

LINDSAY CORP  
Form 10-Q  
July 09, 2010

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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 May 31, 2010**  
**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)

**Delaware**

**47-0554096**

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**2222 N 111th Street, Omaha, Nebraska**

**68164**

(Address of principal executive offices)

(Zip Code)

**402-829-6800**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant 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   
(Do not check if 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 July 6, 2010, 12,486,372 shares of the registrant's common stock were outstanding.



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**Lindsay Corporation and Subsidiaries**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(unaudited)**

| (in thousands, except per share amounts) | Three months ended<br>May 31, |           | Nine months ended<br>May 31, |            |
|--|-------------------------------|-----------|------------------------------|------------|
|  | 2010                          | 2009      | 2010                         | 2009       |
| Operating revenues                       | \$ 100,073                    | \$ 84,578 | \$ 271,239                   | \$ 262,845 |
| Cost of operating revenues               | 74,818                        | 63,509    | 198,051                      | 199,851    |
| Gross profit                             | 25,255                        | 21,069    | 73,188                       | 62,994     |
| Operating expenses:                      |                               |           |                              |            |
| Selling expense                          | 5,909                         | 5,186     | 16,683                       | 17,567     |
| General and administrative expense       | 7,348                         | 7,000     | 22,963                       | 21,837     |
| Engineering and research expense         | 1,949                         | 1,346     | 5,418                        | 4,706      |
| Total operating expenses                 | 15,206                        | 13,532    | 45,064                       | 44,110     |
| Operating income                         | 10,049                        | 7,537     | 28,124                       | 18,884     |
| Other income (expense):                  |                               |           |                              |            |
| Interest expense                         | (474)                         | (465)     | (1,291)                      | (1,570)    |
| Interest income                          | 49                            | 200       | 215                          | 741        |
| Other income (expense), net              | 12                            | 636       | 72                           | (832)      |
| Earnings before income taxes             | 9,636                         | 7,908     | 27,120                       | 17,223     |
| Income tax provision                     | 3,388                         | 2,639     | 8,217                        | 5,482      |
| Net earnings                             | \$ 6,248                      | \$ 5,269  | \$ 18,903                    | \$ 11,741  |
| Basic net earnings per share             | \$ 0.50                       | \$ 0.43   | \$ 1.52                      | \$ 0.96    |
| Diluted net earnings per share           | \$ 0.50                       | \$ 0.42   | \$ 1.50                      | \$ 0.94    |
| Weighted average shares outstanding      | 12,486                        | 12,305    | 12,439                       | 12,280     |
| Diluted effect of stock equivalents      | 124                           | 136       | 138                          | 168        |

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|   |          |          |          |          |
|---|----------|----------|----------|----------|
| Weighted average shares outstanding assuming dilution | 12,610   | 12,441   | 12,577   | 12,448   |
| Cash dividends per share                              | \$ 0.080 | \$ 0.075 | \$ 0.240 | \$ 0.225 |

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

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**Lindsay Corporation and Subsidiaries**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

| (\$ in thousands, except par values)  | (Unaudited)<br>May 31,<br>2010 | (Unaudited)<br>May 31,<br>2009 | August 31,<br>2009 |
|---|--------------------------------|--------------------------------|--------------------|
| <b>ASSETS</b>   |                                |                                |                    |
| Current Assets:   |                                |                                |                    |
| Cash and cash equivalents   | \$ 83,509                      | \$ 63,212                      | \$ 85,929          |
| Receivables, net of allowance, \$2,246, \$1,503, and \$1,864, respectively  | 56,804                         | 57,371                         | 42,862             |
| Inventories, net  | 47,070                         | 54,355                         | 46,255             |
| Deferred income taxes   | 5,974                          | 8,591                          | 6,881              |
| Other current assets  | 9,071                          | 5,886                          | 7,602              |
| <b>Total current assets</b>   | <b>202,428</b>                 | <b>189,415</b>                 | <b>189,529</b>     |
| Property, plant and equipment, net  | 56,379                         | 56,964                         | 59,641             |
| Other intangible assets, net  | 26,728                         | 28,383                         | 29,100             |
| Goodwill, net   | 23,292                         | 24,079                         | 24,174             |
| Other noncurrent assets   | 5,652                          | 5,479                          | 5,453              |
| <b>Total assets</b>   | <b>\$ 314,479</b>              | <b>\$ 304,320</b>              | <b>\$ 307,897</b>  |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>  |                                |                                |                    |
| Current Liabilities:  |                                |                                |                    |
| Accounts payable  | \$ 29,547                      | \$ 18,463                      | \$ 20,008          |
| Current portion of long-term debt   | 4,286                          | 6,171                          | 6,171              |
| Other current liabilities   | 29,981                         | 30,957                         | 33,008             |
| <b>Total current liabilities</b>  | <b>63,814</b>                  | <b>55,591</b>                  | <b>59,187</b>      |
| Pension benefits liabilities  | 6,192                          | 5,588                          | 6,407              |
| Long-term debt  | 9,643                          | 20,997                         | 19,454             |
| Deferred income taxes   | 9,431                          | 11,935                         | 10,391             |
| Other noncurrent liabilities  | 2,053                          | 5,619                          | 4,800              |
| <b>Total liabilities</b>  | <b>91,133</b>                  | <b>99,730</b>                  | <b>100,239</b>     |
| Shareholders equity:  |                                |                                |                    |
| Preferred stock, (\$1 par value, 2,000,000 shares authorized, no shares issued and outstanding)   |                                |                                |                    |
| Common stock, (\$1 par value, 25,000,000 shares authorized, 18,184,620, 18,121,203 and 18,128,743 shares issued at May 31, 2010 and 2009 and August 31, 2009, respectively) | 18,185                         | 18,121                         | 18,129             |
| Capital in excess of stated value   | 30,515                         | 28,304                         | 28,944             |
| Retained earnings   | 265,373                        | 248,594                        | 249,588            |

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|   |            |            |            |
|---|------------|------------|------------|
| Less treasury stock (at cost, 5,698,448, 5,813,448 and 5,763,448 shares at May 31, 2010 and 2009 and August 31, 2009, respectively) | (90,961)   | (92,796)   | (91,998)   |
| Accumulated other comprehensive income, net   | 234        | 2,367      | 2,995      |
| Total shareholders' equity  | 223,346    | 204,590    | 207,658    |
| Total liabilities and shareholders' equity  | \$ 314,479 | \$ 304,320 | \$ 307,897 |

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



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

| (\$ in thousands)   | <b>Nine Months Ended<br/>May 31,</b> |             |
|---|--------------------------------------|-------------|
|   | <b>2010</b>                          | <b>2009</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                                      |             |
| Net earnings  | \$ 18,903                            | \$ 11,741   |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |                                      |             |
| Depreciation and amortization   | 8,027                                | 7,917       |
| Provision for uncollectible accounts receivable                                     | 568                                  | 205         |
| Deferred income taxes   | (990)                                | (1,897)     |
| Stock-based compensation expense  | 1,755                                | 1,504       |
| (Gain) loss on disposal of fixed assets   | (537)                                | 89          |
| Other, net  | 121                                  | 983         |
| Changes in assets and liabilities:  |                                      |             |
| Receivables   | (16,095)                             | 28,703      |
| Inventories   | (2,280)                              | (2,248)     |
| Other current assets  | (3,127)                              | 1,406       |
| Accounts payable  | 10,439                               | (13,443)    |
| Other current liabilities   | (2,768)                              | (9,715)     |
| Current taxes payable   | 2,285                                | (2,356)     |
| Other noncurrent assets and liabilities   | (1,513)                              | 1,372       |
| Net cash provided by operating activities   | 14,788                               | 24,261      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                                      |             |
| Purchases of property, plant and equipment  | (3,962)                              | (6,148)     |
| Proceeds from sale of property, plant and equipment                                 | 577                                  | 25          |
| Acquisition of business, net of cash acquired                                       | (132)                                |             |
| Proceeds from settlement of net investment hedge                                    | 565                                  | 859         |
| Net cash used in investing activities   | (2,952)                              | (5,264)     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                                      |             |
| Proceeds from issuance of common stock under stock compensation plan                | 544                                  | 638         |
| Principal payments on long-term debt  | (11,697)                             | (4,628)     |
| Net borrowing (payments) on revolving line of credit                                | 345                                  | (108)       |
| Excess tax benefits from stock-based compensation                                   | 368                                  | 321         |
| Dividends paid  | (2,991)                              | (2,764)     |
| Net cash used in financing activities   | (13,431)                             | (6,541)     |
| Effect of exchange rate changes on cash   | (825)                                | (4)         |

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|  |           |           |
|--|-----------|-----------|
| Net (decrease) increase in cash and cash equivalents | (2,420)   | 12,452    |
| Cash and cash equivalents, beginning of period       | 85,929    | 50,760    |
| Cash and cash equivalents, end of period             | \$ 83,509 | \$ 63,212 |

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

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**Lindsay Corporation and Subsidiaries**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**(1) Condensed Consolidated Financial Statements**

The condensed consolidated financial statements are presented in accordance with the requirements of Form 10-Q and do not include all of the disclosures normally required by U.S. generally accepted accounting principles for financial statements contained in Lindsay Corporation's (the Company) annual Form 10-K filing. Accordingly, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-K for the fiscal year ended August 31, 2009.

In the opinion of management, the condensed consolidated financial statements of the Company reflect all adjustments of a normal recurring nature necessary to present a fair statement of the financial position and the results of operations and cash flows for the respective interim periods. The results for interim periods are not necessarily indicative of trends or results expected by the Company for a full year.

Notes to the condensed consolidated financial statements describe various elements of the financial statements and the accounting policies, estimates, and assumptions applied by management. While actual results could differ from those estimated by management in the preparation of the condensed consolidated financial statements, management believes that the accounting policies, assumptions, and estimates applied promote the representational faithfulness, verifiability, neutrality, and transparency of the accounting information included in the condensed consolidated financial statements. Certain reclassifications have been made to prior financial statements and notes to conform to the current year presentation. These reclassifications were not material to the Company's condensed consolidated financial statements.

**(2) Net Earnings per Share**

Basic net earnings per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net earnings per share is computed using the weighted-average number of common shares outstanding plus dilutive potential common shares outstanding during the period. Dilutive potential common shares consist of stock options and restricted stock units to the extent they are not anti-dilutive. Performance stock units are excluded from the calculation of dilutive potential common shares until the threshold performance conditions have been satisfied. At May 31, 2010, the threshold performance conditions for the November 16, 2007 grants had been satisfied resulting in the inclusion of 11,650 performance stock units in the calculation of diluted net earnings per share. The threshold performance conditions for the Company's outstanding performance stock units that were granted on November 3, 2008 and November 12, 2009 had not been satisfied as of May 31, 2010, resulting in the exclusion of 70,693 performance stock units from the calculation of diluted net earnings per share.

Employee equity share options, nonvested shares and similar equity instruments granted by the Company are treated as potential common shares outstanding in computing diluted net earnings per share. The Company's diluted common shares outstanding reported in each period include the dilutive effect of restricted stock units, in-the-money options, and performance stock units for which threshold performance conditions have been satisfied and is calculated based on the average share price for each fiscal period using the treasury stock method. Under the treasury stock method, the amount the employee must pay for exercising stock options, the amount of compensation cost for future service that the Company has not yet recognized on share based awards, and the amount of excess tax benefits that would be recorded in additional paid-in capital when shares are issued and assumed to be used to repurchase shares.

There were no restricted stock units excluded from the calculation of diluted net earnings per share for the three months ended May 31, 2010. There were 37,465 restricted stock units excluded from the calculation of diluted net earnings per share for the three months ended May 31, 2009, since their inclusion would have been anti-dilutive. Additionally, there were 635 and 32,044 restricted stock units excluded from the calculation of diluted net earnings per share as a result of being anti-dilutive for the nine months ended May 31, 2010 and 2009, respectively.

**Table of Contents****(3) Comprehensive Income**

The accumulated other comprehensive income, net, shown in the Company's consolidated balance sheets includes the unrealized gain (loss) on cash flow hedges, changes in the transition obligation and net actuarial losses from the defined benefit pension plan and the accumulated foreign currency translation adjustment, net of hedging activities. The following table shows the difference between the Company's reported net earnings and its comprehensive income:

| <b>\$ in thousands</b>                                  | <b>Three months ended</b> |             | <b>Nine months ended</b> |             |
|---|---------------------------|-------------|--------------------------|-------------|
|   | <b>May 31,</b>            |             | <b>May 31,</b>           |             |
|   | <b>2010</b>               | <b>2009</b> | <b>2010</b>              | <b>2009</b> |
| Comprehensive income:                                   |                           |             |                          |             |
| Net earnings  | \$ 6,248                  | \$ 5,269    | \$ 18,903                | \$ 11,741   |
| Other comprehensive income <sup>(1)</sup> :             |                           |             |                          |             |
| Defined benefit pension plan, net of tax                | 27                        | 27          | 83                       | 81          |
| Unrealized gain (loss) on cash flow hedges, net of tax  | 603                       | (607)       | 1,159                    | (192)       |
| Foreign currency translation, net of hedging activities | (3,131)                   | 6,545       | (4,003)                  | (2,616)     |
| Total comprehensive income (loss)                       | \$ 3,747                  | \$ 11,234   | \$ 16,142                | \$ 9,014    |

<sup>(1)</sup> Net of tax expense of \$523 and \$1,016 for the three months and nine months ended May 31, 2010, respectively.

Net of tax (benefit) expense of (\$191) and \$225 for the three months and nine months ended May 31, 2009, respectively.

**(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 tax rate. The tax effects of such discrete events are recognized in the interim period in which the events occur.

The Company recorded income tax expense of \$3.4 million and \$8.2 million for the three and nine months ended May 31, 2010, respectively. The Company recorded income tax expense of \$2.6 million and \$5.5 million for the three and nine months ended May 31, 2009, respectively. The estimated effective tax rate used to calculate income tax expense before discrete items was 35.4% and 34.7% for the periods ended May 31, 2010 and 2009, respectively.

For the three months ended May 31, 2010, the Company recorded discrete items that had a minimal impact on income tax expense. These included an expense of \$0.3 million related to a change in estimate used in calculating a certain tax credit and a benefit of \$0.3 million that related to an immaterial adjustment for tax expense that had been incorrectly recorded in prior periods.

For the nine months ended May 31, 2010, the Company recorded discrete items that reduced income tax expense. The discrete items included a benefit of \$1.1 million related to income tax credits earned in the first nine months of fiscal 2010, a benefit of \$0.3 million for an immaterial correction of previously recorded tax expense and a benefit of \$0.4 million for the reversal of previously recorded liabilities for uncertain tax positions. This reversal was recorded due to the expiration of the statute of limitations in the applicable tax jurisdictions without any actual tax liability being assessed. These benefits were slightly offset by additional expense of \$0.4 million in the first quarter of fiscal 2010 relating to a tax ruling impacting the Company's French subsidiary.

For the three months ended May 31, 2009, no discrete items were recorded. For the nine months ended May 31, 2009, the Company recorded discrete items that reduced income tax expense for the period. These included a benefit of \$0.1 million related to the reversal of previously recorded liabilities for uncertain tax positions due to the expiration of the statute of limitations as well as a benefit of \$0.4 million resulting from finalizing the fiscal 2008 income tax return calculation that was less than the estimated fiscal 2008 income tax provision.

**(5) Inventories**

Inventories are stated at the lower of cost or market. Cost is determined by the last-in, first-out ( LIFO ) method for the Company's Lindsay, Nebraska inventory and two warehouses in Idaho and Texas. Cost is determined by the first-in, first-out ( FIFO ) method for inventory at the Company's Omaha, Nebraska warehouse, its wholly-owned subsidiaries, Barrier Systems, Inc. ( BSI ) and Watertronics, LLC, China and other non-U.S. warehouse locations. Cost is determined by the weighted average cost method for inventory at the Company's other operating locations in Washington State, France, Brazil, Italy and South Africa. At all locations, the Company reserves for obsolete, slow moving, and excess inventory by estimating the net realizable value based on the potential future use of such inventory.

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| <b>\$ in thousands</b>     | <b>May 31,<br/>2010</b> | <b>May 31,<br/>2009</b> | <b>August 31,<br/>2009</b> |
|----------------------------|-------------------------|-------------------------|----------------------------|
| Inventory:                 |                         |                         |                            |
| FIFO inventory             | \$ 21,141               | \$ 23,610               | \$ 16,561                  |
| LIFO reserves              | (6,927)                 | (7,864)                 | (7,190)                    |
| LIFO inventory             | 14,214                  | 15,746                  | 9,371                      |
| Weighted average inventory | 17,475                  | 18,180                  | 14,762                     |
| Other FIFO inventory       | 17,747                  | 21,896                  | 23,765                     |
| Obsolescence reserve       | (2,366)                 | (1,467)                 | (1,643)                    |
| Total inventories          | \$ 47,070               | \$ 54,355               | \$ 46,255                  |

The estimated percentage distribution between major classes of inventory before reserves is as follows:

|                                    | <b>May 31,<br/>2010</b> | <b>May 31,<br/>2009</b> | <b>August 31,<br/>2009</b> |
|------------------------------------|-------------------------|-------------------------|----------------------------|
| Raw materials                      | 11%                     | 10%                     | 7%                         |
| Work in process                    | 8%                      | 10%                     | 8%                         |
| Finished goods and purchased parts | 81%                     | 80%                     | 85%                        |

**(6) Property, Plant and Equipment**

Property, plant and equipment are stated at cost, net of accumulated depreciation and amortization, as follows:

| <b>\$ in thousands</b>                             | <b>May 31,<br/>2010</b> | <b>May 31,<br/>2009</b> | <b>August 31,<br/>2009</b> |
|--|-------------------------|-------------------------|----------------------------|
| Operating property, plant and equipment:           |                         |                         |                            |
| Land   | \$ 2,407                | \$ 2,266                | \$ 2,271                   |
| Buildings  | 28,126                  | 25,778                  | 28,622                     |
| Equipment  | 63,228                  | 60,090                  | 60,717                     |
| Other  | 5,072                   | 6,895                   | 6,863                      |
| Total operating property, plant and equipment      | 98,833                  | 95,029                  | 98,473                     |
| Accumulated depreciation                           | (57,122)                | (54,691)                | (55,077)                   |
| Total operating property, plant and equipment, net | \$ 41,711               | \$ 40,338               | \$ 43,396                  |
| Leased property:                                   |                         |                         |                            |
| Machines   | 4,169                   | 4,148                   | 4,248                      |
| Barriers   | 16,106                  | 16,227                  | 16,253                     |
| Total leased property                              | \$ 20,275               | \$ 20,375               | \$ 20,501                  |
| Accumulated depreciation                           | (5,607)                 | (3,749)                 | (4,256)                    |
| Total leased property, net                         | \$ 14,668               | \$ 16,626               | \$ 16,245                  |

|                                    |           |           |                 |
|------------------------------------|-----------|-----------|-----------------|
| Property, plant and equipment, net | \$ 56,379 | \$ 56,964 | \$ 59,641&nbsp; |
|------------------------------------|-----------|-----------|-----------------|