

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORP  
Form 10-Q  
April 28, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended March 31, 2016

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

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WESTINGHOUSE AIR BRAKE TECHNOLOGIES  
CORPORATION

(Exact name of registrant as specified in its charter)

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|                                                                   |                                         |
|-------------------------------------------------------------------|-----------------------------------------|
| Delaware                                                          | 25-1615902                              |
| (State or other jurisdiction<br>of incorporation or organization) | (I.R.S. Employer<br>Identification No.) |

|                                                      |            |
|------------------------------------------------------|------------|
| 1001 Air Brake Avenue                                | 15148      |
| Wilmerding, PA                                       |            |
| (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)

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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.

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| Class                                   | Outstanding at April 25, 2016 |
|-----------------------------------------|-------------------------------|
| Common Stock, \$.01 par value per share | 90,105,530 shares             |

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WESTINGHOUSE AIR BRAKE  
TECHNOLOGIES CORPORATION  
March 31, 2016  
FORM 10-Q  
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## PART I—FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS

| In thousands, except shares and par value                                                                                                                                                      | Unaudited<br>March 31,<br>2016 | December 31,<br>2015 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------------------|
| <b>Assets</b>                                                                                                                                                                                  |                                |                      |
| <b>Current Assets</b>                                                                                                                                                                          |                                |                      |
| Cash and cash equivalents                                                                                                                                                                      | \$262,774                      | \$ 226,191           |
| Accounts receivable                                                                                                                                                                            | 475,659                        | 494,975              |
| Unbilled accounts receivable                                                                                                                                                                   | 144,127                        | 103,814              |
| Inventories                                                                                                                                                                                    | 478,723                        | 478,574              |
| Deposit in escrow                                                                                                                                                                              | 212,772                        | 202,942              |
| Deferred income taxes                                                                                                                                                                          | 72,244                         | 71,658               |
| Other current assets                                                                                                                                                                           | 40,266                         | 33,524               |
| Total current assets                                                                                                                                                                           | 1,686,565                      | 1,611,678            |
| Property, plant and equipment                                                                                                                                                                  | 730,531                        | 717,295              |
| Accumulated depreciation                                                                                                                                                                       | (376,658)                      | (364,102)            |
| Property, plant and equipment, net                                                                                                                                                             | 353,873                        | 353,193              |
| <b>Other Assets</b>                                                                                                                                                                            |                                |                      |
| Goodwill                                                                                                                                                                                       | 867,623                        | 858,532              |
| Other intangibles, net                                                                                                                                                                         | 437,149                        | 440,534              |
| Other noncurrent assets                                                                                                                                                                        | 35,575                         | 32,909               |
| Total other assets                                                                                                                                                                             | 1,340,347                      | 1,331,975            |
| <b>Total Assets</b>                                                                                                                                                                            | <b>\$3,380,785</b>             | <b>\$ 3,296,846</b>  |
| <b>Liabilities and Shareholders' Equity</b>                                                                                                                                                    |                                |                      |
| <b>Current Liabilities</b>                                                                                                                                                                     |                                |                      |
| Accounts payable                                                                                                                                                                               | \$304,247                      | \$ 319,525           |
| Customer deposits                                                                                                                                                                              | 100,740                        | 106,127              |
| Accrued compensation                                                                                                                                                                           | 59,212                         | 69,892               |
| Accrued warranty                                                                                                                                                                               | 77,318                         | 72,678               |
| Current portion of long-term debt                                                                                                                                                              | 101                            | 433                  |
| Other accrued liabilities                                                                                                                                                                      | 116,050                        | 96,121               |
| Total current liabilities                                                                                                                                                                      | 657,668                        | 664,776              |
| Long-term debt                                                                                                                                                                                 | 801,883                        | 691,805              |
| Accrued postretirement and pension benefits                                                                                                                                                    | 59,553                         | 55,765               |
| Deferred income taxes                                                                                                                                                                          | 141,338                        | 139,852              |
| Accrued warranty                                                                                                                                                                               | 18,314                         | 19,386               |
| Other long-term liabilities                                                                                                                                                                    | 23,643                         | 23,923               |
| Total liabilities                                                                                                                                                                              | 1,702,399                      | 1,595,507            |
| <b>Shareholders' Equity</b>                                                                                                                                                                    |                                |                      |
| Preferred stock, 1,000,000 shares authorized, no shares issued                                                                                                                                 | —                              | —                    |
| Common stock, \$0.01 par value; 200,000,000 shares authorized:<br>132,349,534 shares issued and 90,104,136 and 91,836,106 outstanding<br>at March 31, 2016 and December 31, 2015, respectively | 1,323                          | 1,323                |
| Additional paid-in capital                                                                                                                                                                     | 462,814                        | 469,326              |
| Treasury stock, at cost, 42,245,398 and 40,513,428 shares, at<br>at March 31, 2016 and December 31, 2015, respectively                                                                         | (906,088)                      | (775,124)            |

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|                                                                            |             |              |
|----------------------------------------------------------------------------|-------------|--------------|
| Retained earnings                                                          | 2,367,609   | 2,280,801    |
| Accumulated other comprehensive loss                                       | (249,097 )  | (276,719 )   |
| Total Westinghouse Air Brake Technologies Corporation shareholders' equity | 1,676,561   | 1,699,607    |
| Non-controlling interest (minority interest)                               | 1,825       | 1,732        |
| Total shareholders' equity                                                 | 1,678,386   | 1,701,339    |
| Total Liabilities and Shareholders' Equity                                 | \$3,380,785 | \$ 3,296,846 |

The accompanying notes are an integral part of these statements.

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WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORPORATION  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME

| In thousands, except per share data          | Unaudited<br>Three Months Ended<br>March 31, |            |
|----------------------------------------------|----------------------------------------------|------------|
|                                              | 2016                                         | 2015       |
| Net sales                                    | \$772,031                                    | \$818,594  |
| Cost of sales                                | (516,851 )                                   | (563,239 ) |
| Gross profit                                 | 255,180                                      | 255,355    |
| Selling, general and administrative expenses | (89,751 )                                    | (84,771 )  |
| Engineering expenses                         | (17,953 )                                    | (16,863 )  |
| Amortization expense                         | (5,295 )                                     |            |