

BRINKS CO
Form 10-Q
October 26, 2016

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 September 30, 2016

☐ 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 001-09148

THE BRINK'S COMPANY

(Exact name of registrant as specified in its charter)

Virginia 54-1317776

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

1801 Bayberry Court, Richmond, Virginia 23226-8100

(Address of principal executive offices) (Zip Code)
(804) 289-9600

(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 definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

(Check one): 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 ☑

As of October 24, 2016, 49,887,141 shares of \$1 par value common stock were outstanding.

Part I - Financial Information
Item 1. Financial Statements
THE BRINK'S COMPANY
and subsidiaries

Consolidated Balance Sheets
(Unaudited)

(In millions) September 30, December 31,
2016 2015

ASSETS

Current assets:

Cash and cash equivalents	\$ 191.5	181.9
Restricted cash	46.8	16.4
Accounts receivable, net	512.7	478.1
Prepaid expenses and other	115.1	101.3
Total current assets	866.1	777.7

Property and equipment, net	534.6	549.0
Goodwill	193.5	185.3
Other intangibles	27.3	28.5
Deferred income taxes	318.9	329.8
Other	82.1	76.4

Total assets	\$ 2,022.5	1,946.7
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LIABILITIES AND EQUITY

Current liabilities:

Short-term borrowings	\$ 80.5	32.6
Current maturities of long-term debt	31.6	39.8
Accounts payable	119.5	155.3
Accrued liabilities	382.2	401.2
Restricted cash held for customers	33.3	12.9
Total current liabilities	647.1	641.8

Long-term debt	380.5	358.1
Accrued pension costs	203.3	219.4
Retirement benefits other than pensions	256.3	259.2
Deferred income taxes	7.7	8.1
Other	135.6	129.5
Total liabilities	1,630.5	1,616.1

Contingent liabilities (notes 3, 4, 11 and 12)

Equity:

The Brink's Company ("Brink's") shareholders:

Common stock	49.9	48.9
Capital in excess of par value	615.3	599.6
Retained earnings	568.1	561.3

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Accumulated other comprehensive loss	(859.2) (891.9)
Brink's shareholders	374.1	317.9	
Noncontrolling interests	17.9	12.7	
Total equity	392.0	330.6	
Total liabilities and equity	\$ 2,022.5	1,946.7	

See accompanying notes to consolidated financial statements.

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THE BRINK'S COMPANY
and subsidiaries

Consolidated Statements of Operations
(Unaudited)

(In millions, except for per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues	\$755.8	759.2	\$2,217.1	2,295.6
Costs and expenses:				
Cost of revenues	602.4	616.4	1,803.9	1,866.4
Selling, general and administrative expenses	103.9	111.1	320.9	343.4
Total costs and expenses	706.3	727.5	2,124.8	2,209.8
Other operating income (expense)	0.5	(6.4)	(6.4)	(62.2)
Operating profit	50.0	25.3	85.9	23.6
Interest expense	(5.1)	(4.8)	(14.9)	(14.4)
Interest and other income	0.5	0.9	1.2	1.7
Income from continuing operations before tax	45.4	21.4	72.2	10.9
Provision for income taxes	19.5	14.1	43.4	37.2
Income (loss) from continuing operations	25.9	7.3	28.8	(26.3)
Loss from discontinued operations, net of tax	—	(0.1)	—	(2.4)
Net income (loss)	25.9	7.2	28.8	(28.7)
Less net income (loss) attributable to noncontrolling interests	1.4	(0.4)	7.1	(20.4)
Net income (loss) attributable to Brink's	24.5	7.6	21.7	(8.3)
Amounts attributable to Brink's				
Continuing operations	24.5	7.7	21.7	(5.9)
Discontinued operations	—	(0.1)	—	(2.4)
Net income (loss) attributable to Brink's	\$24.5	7.6	\$21.7	(8.3)
Income (loss) per share attributable to Brink's common shareholders ^(a) :				
Basic:				
Continuing operations	\$0.49	0.16	\$0.44	(0.12)
Discontinued operations	—	—	—	(0.05)
Net income (loss)	\$0.49	0.16	\$0.44	(0.17)
Diluted:				
Continuing operations	\$0.48	0.16	\$0.43	(0.12)
Discontinued operations	—	—	—	(0.05)

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Net income (loss)	\$0.48	0.15	\$0.43	(0.17)
Weighted-average shares				
Basic	50.1	49.4	49.8	49.3
Diluted	50.7	49.9	50.4	49.3
Cash dividends paid per common share	\$0.10	0.10	\$0.30	0.30

(a) Amounts may not add due to rounding.

See accompanying notes to consolidated financial statements.

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THE BRINK'S COMPANY
and subsidiaries

Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss)	\$25.9	7.2	\$28.8	(28.7)
Benefit plan adjustments:				
Benefit plan experience gains	12.4	14.0	36.7	41.6
Benefit plan prior service cost	(0.5)	(0.4)	(1.5)	(3.9)
Deferred profit sharing	—	(0.1)	—	0.1
Total benefit plan adjustments	11.9	13.5	35.2	37.8
Foreign currency translation adjustments	(3.0)	(39.8)	11.3	(83.3)
Unrealized net losses on available-for-sale securities	—	(0.4)	—	(0.5)
Gains (losses) on cash flow hedges	0.2	(0.4)	(0.2)	—
Other comprehensive income (loss) before tax	9.1	(27.1)	46.3	(46.0)
Provision for income taxes	4.1	4.5	12.1	13.0
Other comprehensive income (loss)	5.0	(31.6)	34.2	(59.0)
Comprehensive income (loss)	30.9	(24.4)	63.0	(87.7)
Less comprehensive income (loss) attributable to noncontrolling interests	1.9	(2.7)	8.6	(23.6)
Comprehensive income (loss) attributable to Brink's	\$29.0	(21.7)	\$54.4	(64.1)
See accompanying notes to consolidated financial statements.				

THE BRINK'S COMPANY
and subsidiaries

Consolidated Statement of Equity

Nine Months ended September 30, 2016
(Unaudited)

(In millions)	Attributable to Brink's		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Attributable to Noncontrolling Interests	Total
	Shares	Common Stock					
Balance as of December 31, 2015	48.9	\$ 48.9	599.6	561.3	(891.9)	12.7	330.6
Net income	—	—	—	21.7	—	7.1	28.8
Other comprehensive income	—	—	—	—	32.7	1.5	34.2
Common stock issued	0.1	0.1	2.9	—	—	—	3.0
Dividends to:							
Brink's common shareholders (\$0.30 per share)	—	—	—	(14.8)	—	—	(14.8)
Noncontrolling interests	—	—	—	—	—	(3.4)	(3.4)
Share-based compensation:							
Stock awards and options:							
Compensation expense	—	—	6.7	—	—	—	6.7
Consideration from exercise of stock options	0.4	0.4	10.5	—	—	—	10.9
Other share-based benefit programs	0.5	0.5	(4.4)	(0.1)	—	—	(4.0)
Balance as of September 30, 2016	49.9	\$ 49.9	615.3	568.1	(859.2)	17.9	392.0

See accompanying notes to consolidated financial statements

THE BRINK'S COMPANY
and subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

(In millions)	Nine Months Ended September 30, 2016 2015	
Cash flows from operating activities:		
Net income (loss)	\$28.8	(28.7)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Loss from discontinued operations, net of tax	—	2.4
Depreciation and amortization	97.5	106.3
Share-based compensation expense	6.7	11.0
Deferred income taxes	(2.7)	(6.7)
Gains and losses:		
Marketable securities	(0.5)	(0.3)
Property and other assets	1.2	(0.6)
Business acquisitions and dispositions	(0.1)	—
Venezuela impairment	—	35.3
Other impairment losses	5.7	1.5
Retirement benefit funding (more) less than expense:		
Pension	10.2	6.3
Other than pension	9.5	7.2
Remeasurement losses due to Venezuela currency devaluation	4.7	18.1
Other operating	1.3	3.3
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable and income taxes receivable	(59.2)	(58.9)
Accounts payable, income taxes payable and accrued liabilities	(23.7)	1.0
Customer obligations	(14.9)	5.1
Prepaid and other current assets	(4.7)	(8.3)
Other	(2.8)	(1.2)
Discontinued operations	—	(2.0)
Net cash provided by operating activities	57.0	90.8
Cash flows from investing activities:		
Capital expenditures	(72.4)	(61.2)
Marketable securities:		
Purchases	(8.9)	(19.0)
Sales	8.8	13.3
Cash proceeds from sale of property, equipment and investments	4.4	0.8
Other	(0.8)	0.4
Discontinued operations	—	1.9
Net cash used by investing activities	(68.9)	(63.8)
Cash flows from financing activities:		
Borrowings (repayments) of debt:		
Short-term debt	39.9	