614.4	528.9
Property, plant, and equipment, at cost	2,791.5	2,318.8
Less accumulated depreciation	(756.8)	(728.5)
	2,034.7	1,590.3
Goodwill	500.0	463.7
Assets held for sale and discontinued operations	3.7	10.8
Other assets	307.8	267.9
	\$ 4,024.9	\$ 3,425.6
Liabilities and Stockholders Equity		
Accounts payable and accrued liabilities	\$ 728.7	\$ 655.8
Debt:		
Recourse	730.1	772.4
Non-recourse	674.6	426.5
	1,404.7	1,198.9
Deferred income	52.7	42.9
Liabilities held for sale and discontinued operations	1.2	7.8
Other liabilities	186.8	116.7
	2,374.1	2,022.1

Stockholders' equity:

Preferred stock 1.5 shares authorized and unissued

Common stock 200.0 shares authorized	81.6	80.0
Capital in excess of par value	540.2	484.3
Retained earnings	1,105.4	908.8
Accumulated other comprehensive loss	(69.4)	(69.2)
Treasury stock	(7.0)	(0.4)
	1,650.8	1,403.5
	\$ 4,024.9	\$ 3,425.6

See accompanying notes to consolidated financial statements.

Table of Contents**Trinity Industries, Inc. and Subsidiaries
Consolidated Statements of Cash Flows**

	Nine Months Ended September 30, 2007 2006 (unaudited) (in millions)	
Operating activities:		
Net income	\$ 214.8	\$ 173.6
Adjustments to reconcile net income to net cash provided by continuing operating activities:		
Loss (gain) from discontinued operations, including gain on sale	0.5	(15.5)
Depreciation and amortization	86.0	63.3
Stock-based compensation expense	13.5	9.1
Excess tax benefits from stock-based compensation	(5.3)	(6.2)
Deferred income taxes	50.5	65.3
Gain on disposition of property, plant, equipment, and other assets	(17.5)	(12.6)
Other	(31.0)	(2.4)
Changes in assets and liabilities:		
(Increase) decrease in receivables	(91.1)	(79.7)
(Increase) decrease in inventories	(78.6)	(120.8)
(Increase) decrease in other assets	(63.3)	(56.6)
Increase (decrease) in accounts payable and accrued liabilities	104.2	39.5
Increase (decrease) in other liabilities	5.5	(8.7)
Net cash provided by operating activities continuing operations	188.2	48.3
Net cash provided by operating activities discontinued operations		15.0
Net cash provided by operating activities	188.2	63.3
Investing activities:		
Proceeds from sales of railcars from our leased fleet	238.1	32.6
Proceeds from disposition of property, plant, equipment, and other assets	48.8	18.5
Capital expenditures lease subsidiary	(585.6)	(390.3)
Capital expenditures other	(140.2)	(93.1)
Payment for purchase of acquisitions, net of cash acquired	(47.3)	(2.3)
Net cash required by investing activities continuing operations	(486.2)	(434.6)
Net cash provided by investing activities discontinued operations		82.9
Net cash required by investing activities	(486.2)	(351.7)
Financing activities:		
Issuance of common stock, net	12.0	13.1
Excess tax benefits from stock-based compensation	5.3	6.2
Payments to retire debt	(98.4)	(405.5)

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Proceeds from issuance of debt	304.2	920.1
Dividends paid to common shareholders	(14.2)	(11.7)
Dividends paid to preferred shareholders		(1.7)
Net cash provided by financing activities	208.9	520.5
Net (decrease) increase in cash and cash equivalents	(89.1)	232.1
Cash and cash equivalents at beginning of period	311.5	136.0
Cash and cash equivalents at end of period	\$ 222.4	\$ 368.1

See accompanying notes to consolidated financial statements.

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Table of Contents**Trinity Industries, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity**

(unaudited) (in millions, except par value)	Common Stock		Capital	Retained Earnings	Accumulated	Treasury Shares	Treasury Stock at Cost	Total Stockholders' Equity
	Shares	\$1.00 Par Value	in Excess of Par Value		Other			
Balances at December 31, 2006	80.0	\$ 80.0	\$ 484.3	\$ 908.8	\$ (69.2)	(0.0)	\$ (0.4)	\$ 1,403.5
Cumulative effect of adopting FIN 48 (see Note 17)				(3.1)				(3.1)
Net income				214.8				214.8
Other comprehensive income:								
Currency translation adjustments, net of tax					0.2			0.2
Unrealized gain on derivative financial instruments, net of tax					(0.4)			(0.4)
Comprehensive net income								214.6
Cash dividends on common stock				(15.1)				(15.1)
Restricted shares issued	0.5	0.5	21.7				3.0	25.2
Shares issued for acquisition	0.3	0.3	11.4					11.7
Shares retained for taxes on vested restricted stock						(0.1)	(4.5)	(4.5)
Stock options exercised	0.8	0.8	14.3			(0.1)	(3.5)	11.6
Income tax benefit from stock options exercised			6.6					6.6
Stock-based compensation expense			1.2					1.2
Other			0.7				(1.6)	(0.9)
Balances at September 30, 2007	81.6	\$ 81.6	\$ 540.2	\$ 1,105.4	\$ (69.4)	(0.2)	\$ (7.0)	\$ 1,650.8

See accompanying notes to consolidated financial statements.

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

The foregoing consolidated financial statements are unaudited and have been prepared from the books and records of Trinity Industries, Inc. and subsidiaries (Trinity , Company , we or our). In our opinion, all normal and recurring adjustments necessary for a fair presentation of the financial position of the Company as of September 30, 2007, the results of operations for the three and nine month periods ended September 30, 2007 and 2006, and cash flows for the nine month periods ended September 30, 2007 and 2006 have been made in conformity with generally accepted accounting principles. Because of seasonal and other factors, the results of operations for the nine month period ended September 30, 2007 may not be indicative of expected results of operations for the year ending December 31, 2007. These interim financial statements and notes are condensed as permitted by the instructions to Form 10-Q and should be read in conjunction with the audited consolidated financial statements of the Company included in its Form 10-K for the year ended December 31, 2006.

Recent Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is expected to expand the use of fair value measurement.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements.

The provisions of SFAS 159 and SFAS 157 are effective for fiscal years beginning after November 15, 2007. We are currently evaluating the potential impact of the provisions of SFAS 159 and SFAS 157.

Reclassifications

Certain prior year balances have been reclassified to conform to the 2007 presentation for discontinued operations.

Note 2. Acquisition and Divestitures

In June 2006, we sold our weld pipe fittings business (Fittings). In August 2006, we also sold our European Rail business (Europe). Condensed results of operations relating to Fittings and Europe for the three and nine month periods ended September 30, 2006 were as follows:

	Three Months Ended September 30, 2006		Nine Months Ended September 30, 2006	
	(in millions)			
	Fittings	Europe	Fittings	Europe
Revenues	\$	\$ 15.2	\$ 28.0	\$ 69.4
Operating costs		17.8	23.5	80.0
Other (income) expense		(1.1)		0.5

Inco