

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORP  
Form 10-Q  
July 31, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2014

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: 033-90866

WESTINGHOUSE AIR BRAKE TECHNOLOGIES  
CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	25-1615902
(State or other jurisdiction	(I.R.S. Employer
of incorporation or organization)	Identification No.)
1001 Air Brake Avenue	
Wilmerding, PA	15148
(Address of principal executive offices)	(Zip code)

412-825-1000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 28, 2014
Common Stock, \$.01 par value per share	96,311,343 shares

WESTINGHOUSE AIR BRAKE  
TECHNOLOGIES CORPORATION

June 30, 2014

FORM 10-Q

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## PART I—FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

## WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

## CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited	
	June 30,	December
In thousands, except shares and par value	2014	31, 2013
Assets		
Current Assets		
Cash and cash equivalents	\$225,907	\$285,760
Accounts receivable	465,092	349,458
Unbilled accounts receivable	251,958	205,045
Inventories	481,507	403,229
Deferred income taxes	52,517	50,622
Other	49,870	38,933
Total current assets	1,526,851	1,333,047
Property, plant and equipment	679,517	597,740
Accumulated depreciation	(336,363 )	(321,662 )
Property, plant and equipment, net	343,154	276,078
Other Assets		
Goodwill	821,572	786,433
Other intangibles, net	435,429	385,679
Other noncurrent assets	36,862	40,760
Total other assets	1,293,863	1,212,872
Total Assets	\$3,163,868	\$2,821,997
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$397,371	\$326,666
Customer deposits	72,369	66,573
Accrued compensation	56,374	57,058
Accrued warranty	51,557	43,197
Current portion of long-term debt	681	421
Other accrued liabilities	90,064	85,485
Total current liabilities	668,416	579,400
Long-term debt	500,219	450,288
Accrued postretirement and pension benefits	47,973	50,003
Deferred income taxes	135,565	114,486
Accrued warranty	19,562	17,396
Other long-term liabilities	26,441	23,257
Total liabilities	1,398,176	1,234,830
Shareholders' Equity		
Preferred stock, 1,000,000 shares authorized, no shares issued	-	-
Common stock, \$.01 par value; 200,000,000 shares authorized: 132,349,534 shares issued and 96,309,478 and 95,909,948 outstanding at June 30, 2014 and December 31, 2013, respectively	1,323	1,323

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Additional paid-in capital	434,198	415,059
Treasury stock, at cost, 36,040,056 and 36,439,586 shares, at June 30, 2014 and December 31, 2013, respectively	(383,095 )	(372,969 )
Retained earnings	1,737,850	1,576,702
Accumulated other comprehensive loss	(25,960 )	(34,856 )
Total Westinghouse Air Brake Technologies Corporation shareholders' equity	1,764,316	1,585,259
Non-controlling interest (minority interest)	1,376	1,908
Total shareholders' equity	1,765,692	1,587,167
Total Liabilities and Shareholders' Equity	\$3,163,868	\$2,821,997

The accompanying notes are an integral part of these statements.

## WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

In thousands, except per share data	Unaudited Three Months Ended June 30,		Unaudited Six Months Ended June 30,	
	2014	2013	2014	2013
Net sales	\$731,068	\$638,002	\$1,426,317	\$1,253,512
Cost of sales	(506,410)	(445,121)	(992,090 )	(877,743 )
Gross profit	224,658	192,881	434,227	375,769
Selling, general and administrative expenses	(72,982 )	(63,874 )	(143,063 )	(128,174 )
Engineering expenses	(14,221 )	(11,280 )	(27,167 )	(22,614 )
Amortization expense	(5,132 )	(5,173 )	(9,828 )	(8,760 )
Total operating expenses	(92,335 )	(80,327 )	(180,058 )	(159,548 )
Income from operations	132,323	112,554	254,169	216,221
Other income and expenses				
Interest expense, net	(4,525 )	(3,271 )	(8,975 )	(6,885 )
Other income (expense), net	243	406	226	(175 )
Income from operations before income taxes	128,041	109,689	245,420	209,161
Income tax expense	(39,336 )	(35,051 )	(76,581 )	(64,910 )
Net income attributable to Wabtec shareholders	\$88,705	\$74,638	\$168,839	\$144,251
Earnings Per Common Share				
Basic				
Net income attributable to Wabtec shareholders	\$0.92	\$0.78	\$1.76	\$1.51
Diluted				
Net income attributable to Wabtec shareholders	\$0.91	\$0.77	\$1.74	\$1.49
Weighted average shares outstanding				
Basic				
	96,048	95,762	95,674	95,243
Diluted				
	97,058	97,102	96,827	96,606

The accompanying notes are an integral part of these statements.

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## WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In thousands, except per share data	Unaudited Three Months Ended June 30,		Unaudited Six Months Ended June 30,	
	2014	2013	2014	2013
Net income attributable to Wabtec shareholders	\$88,705	\$74,638	\$168,839	\$144,251
Foreign currency translation gain (loss)	8,731	(9,037)	8,088	(36,978)
Unrealized (loss) gain on derivative contracts	(876)	1,067	(593)	1,010
Pension benefit plans and post-retirement benefit plans	(26)	2,303	1,782	5,405
Other comprehensive income (loss) before tax	7,829	(5,667)	9,277	(30,563)
Income tax benefit (expense) related to components of other comprehensive income (loss)	274	(1,142)	(381)	(1,986)
Other comprehensive income (loss), net of tax	8,103	(6,809)	8,896	(32,549)
Comprehensive income attributable to Wabtec shareholders	\$96,808	\$67,829	\$177,735	\$111,702

The accompanying notes are an integral part of these statements.

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands, except per share data	Unaudited Six Months Ended June 30,	
	2014	2013
Operating Activities		
Net income attributable to Wabtec shareholders	\$168,839	\$144,251
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and amortization	27,862	25,019
Stock-based compensation expense	12,103	11,090
Loss (gain) on disposal of property, plant and equipment	106	(743 )
Excess income tax benefits from exercise of stock options	(1,281 )	(4,162 )
Changes in operating assets and liabilities, net of acquisitions		
Accounts receivable and unbilled accounts receivable	(91,926 )	(103,155)
Inventories	(20,249 )	7,003
Accounts payable	43,653	21,308