

FEDERAL SIGNAL CORP /DE/
Form 10-Q
May 02, 2019
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 March 31, 2019

OR

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

For the transition period from _____ to _____

Commission file number: 1-6003

FEDERAL SIGNAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

36-1063330

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1415 West 22nd Street,

60523

Oak Brook, Illinois

(Address of principal executive offices) (Zip code)

Registrant's telephone number including area code: (630) 954-2000

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Edgar Filing: FEDERAL SIGNAL CORP /DE/ - Form 10-Q

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$1.00 per share	FSS	New York Stock Exchange

As of April 30, 2019, the number of shares outstanding of the registrant's common stock was 60,287,734.

Table of Contents

FEDERAL SIGNAL CORPORATION	
TABLE OF CONTENTS	
<u>PART I. FINANCIAL INFORMATION</u>	Page
Item 1. <u>Financial Statements (Unaudited)</u>	<u>2</u>
<u>Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2019 and 2018</u>	<u>2</u>
<u>Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2019 and 2018</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2019 and 2018</u>	<u>5</u>
<u>Condensed Consolidated Statements of Stockholders' Equity for the Three Months Ended March 31, 2019 and 2018</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Note 1 – Summary of Significant Accounting Policies</u>	<u>7</u>
<u>Note 2 – Revenue Recognition</u>	<u>8</u>
<u>Note 3 – Leases</u>	<u>9</u>
<u>Note 4 – Inventories</u>	<u>11</u>
<u>Note 5 – Debt</u>	<u>11</u>
<u>Note 6 – Income Taxes</u>	<u>12</u>
<u>Note 7 – Pensions</u>	<u>12</u>
<u>Note 8 – Commitments and Contingencies</u>	<u>12</u>
<u>Note 9 – Earnings Per Share</u>	<u>18</u>
<u>Note 10 – Stockholders' Equity</u>	<u>18</u>
<u>Note 11 – Segment Information</u>	<u>20</u>
<u>Note 12 – Fair Value Measurements</u>	<u>20</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>22</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>27</u>
Item 4. <u>Controls and Procedures</u>	<u>28</u>
<u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>29</u>
Item 1A. <u>Risk Factors</u>	<u>29</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>29</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>29</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>29</u>
Item 5. <u>Other Information</u>	<u>29</u>
Item 6. <u>Exhibits</u>	<u>31</u>
<u>Signatures</u>	<u>32</u>

Table of Contents

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (“Form 10-Q”) is being filed by Federal Signal Corporation and its subsidiaries (referred to collectively as the “Company,” “we,” “our” or “us” herein, unless the context otherwise indicates) with the United States (“U.S.”) Securities and Exchange Commission (the “SEC”), and includes comments made by management that may contain words such as “may,” “will,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “project,” “estimate” and “objective” terminology, or the negative thereof, concerning the Company’s future financial performance, business strategy, plans, goals and objectives. These expressions are intended to identify forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995.

Forward-looking statements include information concerning the Company’s possible or assumed future performance or results of operations and are not guarantees. While these statements are based on assumptions and judgments that management has made in light of industry experience as well as perceptions of historical trends, current conditions, expected future developments and other factors believed to be appropriate under the circumstances, they are subject to risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements to be materially different.

These risks and uncertainties, some of which are beyond the Company’s control, include the risk factors described under Part I, Item 1A, Risk Factors, of the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, which was filed with the SEC on February 28, 2019, and as updated in Part II, Item 1A, Risk Factors of this Form 10-Q. These factors may not constitute all factors that could cause actual results to differ materially from those discussed in any forward-looking statement. The Company operates in a continually changing business environment and new factors emerge from time to time. The Company cannot predict such factors, nor can it assess the impact, if any, of such factors on its results of operations, financial condition or cash flow. Accordingly, forward-looking statements should not be relied upon as a predictor of actual results. The Company disclaims any responsibility to update any forward-looking statement provided in this Form 10-Q.

ADDITIONAL INFORMATION

The Company is subject to the reporting and information requirements of the Exchange Act and, as a result, is obligated to file Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports and information with the SEC, as well as amendments to those reports. The Company makes these filings available free of charge through our website at www.federalsignal.com as soon as reasonably practicable after such materials are filed with, or furnished to, the SEC. Information on our website does not constitute part of this Form 10-Q.

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited).

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended March 31,	
(in millions, except per share data)	2019	2018
Net sales	\$273.8	\$249.7
Cost of sales	203.5	187.8
Gross profit	70.3	61.9
Selling, engineering, general and administrative expenses	43.9	41.8
Acquisition and integration-related expenses	0.6	0.5
Operating income	25.8	19.6
Interest expense	2.0	2.5
Other expense, net	0.4	0.1
Income before income taxes	23.4	17.0
Income tax expense	5.9	4.1
Net income	\$17.5	\$12.9
Earnings per share:		
Basic	\$0.29	\$0.22
Diluted	\$0.29	\$0.21
Weighted average common shares outstanding:		
Basic	60.1	59.8
Diluted	61.2	60.8

See notes to condensed consolidated financial statements.

Table of Contents

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended March 31,	
(in millions)	2019	2018
Net income	\$17.5	\$12.9
Other comprehensive (loss) income:		
Change in foreign currency translation adjustment	—	2.0
Change in unrecognized net actuarial loss and prior service cost related to pension benefit plans, net of income tax expense of \$0.2 and \$0.2, respectively	0.2	0.1
Change in unrealized gain on derivatives, net of income tax (benefit) expense of (\$0.2) and \$0.2, respectively	(0.5)	0.8
Total other comprehensive (loss) income	(0.3)	2.9
Comprehensive income	\$17.2	\$15.8
See notes to condensed consolidated financial statements.		

Table of ContentsFEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2019	December 31, 2018
	(Unaudited)	
(in millions, except per share data)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 22.7	\$ 37.4
Accounts receivable, net of allowances for doubtful accounts of \$1.4 and \$1.6, respectively	139.4	124.4
Inventories	169.0	157.3
Prepaid expenses and other current assets	9.1	9.4
Total current assets	340.2	328.5
Properties and equipment, net of accumulated depreciation of \$118.3 and \$116.0, respectively	63.4	62.0
Rental equipment, net of accumulated depreciation of \$34.2 and \$30.0, respectively	107.4	96.6
Operating lease right-of-use assets	25.5	—
Goodwill	374.7	375.1
Intangible assets, net of accumulated amortization of \$15.5 and \$13.4, respectively	141.3	143.1
Deferred tax assets	12.0	12.5
Deferred charges and other long-term assets	5.3	5.6
Long-term assets of discontinued operations	0.4	0.4
Total assets	\$ 1,070.2	\$ 1,023.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term borrowings and finance lease obligations	\$ 0.2	\$ 0.2
Accounts payable	72.9	66.1
Customer deposits	11.4	10.1
Accrued liabilities:		
Compensation and withholding taxes	18.2	29.5
Other current liabilities		