GREENBRIER COMPANIES INC
Form 10-Q
June 29, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

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

for the quarterly period ended May 31, 2012 May 31, 2012 May 31, 2012

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

for the transition period from to

Commission File No. 1-13146

THE GREENBRIER COMPANIES, INC.

(Exact name of registrant as specified in its charter)

Oregon	**93-0816972**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**
One Centerpointe Drive,	
Suite 200, Lake Oswego, OR	**97035**
(Address of principal executive offices)	**(Zip Code)**

(503) 684-7000

(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 x 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 Regulations S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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	x
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 x

The number of shares of the registrant s common stock, without par value, outstanding on June 26, 2012 was 27,149,194 shares.

Forward-Looking Statements

From time to time, The Greenbrier Companies, Inc. and its subsidiaries (Greenbrier or the Company) or their representatives have made or may make forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including, without limitation, statements as to expectations, beliefs and strategies regarding the future. Such forward-looking statements may be included in, but not limited to, press releases, oral statements made with the approval of an authorized executive officer or in various filings made by us with the Securities and Exchange Commission, including this filing on Form 10-Q. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements rely on a number of assumptions concerning future events and include statements relating to:

- availability of financing sources and borrowing base for working capital, other business development activities, capital spending and leased railcars for syndication (sale of railcars with lease attached);
- ability to renew, maintain or obtain sufficient credit facilities and financial guarantees on acceptable terms;
- ability to utilize beneficial tax strategies;
- ability to grow our businesses;
- ability to obtain sales contracts which provide adequate protection against increased costs of materials and components;
- ability to obtain adequate insurance coverage at acceptable rates;
- ability to obtain adequate certification and licensing of products; and
- short- and long-term revenue and earnings effects of the above items.

The following factors, among others, could cause actual results or outcomes to differ materially from the forward-looking statements:

- fluctuations in demand for newly manufactured railcars or marine barges;
- fluctuations in demand for wheel services, refurbishment and parts;
- delays in receipt of orders, risks that contracts may be canceled during their term or not renewed and that customers may not purchase the amount of products or services under the contracts as anticipated;

ability to maintain sufficient availability of credit facilities and to maintain compliance with or to obtain appropriate amendments to covenants under various credit agreements;

domestic and global economic conditions including such matters as embargoes or quotas;

U.S., Mexican and other global political or security conditions including such matters as terrorism, war, civil disruption and crime;

growth or reduction in the surface transportation industry;

ability to maintain good relationships with third party labor providers or collective bargaining units;

steel and specialty component price fluctuations and availability, scrap surcharges, steel scrap prices and other commodity price fluctuations and availability and their impact on product demand and margin;

delay or failure of acquired businesses, assets, start-up operations, or new products or services to compete successfully;

changes in product mix and the mix of revenue levels among reporting segments;

labor disputes, energy shortages or operating difficulties that might disrupt operations or the flow of cargo;

production difficulties and product delivery delays as a result of, among other matters, inefficiencies associated with the start-up of production lines or increased production rates, addition of new railcar types, changing technologies or non-performance of alliance partners, subcontractors or suppliers;

ability to renew or replace expiring customer contracts on satisfactory terms;

ability to obtain and execute suitable contracts for leased railcars for syndication;

lower than anticipated lease renewal rates, earnings on utilization based leases or residual values for leased equipment;

discovery of defects in railcars resulting in increased warranty costs or litigation;

resolution or outcome of pending or future litigation and investigations;

natural disasters or severe weather patterns that may affect either us, our suppliers or our customers;

loss of business from, or a decline in the financial condition of, any of the principal customers that represent a significant portion of our total revenues;

competitive factors, including introduction of competitive products, new entrants into certain of our markets, price pressures, limited customer base, and competitiveness of our manufacturing facilities and products;

industry overcapacity and our manufacturing capacity utilization;

decreases or write-downs in carrying value of inventory, goodwill, intangibles or other assets due to impairment;

severance or other costs or charges associated with lay-offs, shutdowns, or reducing the size and scope of operations;

changes in future maintenance or warranty requirements;

ability to adjust to the cyclical nature of the industries in which we operate;

changes in interest rates and financial impacts from interest rates;

ability and cost to maintain and renew operating permits;

actions by various regulatory agencies;

changes in fuel and/or energy prices;

risks associated with our intellectual property rights or those of third parties, including infringement, maintenance, protection, validity, enforcement and continued use of such rights;

expansion of warranty and product support terms beyond those which have traditionally prevailed in the rail supply industry;

availability of a trained work force and availability and/or price of essential raw materials, specialties or components, including steel castings, to permit manufacture of units on order;

failure to successfully integrate acquired businesses;

discovery of previously unknown liabilities associated with acquired businesses;

failure of or delay in implementing and using new software or other technologies;

ability to replace maturing lease and management services revenue and earnings with revenue and earnings from new commercial transactions, including new railcar leases, additions to the lease fleet and new management services contracts;

credit limitations upon our ability to maintain effective hedging programs; and

financial impacts from currency fluctuations and currency hedging activities in our worldwide operations.

Any forward-looking statements should be considered in light of these factors. Words such as anticipates, believes, forecast, potential, goal, contemplates, expects, intends, plans, projects, hopes, seeks, estimates, could, would, will, may, can, designed to, expressions identify forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements. Many of the important factors that will determine these results and values are beyond our ability to control or predict. You are cautioned not to put undue reliance on any forward-looking statements. Except as otherwise required by law, we do not assume any obligation to update any forward-looking statements.

All references to years refer to the fiscal years ended August 31st unless otherwise noted.

PART I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements
Consolidated Balance Sheets

(In thousands, unaudited)

	May 31, 2012	August 31, 2011
Assets		
Cash and cash equivalents	$ 44,915	$ 50,222
Restricted cash	6,089	2,113
Accounts receivable, net	172,086	188,443
Inventories	346,122	323,512
Leased railcars for syndication	66,776	30,690
Equipment on operating leases, net	334,872	321,141
Property, plant and equipment, net	172,729	161,200
Goodwill	137,066	137,066
Intangibles and other assets, net	84,693	87,268
	$ 1,365,348	$ 1,301,655
Liabilities and Equity		
Revolving notes	$ 71,430	$ 90,339
Accounts payable and accrued liabilities	323,977	316,536
Deferred income taxes	88,514	83,839
Deferred revenue	17,872	5,900
Notes payable	428,028	429,140
Commitments and contingencies (Note 12)		
Equity:		
Greenbrier		
Preferred stock without par value; 25,000 shares authorized; none outstanding		
Common stock without par value; 50,000 shares authorized; 27,149 and 25,186 shares outstanding at May 31, 2012 and August 31, 2011		
Additional paid-in capital	251,309	242,286
Retained earnings	178,485	127,182
Accumulated other comprehensive loss	(11,633)	(7,895)
Total equity Greenbrier	418,161	361,573
Noncontrolling interest	17,366	14,328
Total equity	435,527	375,901
	$ 1,365,348	$ 1,301,655

The accompanying notes are an integral part of these financial statements

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Consolidated Statements of Operations

(In thousands, except per share amounts, unaudited)

	Three Months Ended May 31, 2012	Three Months Ended May 31, 2011	Nine Months Ended May 31, 2012	Nine Months Ended May 31, 2011
Revenue				
Manufacturing	$ 364,930	$ 173,487	$ 947,792	$ 415,548
Wheel Services, Refurbishment & Parts	125,145	126,317	362,788	333,600
Leasing & Services	17,722	17,476	53,601	51,406
	507,797	317,280	1,364,181	800,554
Cost of revenue				
Manufacturing	325,424	158,674	852,464	385,974
Wheel Services, Refurbishment & Parts	111,610	111,202	324,055	299,026
Leasing & Services	8,825	9,254	27,783	27,099
	445,859	279,130	1,204,302	712,099
Margin	61,938	38,150	159,879	88,455
Selling and administrative	28,784	22,580	76,998	58,212
Gain on disposition of equipment	(2,585)	(1,678)	(8,897)	(6,148)
Earnings from operations	35,739	17,248	91,778	36,391
Other costs				
Interest and foreign exchange	6,560	9,807	18,574	30,646
Loss on extinguishment of debt		10,007		10,007
Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates	29,179	(2,566)	73,204	(4,262)
Income tax benefit (expense)	(8,655)	301	(21,798)	812
Earnings (loss) before earnings (loss) from unconsolidated affiliates	20,524	(2,265)	51,406	(3,450)
Earnings (loss) from unconsolidated affiliates	201	(539)	(99)	(1,700)
Net earnings (loss)	20,725	(2,804)	51,307	(5,150)
Net earnings attributable to noncontrolling interest	(1,608)	(510)	(4)	(1,019)
Net earnings (loss) attributable to Greenbrier	$ 19,117	$ (3,314)	$ 51,303	$ (6,169)
Basic earnings (loss) per common share	$ 0.71	$ (0.14)	$ 1.94	$ (0.27)
Diluted earnings (loss) per common share	$ 0.61	$ (0.14)	$ 1.65	$ (0.27)
Weighted average common shares:				
Basic	26,981	24,127	26,378	22,893
Diluted	33,862	24,127	33,640	22,893

The accompanying notes are an integral part of these financial statements

Consolidated Statements of Equity and Comprehensive Income (Loss)

(In thousands, except per share amounts, unaudited)

	Attributable to Greenbrier			
	Common Stock Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Com