

LINDSAY CORP  
Form 10-Q  
July 01, 2016  
Table of Contents

**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 May 31, 2016**

**OR**

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

**Commission File Number 1-13419**

**Lindsay Corporation**

**(Exact name of registrant as specified in its charter)**

<b>Delaware</b> <b>(State or other jurisdiction of</b>	<b>47-0554096</b> <b>(I.R.S. Employer</b>
<b>incorporation or organization)</b>	<b>Identification No.)</b>
<b>2222 N. 111th Street, Omaha, Nebraska</b> <b>(Address of principal executive offices)</b>	<b>68164</b> <b>(Zip Code)</b>
<b>402-829-6800</b>	
<b>(Registrant's telephone number, including area code)</b>	

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 and smaller reporting company in Rule 12b-2 of the Exchange Act:

Edgar Filing: LINDSAY CORP - Form 10-Q

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if smaller reporting company)

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

As of June 24, 2016, 10,630,124 shares of the registrant's common stock were outstanding.

**Table of Contents**

**Lindsay Corporation**

**INDEX FORM 10-Q**

	Page No.
<b><u>Part I FINANCIAL INFORMATION</u></b>	
<b><u>ITEM 1 Financial Statements</u></b>	
<u>Condensed Consolidated Statements of Operations for the three and nine months ended May 31, 2016 and May 31, 2015</u>	3
<u>Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended May 31, 2016 and May 31, 2015</u>	4
<u>Condensed Consolidated Balance Sheets as of May 31, 2016, May 31, 2015 and August 31, 2015</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended May 31, 2016 and May 31, 2015</u>	6
<u>Notes to the Condensed Consolidated Financial Statements</u>	7
<b><u>ITEM 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	15
<b><u>ITEM 3 - Quantitative and Qualitative Disclosures about Market Risk</u></b>	23
<b><u>ITEM 4 - Controls and Procedures</u></b>	23
<b><u>Part II OTHER INFORMATION</u></b>	
<b><u>ITEM 1 - Legal Proceedings</u></b>	23
<b><u>ITEM 1A - Risk Factors</u></b>	23
<b><u>ITEM 2 - Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	24
<b><u>ITEM 6 - Exhibits</u></b>	25
<b><u>SIGNATURES</u></b>	26

**Table of Contents****Part I FINANCIAL INFORMATION****ITEM 1 - Financial Statements****Lindsay Corporation and Subsidiaries****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

(\$ and shares in thousands, except per share amounts)	Three months ended		Nine months ended	
	May 31, 2016	May 31, 2015	May 31, 2016	May 31, 2015
Operating revenues	\$ 141,319	\$ 160,707	\$ 383,514	\$ 436,641
Cost of operating revenues	99,511	114,321	274,847	313,785
Gross profit	41,808	46,386	108,667	122,856
Operating expenses:				
Selling expense	10,606	10,682	30,961	30,330
General and administrative expense	11,882	10,719	43,925	35,270
Engineering and research expense	3,995	3,497	11,402	9,330
Total operating expenses	26,483	24,898	86,288	74,930
Operating income	15,325	21,488	22,379	47,926
Other income (expense):				
Interest expense	(1,179)	(1,144)	(3,576)	(1,424)
Interest income	127	134	520	468
Other expense, net	(208)	(55)	(1,055)	(748)
Earnings before income taxes	14,065	20,423	18,268	46,222
Income tax expense	4,421	7,496	5,809	16,732
Net earnings	\$ 9,644	\$ 12,927	\$ 12,459	\$ 29,490
Earnings per share:				
Basic	\$ 0.90	\$ 1.11	\$ 1.13	\$ 2.46
Diluted	\$ 0.90	\$ 1.10	\$ 1.13	\$ 2.46
Shares used in computing earnings per share:				
Basic	10,709	11,690	10,997	11,965
Diluted	10,732	11,720	11,019	12,000
Cash dividends declared per share	\$ 0.28	\$ 0.27	\$ 0.84	\$ 0.81

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



Table of Contents**Lindsay Corporation and Subsidiaries****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Unaudited)**

(\$ in thousands)	Three months ended		Nine months ended	
	May 31, 2016	May 31, 2015	May 31, 2016	May 31, 2015
Net earnings	\$ 9,644	\$ 12,927	\$ 12,459	\$ 29,490
Other comprehensive income (loss):				
Defined benefit pension plan adjustment, net of tax	33	33	71	97
Unrealized gain on cash flow hedges, net of tax	76			
Foreign currency translation adjustment, net of hedging activities and tax	1,804	(2,638)	(269)	(10,909)
Total other comprehensive gain (loss), net of tax expense (benefit) of (\$138), \$136, \$253 and \$1,873	1,913	(2,605)	(198)	(10,812)
<b>Total comprehensive income:</b>	<b>\$ 11,557</b>	<b>\$ 10,322</b>	<b>\$ 12,261</b>	<b>\$ 18,678</b>

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

**Table of Contents****Lindsay Corporation and Subsidiaries****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(\$ and shares in thousands, except par values)	May 31, 2016	May 31, 2015	August 31, 2015
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 91,498	\$ 154,018	\$ 139,093
Receivables, net of allowance of \$7,979, \$2,607 and \$9,706, respectively	81,915	93,399	74,063
Inventories, net	82,845	79,123	74,930
Deferred income taxes	14,519	16,922	15,807
Other current assets	20,470	17,641	18,274
<b>Total current assets</b>	<b>291,247</b>	<b>361,103</b>	<b>322,167</b>
Property, plant and equipment:			
Cost	184,740	178,606	181,598
Less accumulated depreciation	(105,580)	(101,752)	(102,942)
<b>Property, plant and equipment, net</b>	<b>79,160</b>	<b>76,854</b>	<b>78,656</b>
Intangibles, net			
Goodwill	48,367	52,103	51,920
Other noncurrent assets, net of allowance of \$0, \$2,021 and \$0, respectively	76,778	75,124	76,801
	6,153	12,710	6,924
<b>Total assets</b>	<b>\$ 501,705</b>	<b>\$ 577,894</b>	<b>\$ 536,468</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>			
Current liabilities:			
Accounts payable	\$ 40,805	\$ 46,560	\$ 38,814
Current portion of long-term debt	196	182	193
Other current liabilities	55,651	64,343	56,105
<b>Total current liabilities</b>	<b>96,652</b>	<b>111,085</b>	<b>95,112</b>
Pension benefits liabilities			
Long-term debt	6,362	6,389	6,569
Deferred income taxes	117,025	117,222	117,173
Other noncurrent liabilities	13,423	18,685	18,971
	23,307	9,818	10,083
<b>Total liabilities</b>	<b>256,769</b>	<b>263,199</b>	<b>247,908</b>



Edgar Filing: LINDSAY CORP - Form 10-Q

Shareholders' equity:

Preferred stock of \$1 par value - Authorized 2,000 shares; no shares issued and outstanding			
Common stock of \$1 par value - authorized 25,000 shares; 18,713, 18,678 and 18,684 shares issued, respectively	18,713	18,678	18,684
Capital in excess of stated value	56,766	54,268	55,184
Retained earnings	462,201	465,246	458,903
Less treasury stock - at cost, 8,083, 7,174 and 7,394 shares, respectively	(277,238)	(210,484)	(228,903)
Accumulated other comprehensive loss, net	(15,506)	(13,013)	(15,308)
<b>Total shareholders' equity</b>	<b>244,936</b>	<b>314,695</b>	<b>288,560</b>
Total liabilities and shareholders' equity	\$ 501,705	\$ 577,894	\$ 536,468

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

**Table of Contents****Lindsay Corporation and Subsidiaries****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

<b>(\$ in thousands)</b>	<b>Nine months ended</b>	
	<b>May 31,</b>	<b>May 31,</b>
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net earnings	\$ 12,459	\$ 29,490
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	12,771	12,148
Provision for uncollectible accounts receivable	(1,161)	569
Deferred income taxes	(4,737)	(1,541)
Share-based compensation expense	2,440	2,599
Other, net	755	4,196
Changes in assets and liabilities:		
Receivables	(6,704)	(6,326)
Inventories	(7,732)	(1,244)
Other current assets	(1,425)	(2,560)
Accounts payable	1,452	6,212
Other current liabilities	(33)	(6,340)
Current income taxes payable	(225)	(3,730)
Other noncurrent assets and liabilities	12,389	1,912
<b>Net cash provided by operating activities</b>	<b>20,249</b>	<b>35,385</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(10,073)	(11,228)
Acquisition of business, net of cash acquired		(67,176)
Proceeds from settlement of net investment hedges	2,317	7,363
Payments for settlement of net investment hedges	(2,719)	(606)
Other investing activities, net	1,118	(1,724)
<b>Net cash used in investing activities</b>	<b>(9,357)</b>	<b>(73,371)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from exercise of stock options	113	256
Common stock withheld for payroll tax withholdings	(712)	(1,706)
Proceeds from issuance of long-term debt		115,000
Principal payments on long-term debt	(144)	(75)
Issuance costs related to debt		(618)
Excess tax benefits from share-based compensation	53	510
Repurchase of common shares	(48,335)	(78,464)
Dividends paid	(9,161)	(9,610)

Edgar Filing: LINDSAY CORP - Form 10-Q

Net cash provided by (used in) financing activities	(58,186)	25,293
Effect of exchange rate changes on cash and cash equivalents	(301)	(5,131)
Net change in cash and cash equivalents	(47,595)	(17,824)
Cash and cash equivalents, beginning of period	139,093	171,842
Cash and cash equivalents, end of period	\$ 91,498	\$ 154,018

**SUPPLEMENTAL CASH FLOW INFORMATION**

Income taxes paid	\$ 13,608	\$ 21,221
Interest paid	\$ 2,413	\$ 159

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

---

**Table of Contents**

**Lindsay Corporation and Subsidiaries**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

**Note 1 Condensed Consolidated Financial Statements**

The condensed consolidated financial statements are presented in accordance with the rules and regulations of the Securities and Exchange Commission and do not include all of the disclosures normally required by U.S. generally accepted accounting principles ( U.S. GAAP ) as contained in Lindsay Corporation s (the Company ) Annual Report on Form 10-K. Accordingly, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s most recent Annual Report on Form 10-K for the fiscal year ended August 31, 2015.

In the opinion of management, the condensed consolidated financial statements of the Company reflect all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position and the results of operations and cash flows for the periods presented. The results for interim periods are not necessarily indicative of trends or results expected by the Company for a full year. The condensed consolidated financial statements were prepared using U.S. GAAP. These principles require us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from these estimates. Certain reclassifications have been made to prior financial statements and notes to conform to the current year presentation.

**Note 2 New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (the FASB ) issued Accounting Standards Update ( ASU ) No. 2014-09, *Revenue from Contracts with Customers*. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*. The standard provides a single model for revenue arising from contracts with customers and supersedes current revenue recognition guidance. The ASU requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of goods or services. The ASU will replace existing revenue recognition guidance in U.S. GAAP and becomes effective in the first quarter of fiscal year 2019. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The guidance permits companies to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption, through a cumulative adjustment. The Company is currently evaluating the impact the adoption will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method, nor has it determined the effect of the standard on its ongoing financial reporting.

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes: Balance Sheet Classification of Deferred Taxes*. The standard requires an entity to classify all deferred tax assets and liabilities as noncurrent. In addition, companies will no longer allocate valuation allowances between current and noncurrent because all valuation allowances will also be classified as noncurrent. The effective date of ASU No. 2015-17 will be the first quarter of fiscal 2018 with early adoption permitted. The guidance allows companies to apply the update either on a retrospective or prospective basis. The Company does not expect this standard to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The standard replaces the current codification topic 840 with updated guidance on accounting for leases and requires a lessee to recognize assets and liabilities arising from an operating lease on the balance sheet. Previous U.S. GAAP did not require lease assets and liabilities to be recognized for most leases. Furthermore, companies are permitted to make an accounting policy election to not recognize lease assets and liabilities for leases with a term of 12 months or less. For both finance leases and operating leases, the lease liability should be initially measured at the present value of the lease payments. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee will not significantly change under this new guidance. The effective date of ASU No. 2016-02 will be the first quarter of fiscal 2020 with early adoption permitted. The Company is currently evaluating the effect that adopting this standard will have on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*. The standard provides guidance for employee share-based compensation payments, including the income tax consequences, classification of awards as either equity or liabilities and the classification on the statement of cash flows. The ASU requires all excess tax benefits and tax deficiencies to be recognized as income tax expense or benefits in the income statement and to be classified along with other income tax cash flows as an operating activity on the statement of cash flows. The effective date of ASU No. 2016-09 will be the first quarter of fiscal 2018 with early adoption permitted, and the standard will be adopted on a prospective basis. The Company is currently evaluating the effect that adopting this new standard will have on its consolidated financial statements.

**Table of Contents****Note 3 Net Earnings per Share**

Basic earnings per share is calculated on the basis of weighted average outstanding common shares. Diluted earnings per share is calculated on the basis of basic weighted average outstanding common shares adjusted for the dilutive effect of stock options, restricted stock unit awards and other dilutive securities.

The following table shows the computation of basic and diluted net earnings per share for the three and nine months ended May 31, 2016 and May 31, 2015:

(\$ and shares in thousands, except per share amounts)	Three months ended		Nine months ended	
	May 31, 2016	May 31, 2015	May 31, 2016	May 31, 2015
<b>Numerator:</b>				
Net earnings	\$ 9,644	\$ 12,927	\$ 12,459	\$ 29,490
<b>Denominator:</b>				
Weighted average shares outstanding	10,709	11,690	10,997	11,965
Diluted effect of stock awards	23	30	22	35
Weighted average shares outstanding assuming dilution	10,732	11,720	11,019	12,000
Basic net earnings per share	\$ 0.90	\$ 1.11	\$ 1.13	\$ 2.46
Diluted net earnings per share	\$ 0.90	\$ 1.10	\$ 1.13	\$ 2.46

Certain stock options and restricted stock units were excluded from the computation of diluted net earnings per share because their effect would have been anti-dilutive. Performance stock units are excluded from the calculation of dilutive potential common shares until the threshold performance conditions have been satisfied. The following table shows the securities excluded from the computation of earnings per share because their effect would have been anti-dilutive:

Units and options in thousands	Three months ended		Nine months ended	
	May 31, 2016	May 31, 2015	May 31, 2016	May 31, 2015
Restricted stock units	1		6	4
Stock options	104	47	84	52

**Note 4 Income Taxes**

It is the Company's policy to report income tax expense for interim periods using an estimated annual effective income tax rate. However, the tax effects of significant or unusual items are not considered in the estimated annual effective income tax rate. The tax effects of such discrete events are recognized in the interim period in which the events occur. The Company recorded no material discrete items for the three and nine months ended May 31, 2016 and May 31, 2015.

The Company recorded income tax expense of \$4.4 million and \$7.5 million for the three months ended May 31, 2016 and May 31, 2015, respectively. The Company recorded income tax expense of \$5.8 million and \$16.7 million for the nine months ended May 31, 2016 and May 31, 2015, respectively. The estimated annual effective income tax rate was 31.8 percent and 36.2 percent for the fiscal year-to-date periods ended May 31, 2016 and May 31, 2015, respectively. The decrease in the estimated annual effective income tax rate from May 2015 to May 2016 is primarily the result of proportionately higher earnings from foreign operations with tax rates lower than in the U.S.

#### Note 5 Inventories

Inventories consisted of the following as of May 31, 2016, May 31, 2015 and August 31, 2015:

(\$ in thousands)	May 31, 2016	May 31, 2015	August 31, 2015
Raw materials and supplies	\$ 25,903	\$ 25,953	\$ 29,427
Work in process	7,730	8,789	7,318
Finished goods and purchased parts	53,731	51,220	44,269
Total inventory value before LIFO adjustment	87,364	85,962	81,014
Less adjustment to LIFO value	(4,519)	(6,839)	(6,084)
Inventories, net	\$ 82,845	\$ 79,123	\$ 74,930

**Table of Contents****Note 6 Long-Term Debt**

The following table sets forth the outstanding principal balances of the Company's long-term debt as of the dates shown.

(\$ in thousands)	May 31, 2016	May 31, 2015	August 31, 2015
Series A Senior Notes	\$ 115,000	\$ 115,000	\$ 115,000
Revolving Credit Facility			
Elecsys Series 2006A Bonds	2,221	2,404	2,366
Total debt	117,221	117,404	117,366
Less current portion	(196)	(182)	(193)
Total long-term debt	\$ 117,025	\$ 117,222	\$ 117,173

Principal payments on the debt are due as follows:

Due within:	\$ in thousands
1 year	\$ 196
2 years	200
3 years	204
4 years	208
5 years	212
Thereafter	116,201
	\$ 117,221

**Note 7 Financial Derivatives**

The Company uses certain financial derivatives to mitigate its exposure to volatility in foreign currency exchange rates. The Company uses these derivative instruments to hedge exposures in the ordinary course of business and does not invest in derivative instruments for speculative purposes. The Company manages market and credit risks associated with its derivative instruments by establishing and monitoring limits as to the types and degree of risk that may be undertaken, and by entering into transactions with counterparties that have investment grade credit ratings. Financial derivatives consist of the following:

**Fair Values of Derivative Instruments****Asset (Liability)****May 31, May 31, August 31,**

(\$ in thousands)	Balance Sheet Classification	2016	2015	2015
-------------------	---------------------------------	------	------	------



Edgar Filing: LINDSAY CORP - Form 10-Q

Derivatives designated as hedging instruments:					
Foreign currency forward contracts	Other current assets	\$ 858	\$ 19	\$ 217	
Foreign currency forward contracts	Other current liabilities	(136)	(216)	(352)	
Total derivatives designated as hedging instruments		\$ 722	\$ (197)	\$ (135)	
Derivatives not designated as hedging instruments:					
Foreign currency forward contracts	Other current assets	\$ 16	\$ 99	\$ 495	
Foreign currency forward contracts	Other current liabilities	(50)		(61)	
Total derivatives not designated as hedging instruments		\$ (34)	\$ 99	\$ 434	

Accumulated other comprehensive income ( AOCI ) included realized and unrealized after-tax gains of \$5.9 million, \$5.6 million and \$5.4 million at May 31, 2016, May 31, 2015 and August 31, 2015, respectively, related to derivative contracts designated as hedging instruments.

**Table of Contents***Net Investment Hedging Relationships*

(\$ in thousands)	Amount of Gain/(Loss) Recognized in OCI on Derivatives			
	Three months ended		Nine months ended	
	May 31, 2016	May 31, 2015	May 31, 2016	May 31, 2015
Foreign currency forward contracts, net of tax (benefit) expense of \$(260), \$235, \$149 and \$2,283	\$ (448)	\$ 384	\$ 450	\$ 3,597

For the three months ended May 31, 2016 and May 31, 2015, the Company settled foreign currency forward contracts resulting in an after-tax net (loss) gain of \$(1.4) million and \$2.3 million, respectively, which were included in other comprehensive income as part of a currency translation adjustment. For the nine months ended May 31, 2016 and May 31, 2015, the Company settled foreign currency forward contracts resulting in an after-tax net (loss) gain of \$(0.2) million and \$4.1 million, respectively, which were included in other comprehensive income as part of a currency translation adjustment. There were no amounts recorded in the condensed consolidated statement of operations related to ineffectiveness of foreign currency forward contracts related to net investment hedges for the three and nine months ended May 31, 2016 and May 31, 2015.

At May 31, 2016, May 31, 2015 and August 31, 2015, the Company had outstanding Euro foreign currency forward contracts to sell 28.5 million Euro, 29.2 million Euro and 29.1 million Euro, respectively, at fixed prices to settle during the next fiscal quarter. At May 31, 2016, May 31, 2015 and August 31, 2015, the Company had an outstanding South African Rand foreign currency forward contract to sell 43.0 million South African Rand at fixed prices to settle during the next fiscal quarter. The Company's foreign currency forward contracts qualify as hedges of a net investment in foreign operations.

*Derivatives Not Designated as Hedging Instruments*

The Company generally does not elect hedge accounting treatment for derivative contracts related to future settlements of foreign denominated intercompany receivables and payables. If the Company does not elect hedge accounting treatment for a derivative, the Company carries the derivative at its fair value in the condensed consolidated balance sheet and recognizes any subsequent changes in its fair value during a period through earnings in the condensed consolidated statement of operations. At May 31, 2016, May 31, 2015 and August 31, 2015, the Company had \$8.4 million, \$4.8 million and \$9.5 million of U.S. dollar equivalent of foreign currency forward contracts outstanding that are not designated as hedging instruments.

**Note 8 Fair Value Measurements**

The following table presents the Company's financial assets and liabilities measured at fair value based upon the level within the fair value hierarchy in which the fair value measurements fall, as of May 31, 2016, May 31, 2015 and August 31, 2015, respectively. There were no transfers between any levels for the periods presented.

(\$ in thousands)	May 31, 2016			Total
	Level 1	Level 2	Level 3	

Edgar Filing: LINDSAY CORP - Form 10-Q

Cash and cash equivalents	\$ 91,498	\$	\$	\$ 91,498
Derivative assets			874	874
Derivative liabilities			(186)	(186)

**May 31, 2015**

<b>(\$ in thousands)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 154,018	\$	\$	\$ 154,018
Derivative assets			118	118
Derivative liabilities			(216)	(216)

**August 31, 2015**

<b>(\$ in thousands)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 139,093	\$	\$	\$ 139,093
Derivative assets			712	712
Derivative liabilities			(413)	(413)

- 10 -

## **Table of Contents**

There were no required fair value adjustments for assets and liabilities measured at fair value on a non-recurring basis for the three and nine months ended May 31, 2016 or May 31, 2015.

### **Note 9 Commitments and Contingencies**

In the ordinary course of its business operations, the Company enters into arrangements that obligate it to make future payments under contracts such as lease agreements. Additionally, the Company is involved, from time to time, in commercial litigation, employment disputes, administrative proceedings, business disputes and other legal proceedings. The Company has established accruals for certain proceedings based on an assessment of probability of loss. The Company believes that any potential loss in excess of the amounts accrued, other than the environmental remediation matters discussed separately below, would not have a material effect on the business or its consolidated financial statements.

#### *Environmental Remediation*

In 1992, the Company entered into a consent decree with the U.S. Environmental Protection Agency (the EPA) in which the Company committed to remediate environmental contamination of the groundwater that was discovered from 1982 through 1990 at and adjacent to its Lindsay, Nebraska facility (the site). The site was added to the EPA's list of priority superfund sites in 1989. Between 1993 and 1995, remediation plans for the site were approved by the EPA and fully implemented by the Company. Since 1998, the primary remaining contamination at the site has been the presence of volatile organic compounds in the soil and groundwater. To date, the remediation process has consisted primarily of drilling wells into the aquifer and pumping water to the surface to allow these contaminants to be removed by aeration.

In fiscal 2012, the Company undertook an investigation to assess further potential site remediation and containment actions. In connection with the receipt of preliminary results of this investigation and other evaluations, the Company estimated that it would incur \$7.2 million in remediation of source area contamination and operating costs and accrued that undiscounted amount. In addition to this source area, the Company determined that volatile organic compounds also existed under one of the manufacturing buildings on the site. Due to the location, the Company had not yet determined the extent of these compounds or the extent to which they were contributing to groundwater contamination. Based on the uncertainty of the remediation actions that might be required with respect to this affected area, the Company believed that meaningful estimates of costs or range of costs could not be made and accordingly were not accrued.

In December 2014, the EPA requested that the Company prepare a feasibility study related to the site, including the area covered by the building, which resulted in a revision to the Company's remediation timeline. In the first quarter of fiscal 2015, the Company accrued \$1.5 million of incremental operating costs to reflect its updated timeline.

The Company began soil and groundwater testing in preparation for developing this feasibility study during the first quarter of fiscal 2016. During the second quarter of fiscal 2016, the Company completed its testing which clarified the extent of contamination, including the identification of a source of contamination near the manufacturing building that was not part of the area for which reserves were previously established. The Company, with the assistance of third-party environmental experts, is developing and evaluating remediation alternatives, a proposed remediation plan and estimated costs. Based on preliminary estimates of future remediation and operating costs, the Company accrued an additional \$13.0 million in the second quarter of fiscal 2016 and included the related expenses in general and administrative expenses in the condensed consolidated statement of operations.

The current estimated aggregate accrued cost of \$19.6 million is based on consideration of several remediation options that would use different technologies, each of which the Company believes could be successful in meeting the long-term regulatory requirements of the site. However, the remediation options are still being evaluated, cost estimates are preliminary, and no plan has been approved by the EPA or the Nebraska Department of Environmental Quality (the NDEQ ). The Company participated in a preliminary meeting with the EPA and the NDEQ during the third quarter of fiscal 2016 to review remediation alternatives and proposed plans for the site. Based on guidance from third-party environmental experts and the preliminary discussions held in the third quarter of fiscal 2016, the Company anticipates that a definitive plan may not be agreed to until fiscal 2017 or later.

The Company accrues the anticipated cost of investigation and remediation when the obligation is probable and can be reasonably estimated. While the Company believes the current accrual is a good faith estimate of the long-term cost of remediation at this site based on preliminary analysis available at this time, the estimate of costs and their timing could change as a result of a number of factors, including (1) EPA and NDEQ input on the proposed remediation plan and any changes which they may subsequently require, (2) refinement of cost estimates and length of time required to complete remediation and post-remediation operations and maintenance, (3) effectiveness of the technology chosen in remediation of the site as well as changes in technology that may be available in the future, and (4) unforeseen circumstances existing at the site. As a result of these factors, it is not possible to provide a reasonable estimate of the amount of costs that may exceed amounts accrued at this time. While any revisions could be material to the operating results of any fiscal quarter or fiscal year, the Company does not expect such additional expenses would have a material adverse effect on its liquidity or financial condition.

**Table of Contents**

The following table summarizes the undiscounted environmental remediation liability classifications included in the balance sheet as of May 31, 2016, May 31, 2015 and August 31, 2015:

<b>Environmental Remediation Liabilities</b>			
(\$ in thousands)			
<b>Balance Sheet Classification</b>	<b>May 31, 2016</b>	<b>May 31, 2015</b>	<b>August 31, 2015</b>
Other current liabilities	\$ 980	\$ 1,119	\$ 1,431
Other noncurrent liabilities	18,571	6,475	6,100
<b>Total environmental remediation liabilities</b>	<b>\$ 19,551</b>	<b>\$ 7,594</b>	<b>\$ 7,531</b>

**Note 10 Warranties**

The following table provides the changes in the Company's product warranties:

(\$ in thousands)	<b>Three months ended</b>	
	<b>May 31, 2016</b>	<b>May 31, 2015</b>
Product warranty accrual balance, beginning of period	\$ 6,431	\$ 8,467
Liabilities accrued for warranties during the period	1,372	1,374
Warranty claims paid during the period	(1,267)	(1,258)
Changes in estimates	(78)	(1,279)
<b>Product warranty accrual balance, end of period</b>	<b>\$ 6,458</b>	<b>\$ 7,304</b>

(\$ in thousands)	<b>Nine months ended</b>	
	<b>May 31, 2016</b>	<b>May 31, 2015</b>
Product warranty accrual balance, beginning of period	\$ 7,271	\$ 9,331
Liabilities accrued for warranties during the period	3,676	2,772
Warranty claims paid during the period	(3,853)	(3,466)
Changes in estimates	(636)	(1,333)
<b>Product warranty accrual balance, end of period</b>	<b>\$ 6,458</b>	<b>\$ 7,304</b>

**Note 11 Share-Based Compensation**

The Company's current share-based compensation plans, approved by the stockholders of the Company, provides for awards of stock options, restricted shares, restricted stock units, stock appreciation rights, performance shares and performance stock units to employees and non-employee directors of the Company. The Company measures and recognizes compensation expense for all share-based payment awards made to employees and directors based on estimated fair values. Share-based compensation expense was \$0.9 million and \$0.5 million for the three months

ended May 31, 2016 and May 31, 2015, respectively. Share-based compensation expense was \$2.4 million and \$2.6 million for the nine months ended May 31, 2016 and May 31, 2015, respectively.

**Note 12 Other Current Liabilities**

(\$ in thousands)	May 31, 2016	May 31, 2015	August 31, 2015
Other current liabilities:			
Compensation and benefits	\$ 17,468	\$ 16,031	\$ 16,168
Deferred revenues	6,876	9,334	6,146
Warranties	6,458	7,304	7,271
Customer deposits	5,497	3,429	3,161
Dealer related liabilities	4,656	5,287	5,328
Income taxes payable	3,830	8,401	4,034
Other	10,866	14,557	13,997
<b>Total other current liabilities</b>	<b>\$ 55,651</b>	<b>\$ 64,343</b>	<b>\$ 56,105</b>

---

**Table of Contents****Note 13 Share Repurchases**

On January 3, 2014, the Company announced that its Board of Directors authorized the Company to repurchase up to \$150.0 million of common stock through January 2, 2016. On July 22, 2015, the Company announced that its Board of Directors increased its outstanding share repurchase authorization by \$100.0 million with no expiration. Under the program, shares may be repurchased in privately negotiated and/or open market transactions as well as under formalized trading plans in accordance with the guidelines specified under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. During the three and nine months ended May 31, 2016, the Company repurchased 219,578 shares and 688,790 shares, respectively, of common stock for an aggregate purchase price of \$16.1 million and \$48.3 million, respectively. During the three and nine months ended May 31, 2015, the Company repurchased 371,886 shares and 977,812 shares, respectively, of common stock for an aggregate purchase price of \$29.1 million and \$78.5 million, respectively. The remaining amount available under the repurchase program was \$63.7 million as of May 31, 2016.

**Note 14 Industry Segment Information**

The Company manages its business activities in two reportable segments: irrigation and infrastructure. The Company evaluates the performance of its reportable segments based on segment sales, gross profit and operating income, with operating income for segment purposes excluding unallocated corporate general and administrative expenses, interest income, interest expense, other income and expenses and income taxes. Operating income for segment purposes includes general and administrative expenses, selling expenses, engineering and research expenses and other overhead charges directly attributable to the segment. There are no inter-segment sales. The Company had no single customer who represented 10 percent or more of its total revenues during the three and nine months ended May 31, 2016 and May 31, 2015.

*Irrigation* - This reporting segment includes the manufacture and marketing of center pivot, lateral move, and hose reel irrigation systems as well as various water pumping stations, controls, filtration solutions and machine-to-machine ( M2M ) technology. The irrigation reporting segment consists of five operating segments that have similar economic characteristics and meet the aggregation criteria, including similar products, production processes, type or class of customer and methods for distribution.

*Infrastructure* - This reporting segment includes the manufacture and marketing of moveable barriers, specialty barriers, crash cushions and end terminals, and road marking and road safety equipment; the manufacture and sale of large diameter steel tubing and railroad signals and structures; and the provision of outsourced manufacturing and production services. The infrastructure reporting segment consists of one operating segment.



**Table of Contents**

(\$ in thousands)	Three months ended		Nine months ended	
	May 31, 2016	May 31, 2015	May 31, 2016	May 31, 2015
<b>Operating revenues:</b>				
Irrigation	\$ 117,325	\$ 131,289	\$ 321,733	\$ 354,336
Infrastructure	23,994	29,418	61,781	82,305
Total operating revenues	\$ 141,319	\$ 160,707	\$ 383,514	\$ 436,641
<b>Operating income:</b>				
Irrigation	\$ 16,560	\$ 19,860	\$ 40,333	\$ 47,771
Infrastructure	4,654	6,498	9,268	16,216
Segment operating income	21,214	26,358	49,601	63,987
Unallocated general and administrative expenses <sup>(1)</sup>	(5,889)	(4,870)	(27,222)	(16,061)
Interest and other expense, net	(1,260)	(1,065)	(4,111)	(1,704)
Earnings before income taxes	\$ 14,065	\$ 20,423	\$ 18,268	\$ 46,222
<b>Capital expenditures:</b>				
Irrigation	\$ 2,157	\$ 4,102	\$ 7,363	\$ 9,567
Infrastructure	524	550	2,710	1,661
	\$ 2,681	\$ 4,652	\$ 10,073	\$ 11,228
<b>Depreciation and amortization:</b>				
Irrigation	\$ 3,077	\$ 2,925	\$ 9,235	\$ 8,450
Infrastructure	1,158	1,206	3,536	3,698
	\$ 4,235	\$ 4,131	\$ 12,771	\$ 12,148

- (1) Includes environmental remediation expenses of \$13.0 million and \$1.5 million for the nine months ended May 31, 2016 and May 31, 2015, respectively. There were no environmental remediation expenses for the three months ended May 31, 2016 and May 31, 2015, respectively.

(\$ in thousands)	May 31, 2016	May 31, 2015	August 31, 2015
<b>Total assets:</b>			
Irrigation	\$ 394,739	\$ 447,988	\$ 429,224
Infrastructure	106,966	129,906	107,244
	\$ 501,705	\$ 577,894	\$ 536,468



## **Table of Contents**

### **ITEM 2 - *Management's Discussion and Analysis of Financial Condition and Results of Operations***

#### **Concerning Forward-Looking Statements**

This Quarterly Report on Form 10-Q contains not only historical information, but also forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended. Statements that are not historical are forward-looking and reflect information concerning possible or assumed future results of operations and planned financing of the Company. In addition, forward-looking statements may be made orally or in press releases, conferences, reports, on the Company's worldwide web site, or otherwise, in the future by or on behalf of the Company. When used by or on behalf of the Company, the words expect, anticipate, estimate, believe, intend, will, plan, predict, project, outlook, could, may, expressions generally identify forward-looking statements. The entire section entitled Executive Overview and Outlook should be considered forward-looking statements. For these statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Forward-looking statements involve a number of risks and uncertainties, including but not limited to those discussed in the Risk Factors section in the Company's Annual Report on Form 10-K for the year ended August 31, 2015. Readers should not place undue reliance on any forward-looking statement and should recognize that the statements are predictions of future results or conditions, which may not occur as anticipated. Actual results or conditions could differ materially from those anticipated in the forward-looking statements and from historical results, due to the risks and uncertainties described herein and in the Company's other public filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the Company's fiscal year ended August 31, 2015, as well as other risks and uncertainties not now anticipated. The risks and uncertainties described herein and in the Company's other public filings are not exclusive and further information concerning the Company and its businesses, including factors that potentially could materially affect the Company's financial results, may emerge from time to time. Except as required by law, the Company assumes no obligation to update forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements.

#### **Accounting Policies**

In preparing the Company's condensed consolidated financial statements in conformity with U.S. GAAP, management must make a variety of decisions which impact the reported amounts and the related disclosures. These decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In making these decisions, management applies its judgment based on its understanding and analysis of the relevant circumstances and the Company's historical experience.

The Company's accounting policies that are most important to the presentation of its results of operations and financial condition, and which require the greatest use of judgments and estimates by management, are designated as its critical accounting policies. See discussion of the Company's critical accounting policies under Item 7 in the Company's Annual Report on Form 10-K for the Company's fiscal year ended August 31, 2015. Management periodically re-evaluates and adjusts its critical accounting policies as circumstances change. There were no changes in the Company's critical accounting policies during the three and nine months ended May 31, 2016.

#### **New Accounting Pronouncements**

See Note 2 New Accounting Pronouncements to the condensed consolidated financial statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q.

## **Executive Overview and Outlook**

Net earnings for the three months ended May 31, 2016 were \$9.6 million or \$0.90 per diluted share compared with net earnings of \$12.9 million or \$1.10 per diluted share for the three months ended May 31, 2015. Operating margin for the three months ended May 31, 2016 was 10.8 percent as compared to 13.4 percent for the three months ended May 31, 2015. The decrease in earnings and operating margin was primarily attributable to lower revenues, which declined 12 percent to \$141.3 million from \$160.7 million, and higher operating expenses of \$1.6 million.

The reduction in revenue is attributable to both the infrastructure segment, in which sales decreased 18 percent to \$24.0 million, and the irrigation segment, where sales decreased 11 percent to \$117.3 million. Infrastructure segment revenues decreased due to lower Road Zipper Systems project sales compared to the prior year. In the irrigation segment, the decrease in revenue reflects the combined effect of lower unit volume and reduced market pricing, passing through lower materials costs. The strengthening of the U.S. dollar against the value of other currencies, including the Brazilian real and South African rand, negatively affected revenues by \$1.6 million and operating income by \$0.1 million for the three months ended May 31, 2016 as compared to the three months ended May 31, 2015.

**Table of Contents**

The Company's irrigation revenues are highly dependent upon the need for irrigated agricultural crop production, which, in turn, depends upon many factors, including the following primary drivers:

***Agricultural commodity prices*** - As of May 2016, corn and soybean prices have increased approximately 15 to 20 percent compared to the same period in the prior year. However, corn prices remained approximately 35 percent lower, and soybeans prices approximately 25 percent lower, compared to the peak prices observed during the same period in 2013. Among other things, favorable growing conditions in the United States throughout the beginning of the 2016 growing season have led to estimates of record harvests which, combined with the current high stock of commodities, may continue to contribute to low prices for agricultural commodities.

***Net farm income*** - As of May 2016, the U.S. Department of Agriculture (the USDA) estimated U.S. 2016 net farm income to be \$54.8 billion, down 3 percent from the USDA's estimate of U.S. 2015 net farm income of \$56.4 billion. The 2016 estimate represents the third consecutive year of a decrease in estimated net farm income and is down 56 percent from the peak USDA estimate of net farm income in 2013 of \$123.3 billion.

***Weather conditions*** Demand for irrigation equipment is often positively affected by damaging storms and prolonged periods of drought conditions as producers look for ways to reduce the risk of low crop production and crop failures. Conversely, demand for irrigation equipment can be negatively affected during periods of more predictable natural precipitation.

***Governmental policies*** - A number of governmental laws and regulations can affect the Company's business, including:

The Agricultural Act of 2014 provides a degree of certainty to growers by adopting a five-year farm bill. This law continued many of the existing programs, including funding for the Environmental Quality Incentives Program, which provides financial assistance to farmers to implement conservation practices, and is frequently used to assist in the purchase of center pivot irrigation systems.

In December 2015, certain tax incentives such as the Section 179 income tax deductions and bonus depreciation that are intended to encourage equipment purchases were granted long-term extensions. These incentives could benefit equipment sales in the future.

Various U.S. and global trade sanctions, as well as market fluctuations and political hostility, could negatively affect irrigation equipment sales to certain geographic markets around the world.

On November 30, 2015, the Environmental Protection Agency finalized requirements for the amount of ethanol and other renewable fuels blended into the overall U.S. fuel supply in 2016.

The Company believes the requirement, while less than the original mandate, still provides for continued growth in demand for the current calendar year as the goal is to achieve 18 billion gallons of renewable fuels for 2016.

Many international markets are affected by government policies such as subsidies and other agriculturally related incentives. While these policies can have a significant effect on individual markets, they typically do not have a material effect on the consolidated results of the Company.

**Currency** The value of the U.S. dollar has been rising in relation to the value of currencies in a number of countries to which the Company exports products and maintains local operations, including the Brazilian real and the South African rand. This strengthening of the dollar increases the cost in the local currency of the products exported from the U.S. into these countries and, therefore, could negatively impact the Company's international sales and margins. In addition, the U.S. dollar value of sales made in any affected foreign currencies will decline as the value of the dollar rises in relation to these other currencies.

As the Company continues to manage through a prolonged downturn in the agricultural cycle, there has not been a sufficient catalyst to improvement in the short-term. While commodity prices have rebounded somewhat during the quarter, net farm income in the U.S. is projected at the lowest level since 2002, leading to uncertainty among growers resulting in downward pressure on irrigation equipment demand and pricing. In the international markets, regional political and economic factors, currency conditions and local competition create a challenging environment. Additionally, international results are heavily dependent upon project sales which tend to fluctuate more and can be difficult to forecast.

**Table of Contents**

The Company remains confident in the long-term drivers for efficient agricultural irrigation and water use efficiency globally. The Company has expanded global capacity with the opening of a factory in Turkey that began manufacturing operations in March 2015. While the additional capacity from the plant in Turkey has created some short-term fixed expense absorption challenges, the Company is confident in the incremental profit potential of global expansion plans and the long-term growth opportunities throughout the region, including in the European, Middle Eastern and African markets.

Demand for the Company's transportation safety products continues to be driven by population growth and the need for improved safety, resulting in consistency in a global environment of constrained government spending. In the United States, the December 2015 enactment of a \$305 billion highway-funding bill to fund highway, bridge and transit projects over the next five years creates opportunities for market growth in each of the road safety product lines. While the outlook for infrastructure products in international markets continues to be positive, global or economic slowdowns could negatively impact government spending and have a resultant negative impact on demand in certain regions. Domestically, the Federal Highway Administration has mandated a change to certification standards for road safety products to be phased in beginning in 2018, however, individual states may mandate the adoption of these standards earlier. The requirement to comply with these standards could cause an increase to the Company's R&D spend and have an impact on sales in the future. Overall, the Company's outlook for infrastructure continues to be positive, although somewhat mitigated by the possibilities of a global economic slowdown and increased regulatory requirements.

As of May 31, 2016, the Company had an order backlog of \$61.2 million compared with \$53.2 million at May 31, 2015 and \$48.0 million at August 31, 2015. The Company's backlog can fluctuate from period to period due to the seasonality, cyclicality, timing and execution of contracts. Backlog typically represents long-term projects as well as short lead-time orders, and therefore is generally not a good indication of the next fiscal quarter's revenues.

The global drivers for the Company's markets of population growth, expanded food production, efficient water use and infrastructure expansion support the Company's long-term growth goals. The most significant opportunities for growth over the next several years are in international markets, where irrigation use is less developed and demand is driven primarily by food security, water scarcity and population growth. In the United States, the focus on converting dryland acres to irrigated cropland while increasing the efficiency of water utilization will have an impact on future irrigation equipment demand.

**Table of Contents****Results of Operations****For the Three Months ended May 31, 2016 compared to the Three Months ended May 31, 2015**

The following section presents an analysis of the Company's operating results displayed in the condensed consolidated statements of operations for the three months ended May 31, 2016 and May 31, 2015. It should be read together with the industry segment information in Note 14 to the condensed consolidated financial statements:

(\$ in thousands)	Three months ended May 31, 2016	May 31, 2015	Percent Increase (Decrease)
<b>Consolidated</b>			
Operating revenues	\$ 141,319	\$ 160,707	(12%)
Gross profit	\$ 41,808	\$ 46,386	(10%)
Gross margin	29.6%	28.9%	
Operating expenses <sup>(1)</sup>	\$ 26,483	\$ 24,898	6%
Operating income	\$ 15,325	\$ 21,488	(29%)
Operating margin	10.8%	13.4%	
Other (expense), net	\$ (1,260)	\$ (1,065)	18%
Income tax expense	\$ 4,421	\$ 7,496	(41%)
Effective income tax rate	31.4%	36.7%	
Net earnings	\$ 9,644	\$ 12,927	(25%)
<b>Irrigation Equipment Segment</b>			
Segment operating revenues	\$ 117,325	\$ 131,289	(11%)
Segment operating income <sup>(2)</sup>	\$ 16,560	\$ 19,860	(17%)
Segment operating margin <sup>(2)</sup>	14.1%	15.1%	
<b>Infrastructure Products Segment</b>			
Segment operating revenues	\$ 23,994	\$ 29,418	(18%)
Segment operating income <sup>(2)</sup>	\$ 4,654	\$ 6,498	(28%)
Segment operating margin <sup>(2)</sup>	19.4%	22.1%	

(1) Includes \$5.9 million and \$4.9 million of unallocated general and administrative expenses for the three months ended May 31, 2016 and May 31, 2015, respectively.

(2) Excludes unallocated general and administrative expenses.

**Revenues**

Operating revenues for the three months ended May 31, 2016 declined 12 percent to \$141.3 million from \$160.7 million for the three months ended May 31, 2015, as infrastructure revenues decreased \$5.4 million and irrigation revenues decreased \$14.0 million. The irrigation segment provided 83 percent of the Company's revenue for the three months ended May 31, 2016 as compared to 82 percent of the three months ended May 31, 2015.

U.S. irrigation revenues for the three months ended May 31, 2016 of \$73.4 million decreased \$15.6 million or 18 percent from \$89.0 million for the three months ended May 31, 2015, reflecting the combined effect of lower unit



volume and reduced market pricing, passing through lower materials costs.

International irrigation revenues for the three months ended May 31, 2016 of \$43.9 million increased \$1.6 million or 4 percent from \$42.3 million for the three months ended May 31, 2015. Changes in foreign currency translation rates compared to the prior year period negatively impacted revenues by 4 percent. International irrigation revenue excluding the effect of foreign currency translation actually increased 8 percent for the three months ended May 31, 2016, compared to the prior period due to an increase in volume. Sales improved in several markets over levels of the prior year period, but declined in Brazil and certain export markets.

Infrastructure segment revenues for the three months ended May 31, 2016 of \$24.0 million decreased \$5.4 million or 18 percent from \$29.4 million for the three months ended May 31, 2015. The decrease is primarily due to lower Road Zipper Systems project sales compared with the prior year period.

## **Table of Contents**

### **Gross Margin**

Gross profit for the three months ended May 31, 2016 of \$41.8 million decreased 10 percent from \$46.4 million for the three months ended May 31, 2015. The decrease in gross profit was primarily due to the decline in sales, partially offset by an increase in gross margin to 29.6 percent for the three months ended May 31, 2016 from 28.9 percent for the three months ended May 31, 2015. Gross margin in both the irrigation and infrastructure segments increased approximately one percentage point compared to the prior year. Irrigation gross margin improved primarily due to the benefit of lower materials costs. Improved infrastructure gross margins were primarily the result of revenue growth and cost leverage in Europe while U.S. margins remained relatively flat overall with improved cost leverage in road safety products partially offset by the impact of lower Road Zipper Systems revenue.

### **Operating Expenses**

The Company's operating expenses of \$26.5 million for the three months ended May 31, 2016 increased by \$1.6 million over operating expenses in the three months ended May 31, 2015. The increase resulted primarily from increased outside professional fees of \$0.8 million and increased engineering and research spending of \$0.5 million. The increase in outside professional services is due to both an increase in professional fees, as well as a shift in the timing of certain activity into the third quarter of the current year. Increased engineering and research spending is driven primarily by new product development. Operating expenses were 18.7 percent of sales for the three months ended May 31, 2016 compared to 15.5 percent of sales for the three months ended May 31, 2015.

### **Income Taxes**

The Company recorded income tax expense of \$4.4 million and \$7.5 million for the three months ended May 31, 2016 and May 31, 2015, respectively. The effective income tax rate was 31.4 percent and 36.7 percent for the three months ended May 31, 2016 and May 31, 2015, respectively. The decrease in the effective income tax rate from May 2015 to May 2016 is primarily the result of proportionately higher earnings from foreign operations with tax rates lower than in the U.S.

**Table of Contents****For the Nine Months ended May 31, 2016 compared to the Nine Months ended May 31, 2015**

The following section presents an analysis of the Company's operating results displayed in the condensed consolidated statements of operations for the nine months ended May 31, 2016 and May 31, 2015. It should be read together with the industry segment information in Note 14 to the condensed consolidated financial statements:

\$ in thousands	Nine months ended		Percent Increase (Decrease)
	May 31, 2016	May 31, 2015	
<b>Consolidated</b>			
Operating revenues	\$ 383,514	\$ 436,641	(12%)
Gross profit	\$ 108,667	\$ 122,856	(12%)
Gross margin	28.3%	28.1%	
Operating expenses <sup>(1)</sup>	\$ 86,288	\$ 74,930	15%
Operating income	\$ 22,379	\$ 47,926	(53%)
Operating margin	5.8%	11.0%	
Other (expense), net	\$ (4,111)	\$ (1,704)	141%
Income tax expense	\$ 5,809	\$ 16,732	(65%)
Effective income tax rate	31.8%	36.2%	
Net earnings	\$ 12,459	\$ 29,490	(58%)
<b>Irrigation Equipment Segment</b>			
Segment operating revenues	\$ 321,733	\$ 354,336	(9%)
Segment operating income <sup>(2)</sup>	\$ 40,333	\$ 47,771	(16%)
Segment operating margin <sup>(2)</sup>	12.5%	13.5%	
<b>Infrastructure Products Segment</b>			
Segment operating revenues	\$ 61,781	\$ 82,305	(25%)
Segment operating income <sup>(2)</sup>	\$ 9,268	\$ 16,216	(43%)
Segment operating margin <sup>(2)</sup>	15.0%	19.7%	

(1) Includes \$27.2 million and \$16.1 million of unallocated general and administrative expenses for the nine months ended May 31, 2016 and May 31, 2015, respectively. Unallocated general and administrative expenses includes environmental remediation expenses of \$13.0 million and \$1.5 million for the nine months ended May 31, 2016 and May 31, 2015, respectively.

(2) Excludes unallocated general and administrative expenses.

**Revenues**

Operating revenues for the nine months ended May 31, 2016 declined 12 percent to \$383.5 million from \$436.6 million for the nine months ended May 31, 2015, as irrigation revenues decreased \$32.6 million and infrastructure revenues decreased by \$20.5 million. The irrigation segment provided 84 percent of the Company's revenue for the nine months ended May 31, 2016 as compared to 81 percent of the Company's revenue for the nine months ended May 31, 2015.

U.S. irrigation revenues for the nine months ended May 31, 2016 of \$204.9 million decreased \$14.8 million or 7 percent from \$219.7 million for the nine months ended May 31, 2015, primarily due to a volume decline in the number of irrigation systems sold as compared to the prior year. Revenues were also affected by reduced market pricing representing the pass-through effects of lower materials costs.

International irrigation revenues for the nine months ended May 31, 2016 of \$116.8 million decreased \$17.8 million or 13 percent from \$134.6 million for the nine months ended May 31, 2015. Changes in foreign currency translation rates as compared to the prior year reduced international irrigation revenues by \$11.3 million or 8 percent, while the remainder of the decline was attributable to lower sales volumes in a number markets, most notably in Brazil.

---

**Table of Contents**

Infrastructure segment revenues for the nine months ended May 31, 2016 of \$61.8 million decreased \$20.5 million or 25 percent from \$82.3 million for the nine months ended May 31, 2015. The decrease is primarily due to the completion of a few larger Road Zipper Systems projects in the prior year, including the \$12.7 million Golden Gate Bridge project.

**Gross Margin**

Gross profit for the nine months ended May 31, 2016 of \$108.7 million decreased 12 percent from \$122.9 million for the nine months ended May 31, 2015. The decrease in gross profit was primarily due to the decline in sales from the prior period. Gross margin remained relatively flat at 28.3 percent for the nine months ended May 31, 2016 compared to 28.1 percent for the nine months ended May 31, 2015. Gross margin in irrigation increased by approximately 1 percentage point and infrastructure gross margin decreased by approximately 2 percentage points. Irrigation gross margin increased primarily as a result of a change in sales mix with the addition of Elecsys Corporation in the current year, while competitive pricing pressures were largely offset by lower input costs. The decrease in infrastructure gross margin was primarily due to the completion of the Road Zipper Systems projects in the prior period that were at higher margins.

**Operating Expenses**

The Company's operating expenses of \$86.3 million for the nine months ended May 31, 2016 increased by \$11.4 million over operating expenses for the nine months ended May 31, 2015. The change in operating expenses includes \$11.5 million of incremental environmental remediation expenses and \$5.1 million of incremental expenses related to acquired companies, offset by reductions in acquisition and integration related expenses of \$1.9 million, personnel related expenses of \$1.7 million, and collections on accounts receivable that were reserved for in the prior periods of \$1.7 million. Operating expenses were 22.5 percent of sales for the nine months ended May 31, 2016 compared to 17.2 percent of sales for the nine months ended May 31, 2015.

**Income Taxes**

The Company recorded income tax expense of \$5.8 million and \$16.7 million for the nine months ended May 31, 2016 and May 31, 2015, respectively. The effective income tax rate was 31.8 percent and 36.2 percent for the nine months ended May 31, 2016 and May 31, 2015, respectively. The decrease in the effective income tax rate from May 2015 to May 2016 is primarily the result of proportionately higher earnings from foreign operations with tax rates lower than in the U.S.

**Liquidity and Capital Resources**

The Company's cash and cash equivalents totaled \$91.5 million at May 31, 2016 compared with \$154.0 million at May 31, 2015 and \$139.1 million at August 31, 2015. The Company requires cash for financing its receivables and inventories, paying operating expenses and capital expenditures, and for dividends and share repurchases. The Company meets its liquidity needs and finances its capital expenditures from its available cash and funds provided by operations along with borrowings under its credit arrangements described below. The Company believes its current cash resources, projected operating cash flow, and remaining capacity under its continuing bank lines of credit are sufficient to cover all of its expected working capital needs, planned capital expenditures and dividends. The Company may require additional borrowings to fund potential acquisitions in the future.

The Company's total cash and cash equivalents held by foreign subsidiaries was approximately \$27.0 million, \$27.1 million and \$23.5 million as of May 31, 2016, May 31, 2015 and August 31, 2015, respectively. The Company

considers earnings in foreign subsidiaries to be permanently reinvested in those subsidiaries and would need to accrue and pay taxes if such earnings were repatriated to the United States. Accordingly, the Company does not intend to repatriate the funds, and does not expect these funds to have a significant impact on the Company's overall liquidity.

Net working capital was \$194.6 million at May 31, 2016, as compared with \$250.0 million at May 31, 2015 and \$227.1 million at August 31, 2015. Cash provided by operations totaled \$20.2 million during the nine months ended May 31, 2016, a decrease of \$15.1 million compared to cash provided by operations of \$35.4 million during the nine months ended May 31, 2015. This decrease was primarily due to the decrease in net earnings as well as changes in working capital.

Cash flows used in investing activities totaled \$9.4 million during the nine months ended May 31, 2016 compared to \$73.4 million used in investing activities during the nine months ended May 31, 2015. The large decrease is primarily attributable to \$67.2 million of acquisition spending, net of cash acquired, in the prior period. Capital spending of \$10.1 million in the first nine months of fiscal 2016 decreased compared to capital spending of \$11.2 million in the same period of the prior fiscal year.

## **Table of Contents**

Cash flows used in financing activities totaled \$58.2 million during the nine months ended May 31, 2016 compared to cash flows provided by financing activities of \$25.3 million during the same prior year period. The increase in cash used in financing activities was primarily due to the prior period including \$115.0 of private placement debt funding, offset by a \$30.1 million reduction in the repurchasing of common shares.

### *Capital Allocation Plan*

The Company's capital allocation plan is to continue investing in revenue and earnings growth, combined with a defined process for enhancing returns to stockholders. Under the Company's announced capital allocation plan in January 2014, the priorities for uses of cash include:

Investment in organic growth including capital expenditures and expansion of international markets,

Dividends to stockholders, along with expectations to increase dividends on an annual basis,

Synergistic water-related acquisitions that provide attractive returns to stockholders, and

Opportunistic share repurchases taking into account cyclical and seasonal fluctuations.

### *Capital Expenditures*

Capital expenditures for fiscal 2016 are estimated to be between \$12.0 and \$15.0 million largely focused on manufacturing product safety and productivity improvements. The Company's management does maintain flexibility to modify the amount and timing of some of the planned expenditures in response to economic conditions.

### *Dividends*

In the third quarter of fiscal 2016, the Company paid a quarterly cash dividend of \$0.28 per common share or \$3.0 million to stockholders as compared to \$0.27 per common share or \$3.1 million in the third quarter of fiscal 2015. During fiscal 2016, the Company has paid total quarterly cash dividends of \$0.84 per common share or \$9.2 million to stockholders as compared to \$0.81 per common share or \$9.6 million during the same period of fiscal 2015.

### *Share Repurchases*

On January 3, 2014, the Company announced that its Board of Directors authorized the Company to repurchase up to \$150.0 million of common stock through January 2, 2016. On July 22, 2015, the Company announced that its Board of Directors increased its outstanding share repurchase authorization by \$100.0 million with no expiration. Under the program, shares may be repurchased in privately negotiated and/or open market transactions as well as under formalized trading plans in accordance with the guidelines specified under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. During the three and nine months ended May 31, 2016, the Company repurchased 219,578 shares and 688,790 shares, respectively, of common stock for an aggregate purchase price of \$16.1 million and \$48.3 million, respectively. During the three and nine months ended May 31, 2015, the Company repurchased 371,886 shares and 977,812 shares, respectively, of common stock for an aggregate purchase price of \$29.1 million and \$78.5 million, respectively. The remaining amount available under the repurchase program was \$63.7 million as of May 31,

2016.

*Long-Term Borrowing Facilities*

Series A, Senior Notes. On February 19, 2015, the Company issued \$115.0 million in aggregate principal amount of Senior Notes, Series A (the Senior Notes ). The entire principal of the Senior Notes is due and payable on February 19, 2030. Interest on the Senior Notes is payable semi-annually at a fixed annual rate of 3.82 percent and borrowings under the Senior Notes are unsecured. The Company intends to use the proceeds of the sale of the Senior Notes for general corporate purposes, including acquisitions and dividends.

Revolving Credit Facility. On February 18, 2015, the Company entered into a \$50 million unsecured Amended and Restated Revolving Credit Facility (the Revolving Credit Facility ) with Wells Fargo Bank, National Association. The Revolving Credit Facility replaces a previous revolving credit facility from the same lender originally entered into on January 24, 2008 and last amended on January 22, 2014. The Company intends to use borrowings under the Revolving Credit Facility for working capital purposes and to fund acquisitions. At May 31, 2016 and May 31, 2015, the Company had no outstanding borrowings under the Revolving Credit Facility. The amount of borrowings available at any time under the Revolving Credit Facility is reduced by the amount of standby letters of credit then outstanding. At May 31, 2016, the Company had the ability to borrow up to \$43.9 million under this facility, after consideration of outstanding standby letters of credit of \$6.1 million. Borrowings under the Revolving Credit Facility bear interest at a variable rate equal to LIBOR plus 90 basis points (1.37 percent at May 31, 2016), subject to adjustment as set forth in the loan documents for the Revolving Credit Facility. Interest is paid on a monthly to quarterly basis depending on loan type. The Company also pays an annual commitment fee of 0.25 percent on the unused portion of the Revolving Credit Facility. Unpaid principal and interest on the Revolving Credit Facility is due by February 18, 2018.



## **Table of Contents**

Borrowings under the Revolving Credit Facility have equal priority with borrowings under the Company's Senior Notes. Each of the credit arrangements described above include certain covenants relating primarily to the Company's financial condition. These financial covenants include a funded debt to EBITDA leverage ratio and an interest coverage ratio. Upon the occurrence of any event of default of these covenants, including a change in control of the Company, all amounts outstanding thereunder may be declared to be immediately due and payable. At May 31, 2016, May 31, 2015 and August 31, 2015, the Company was in compliance with all financial loan covenants contained in its credit arrangements in place as of each of those dates.

*Elecsys Series 2006A Bonds.* Elecsys Corporation, a wholly owned subsidiary of the Company, has outstanding \$2.2 million in principal amount of industrial revenue bonds that were issued in 2006 (the Series 2006A Bonds). Principal and interest on the Series 2006A Bonds are payable monthly through maturity on September 1, 2026. The interest rate is adjustable based on the yield of the 5-year United States Treasury Notes, plus 0.45 percent (1.82 percent as of May 31, 2016). The obligations under the Series 2006A Bonds are secured by a first priority security interest in certain real estate.

## **Contractual Obligations and Commercial Commitments**

There have been no material changes in the Company's contractual obligations and commercial commitments as described in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2015.

## **ITEM 3 - Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes from the Company's quantitative and qualitative disclosures about market risk previously disclosed in the Company's most recent Annual Report filed on Form 10-K. See discussion of the Company's quantitative and qualitative disclosures about market risk under Part II, Item 7A in the Company's Annual Report on Form 10-K for the Company's fiscal year ended August 31, 2015.

## **ITEM 4 *Controls and Procedures***

The Company carried out an evaluation under the supervision and the participation of the Company's management, including the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e). Based upon that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of May 31, 2016.

Additionally, the CEO and CFO determined that there has not been any change to the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## **Part II OTHER INFORMATION**

### **ITEM 1 *Legal Proceedings***

See the disclosure in Note 9 Commitments and Contingencies to the condensed consolidated financial statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q, which disclosure is hereby incorporated herein by reference.

### **ITEM 1A *Risk Factors***

Edgar Filing: LINDSAY CORP - Form 10-Q

There have been no material changes from risk factors previously disclosed in the Company's most recent Annual Report on Form 10-K. See the discussion of the Company's risk factors under Part I, Item 1A in the Company's Annual Report on Form 10-K for the Company's fiscal year ended August 31, 2015.

- 23 -

**Table of Contents****ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds**

The table below sets forth information with respect to purchases of the Company's common stock made by or on behalf of the Company during the three months ended May 31, 2016:

**ISSUER PURCHASES OF EQUITY SECURITIES**

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup> (\$ in thousands)</b>
March 1, 2016 to March 31, 2016	93,279	75.42	93,279	72,807
April 1, 2016 to April 30, 2016	113,914	71.32	113,914	64,682
May 1, 2016 to May 31, 2016	12,385	77.50	12,385	63,722
Total	219,578	\$ 73.41	219,578	\$ 63,722

- <sup>(1)</sup> On January 3, 2014, the Company announced that its Board of Directors authorized the Company to repurchase up to \$150.0 million of common stock through January 2, 2016. On July 22, 2015, the Company announced that its Board of Directors increased its outstanding share repurchase authorization by \$100.0 million with no expiration. Under the program, shares may be repurchased in privately negotiated and/or open market transactions as well as under formalized trading plans in accordance with the guidelines specified under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended.

**Table of Contents****ITEM 6 Exhibits**

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of the Company, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on December 14, 2006.
3.2	Amended and Restated By-Laws of the Company, effective May 2, 2014, incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on May 5, 2014.
4.1	Specimen Form of Common Stock Certificate, incorporated by reference to Exhibit 4(a) of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2006.
10.1*	Employment Agreement, dated May 9, 2016, between the Company and Randy A. Wood.
10.2	Employment Agreement, dated April 5, 2016, between the Company and Brian L. Ketcham, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on April 5, 2016.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 18 U.S.C. Section 1350.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 18 U.S.C. Section 1350.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 18 U.S.C. Section 1350.
101*	Interactive Data Files.

\* Filed herein.

Table of Contents

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 1<sup>st</sup> day of July 2016.

LINDSAY CORPORATION

By: /s/ BRIAN L. KETCHAM

Name: Brian L. Ketcham

Title: *Vice President and Chief Financial Officer* (on behalf of the registrant and as principal financial officer)

- 26 -