

John Bean Technologies CORP
Form 10-Q
October 30, 2017

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, 2017

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 1-34036

John Bean Technologies Corporation
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	91-1650317 (I.R.S. Employer Identification No.)
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70 West Madison Street, Suite 4400 Chicago, Illinois (Address of principal executive offices)	60602 (Zip code)
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(312) 861-5900
(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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "non-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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 23, 2017
Common Stock, par value \$0.01 per share	31,567,750

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

JOHN BEAN TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions, except per share data)	2017	2016	2017	2016
Revenue	\$420.8	\$349.6	\$1,151.4	\$945.5
Operating expenses:				
Cost of sales	299.3	255.5	817.5	678.8
Selling, general and administrative expense	73.7	56.5	221.2	168.4
Research and development expense	6.9	6.3	19.6	17.7
Restructuring expense	0.3	0.3	1.3	9.4
Other (income) expense, net	(1.6)	1.5	(0.6)	2.1
Operating income	42.2	29.5	92.4	69.1
Interest expense, net	(3.6)	(2.8)	(10.3)	(7.0)
Income from continuing operations before income taxes	38.6	26.7	82.1	62.1
Provision for income taxes	12.2	6.1	19.8	17.5
Income from continuing operations	26.4	20.6	62.3	44.6
Loss from discontinued operations, net of income taxes	(0.6)	—	(1.2)	(0.1)
Net income	\$25.8	\$20.6	\$61.1	\$44.5
Basic earnings per share:				
Income from continuing operations	\$0.83	\$0.70	\$1.99	\$1.52
Loss from discontinued operations	(0.02)	—	(0.04)	(0.01)
Net income	\$0.81	\$0.70	\$1.95	\$1.51
Diluted earnings per share:				
Income from continuing operations	\$0.82	\$0.69	\$1.97	\$1.50
Loss from discontinued operations	(0.02)	—	(0.04)	(0.01)
Net income	\$0.80	\$0.69	\$1.93	\$1.49
Cash dividends declared per share	\$0.10	\$0.10	\$0.30	\$0.30

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

JOHN BEAN TECHNOLOGIES CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2017	2016	2017	2016
Net income	\$25.8	\$20.6	\$61.1	\$44.5
Other comprehensive income (loss)				
Foreign currency translation adjustments	7.3	(1.1)	20.3	2.8
Pension and other postretirement benefits adjustments, net of tax of (\$0.5) and (\$1.4) for 2017, and (\$0.4) and (\$1.0) for 2016, respectively	0.8	0.6	2.4	1.8
Derivatives designated as hedges, net of tax of (\$0.1) and (\$0.3) for 2017, and (\$0.5) and \$1.5 for 2016, respectively	0.2	0.8	0.5	(2.4)
Other comprehensive income	8.3	0.3	23.2	2.2
Comprehensive income	\$34.1	\$20.9	\$84.3	\$46.7

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

JOHN BEAN TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2017	December 31, 2016
(In millions, except per share data and number of shares)		
	(Unaudited)	
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 38.4	\$ 33.2
Trade receivables, net of allowances of \$3.3 and \$3.1, respectively	299.9	260.5
Inventories, net	217.5	139.6
Other current assets	53.5	51.7
Total current assets	609.3	485.0
Property, plant and equipment, net of accumulated depreciation of \$268.5 and \$238.0, respectively	231.0	210.2
Goodwill	300.3	239.5
Intangible assets, net	222.0	186.0
Deferred income taxes	23.7	35.0
Other assets	38.6	31.7
Total Assets	\$ 1,424.9	\$ 1,187.4
Liabilities and Stockholders' Equity:		
Current Liabilities:		
Short-term debt and current portion of long-term debt	\$ 12.2	\$ 7.1
Accounts payable, trade and other	159.1	135.7
Advance and progress payments	160.8	110.5
Other current liabilities	143.2	139.7
Total current liabilities	475.3	393.0
Long-term debt, less current portion	391.8	491.6
Accrued pension and other postretirement benefits, less current portion	77.9	86.1
Other liabilities	49.6	36.8
Commitments and contingencies (Note 11)		
Stockholders' Equity:		
Preferred stock, \$0.01 par value; 20,000,000 shares authorized; no shares issued	—	—
Common stock, \$0.01 par value; 120,000,000 shares authorized; September 30, 2017: 31,623,079 issued and 31,567,750 outstanding; December 31, 2016: 29,316,041 issued and 29,156,847 outstanding	0.3	0.3
Common stock held in treasury, at cost; September 30, 2017: 55,329 shares December 31, 2016: 159,194 shares	(4.9) (7.2
Additional paid-in capital	251.1	77.2
Retained earnings	317.6	266.6
Accumulated other comprehensive loss	(133.8) (157.0
Total stockholders' equity	430.3	179.9
Total Liabilities and Stockholders' Equity	\$ 1,424.9	\$ 1,187.4

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

JOHN BEAN TECHNOLOGIES CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

	Nine Months Ended September 30,	
(In millions)	2017	2016
Cash flows provided by operating activities:		
Net income	\$61.1	\$44.5
Loss from discontinued operations, net	1.2	0.1
Income from continuing operations	62.3	44.6
Adjustments to reconcile income from continuing operations to cash provided by continuing operating activities:		
Depreciation and amortization	37.9	27.2
Stock-based compensation	6.2	7.1
Other	1.0	0.9
Changes in operating assets and liabilities:		
Trade receivables, net	(20.6)	(27.0)
Inventories	(53.8)	(37.9)
Accounts payable, trade and other	11.7	10.3
Advance and progress payments	37.0	10.3
Accrued pension and other postretirement benefits, net	(8.4)	(12.7)
Other assets and liabilities, net	(4.1)	4.1
Cash provided by continuing operating activities	69.2	26.9
Cash required by discontinued operating activities	(1.2)	(0.1)
Cash provided by operating activities	68.0	26.8
Cash flows required by investing activities:		
Acquisitions, net of cash acquired	(103.1)	(3.2)
Capital expenditures	(27.5)	(24.9)
Proceeds from disposal of assets	1.4	1.9
Cash required by investing activities	(129.2)	(26.2)
Cash flows provided by financing activities:		
Net proceeds (payments) on short-term debt	(0.8)	3.3
Proceeds from short-term foreign credit facilities	1.9	—
Payments of short-term foreign credit facilities	(1.6)	—
Net proceeds (payments) from domestic credit facilities	(93.1)	20.7
Repayment of long-term debt	(1.4)	(1.6)
Proceeds from stock issuance, net of stock issuance costs	184.1	—
Settlement of taxes withheld on equity compensation awards	(9.5)	(2.6)
Excess tax benefits	—	1.5
Purchase of treasury stock	(5.0)	(4.4)
Dividends	(9.6)	(8.9)
Cash provided by financing activities	65.0	8.0
Effect of foreign exchange rate changes on cash and cash equivalents	1.4	2.1
Increase in cash and cash equivalents	5.2	10.7

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Cash and cash equivalents, beginning of period	33.2	37.2
Cash and cash equivalents, end of period	\$38.4	\$47.9

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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JOHN BEAN TECHNOLOGIES CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business

John Bean Technologies Corporation and its majority-owned consolidated subsidiaries (the “Company,” “JBT,” “our,” “us,” or “we”) provide global technology solutions to high-value segments of the food and beverage and air transportation industries. We design, produce and service sophisticated products and systems for multi-national and regional customers through our JBT FoodTech and JBT AeroTech segments. We have manufacturing operations worldwide and are strategically located to facilitate delivery of our products and services to our customers.

Basis of Presentation

In accordance with Securities and Exchange Commission (“SEC”) rules for interim periods, the accompanying unaudited condensed consolidated financial statements (the “interim financial statements”) do not include all of the information and notes for complete financial statements as required by accounting principles generally accepted in the United States of America (“U.S. GAAP”). As such, the accompanying interim financial statements should be read in conjunction with the JBT Annual Report on Form 10-K for the year ended December 31, 2016, which provides a more complete understanding of the Company’s accounting policies, financial position, operating results, business, properties, and other matters. The year-end condensed consolidated balance sheet was derived from audited financial statements.

In the opinion of management, the interim financial statements reflect all normal recurring adjustments necessary for a fair presentation of our financial condition and operating results as of and for the periods presented. Revenue, expenses, assets and liabilities can vary during each quarter of the year. Therefore, the interim results and trends in the interim financial statements may not be representative of those for the full year or any future period.

Use of estimates

Preparation of financial statements that follow U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Recently adopted accounting standards

In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330) – Simplifying the Measurement of Inventory. The core principle of the ASU is that entities that historically used the lower of cost or market in the subsequent measurement of inventory will instead be required to measure inventory at the lower of cost and net realizable value. The guidance will not change U.S. GAAP for inventory measured using LIFO or the retail inventory method. The ASU is effective for annual reporting periods, including interim periods within those annual periods, beginning after December 15, 2016. This guidance became effective for us as of January 1, 2017 and there was no effect on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, Stock Compensation (Topic 718) - Improvements to Employee Share-Based Payment Accounting. The new guidance was developed as part of the FASB’s simplification initiative. The core principle of the ASU requires income tax effects of awards to be recognized in the income statement when the awards vest or are settled, and eliminates the requirement to report excess tax benefits in additional paid-in capital (APIC pool). It also allows an employer to repurchase more of an employee’s shares for tax withholding purposes without triggering liability accounting, and allows an employer to make a policy election to account for forfeitures as

they occur. The new standard became effective for us as of January 1, 2017. During the first quarter 2017, 278,316 awards vested, and resulted in a \$5.8 million tax benefit reported in earnings, and is classified as an operating activity within the condensed consolidated Statements of Cash Flows. The elimination of the APIC pool affects the treasury stock method used to calculate weighted average shares outstanding; however, the impact was not material. We elected to change our policy surrounding forfeitures, and beginning January 2017 we no longer estimate the number of awards expected to be forfeited but rather account for them as they occur. We are required to implement this portion of the guidance using a modified retrospective approach, and as such have recorded a cumulative adjustment of \$0.6 million in retained earnings as of January 1, 2017.

We also amended our incentive compensation and stock plan to allow JBT to have the discretion to withhold up to the maximum statutory rates, on an individual tax basis. A liability was not established as the withholding limits do not exceed the maximum. Cash paid for tax withholdings are classified as financing activity on the condensed consolidated Statement of Cash Flows, consistent with prior years.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments and Restricted Cash. The new guidance is intended to reduce the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The core principle of the ASU requires the classification of eight specific cash flow issues identified under ASC 230 to be presented as either financing, investing or operating, or some combination thereof, depending upon the nature of the issue. Entities are required to use a retrospective transition approach for all of the issues identified for each period presented. The Company adopted the new ASU as of September 30, 2017. There was no impact on our consolidated financial statements and related disclosures as a result of adopting the ASU.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805) - Clarifying the Definition of a Business. The core principle of the ASU is to clarify the definition of a business to require certain transactions to be accounted for as business combinations versus an acquisition of assets. The Company adopted the new ASU as of September 30, 2017. There was no impact on our consolidated financial statements and related disclosures as a result of adopting the ASU.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment. The new guidance will simplify the accounting for goodwill impairment. The core principle of the ASU is to remove the requirement to calculate an implied fair value to determine impairment (Step 2 of the goodwill impairment test) and allow instead for goodwill impairment to equal the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The Company early adopted the new ASU as of September 30, 2017, prior to our 2017 annual testing of goodwill impairment, to be performed as of October 31st. There was no impact on our consolidated financial statements and related disclosures as a result of adopting the ASU.

In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation (ASC 718) - Scope of Modification Accounting. The amendments provide guidance as to how an entity should account for a change in the terms and conditions of its share-based payment awards. The core principle of the ASU is to provide clarity, and reduce the variation in applied practice, as well as, cost and complexity in accounting for a change in the terms and conditions in an entity's share-based payment awards. The Company adopted the new ASU as of September 30, 2017. There was no impact on our consolidated financial statements and related disclosures as a result of adopting the ASU.

Recently issued accounting standards not yet adopted

Beginning in 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), plus a number of related ASU's designed to clarify and interpret Topic 606. The new standard will replace most existing revenue recognition guidance in U.S. GAAP. The core principle of the ASU requires companies to reevaluate when revenue is recorded based upon newly defined criteria, either at a point in time or over time as goods or services are delivered. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and estimates, and changes in those estimates. The new standard becomes effective for us as of January 1, 2018, with the option to early adopt the standard for annual periods beginning on or after December 15, 2016, and allows for both retrospective and modified-retrospective methods of adoption. As previously disclosed, we will adopt Topic 606 on a modified-retrospective basis.

In 2016, we completed our gap assessment and determined that approximately 30 - 40% of our total revenues will be subject to change dependent on the nature of the production process and contract terms. We believe that we will qualify for over time recognition for certain of our manufactured equipment as well as refurbishments. Under the new rules, revenue recognized for such projects in the future will result in an acceleration of revenue as compared to our current revenue recognition methodology of recognizing revenue at a point in time. We are continuing to quantify the impact of this change.

We continue to execute our implementation plan and have developed new revenue accounting policies and processes; changed our internal controls over revenue recognition; created pro forma disclosures; and continue to implement system changes and enhancements. We will begin our transition evaluation for all contracts that will not be completed on January 1, 2018 in the fourth quarter of 2017.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new standard will replace most existing lease guidance in U.S. GAAP. The core principle of the ASU is the requirement for lessees to report a right to use asset and a lease payment obligation on the balance sheet but recognize expenses on their income statements in a manner similar to today's

accounting, and for lessors the guidance remains substantially similar to current U.S. GAAP. The ASU is effective for annual reporting periods, including interim periods within those annual periods, beginning after December 15, 2018. However, early adoption is permitted. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. We are in the process of evaluating the impact this standard will have on our consolidated financial statements and related disclosures.

In October 2016, the FASB issued ASU 2016-16, Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory. The new guidance is intended to simplify the accounting for intercompany asset transfers. The core principle requires an entity to immediately recognize the tax consequences of intercompany asset transfers. The ASU is effective for annual reporting periods, including interim periods within those annual periods, beginning after December 15, 2017. However, early adoption is permitted only at the beginning of an annual period for which no financial statements (interim or annual) have already been issued. The Company anticipates the adoption in the effective period and we are currently evaluating the effect, if any, that the ASU will have on our consolidated financial statements and related disclosures.

In March 2017, the FASB issued ASU No. 2017-07, Compensation - Retirement Benefits (ASC 715) - Improving the Presentation of Net Periodic Pension Costs and Net Periodic Postretirement Benefit Cost. The new guidance will improve the presentation of pension cost by providing additional guidance on the presentation of net benefit cost in the income statement and on the components eligible for capitalization in assets. The core principle of the ASU is to provide more transparency in the presentation of these costs by requiring the service cost component to be reported in the same line item as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented separately from the service cost component and outside a subtotal of income from operations. The amendments require that the Consolidated Statements of Income impacts be applied retrospectively, while Balance Sheet changes should be applied prospectively. As such, upon adoption in 2018, the Company expects to revise operating income for fiscal year 2017 by \$1.1 million, and report this income in non operating income. Operating income for the fiscal year 2016 will be revised by \$2.3 million and operating income for 2015 will be revised by \$0.6 million. There will be no impact to net income or to the Balance Sheet or Statement of Cash Flows.

The ASU is effective for annual reporting periods, including interim periods within those annual periods, beginning after December 15, 2017. However, early adoption is permitted as of the beginning of an annual period for which financial statements (interim or annual) have not been issued or made available for issuance. The Company will adopt the newly issued ASU as of January 1, 2018.

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (ASC 815) - Targeted Improvements to Accounting for Hedging Activities. The core of the principle is to simplify hedge accounting, as well as improve the financial reporting of hedging results, for both financial and commodity risks, in the financial statements and related disclosures. The ASU is effective for annual reporting periods, including interim periods within those annual periods, beginning after December 15, 2018. Early adoption is permitted in any interim period after the issuance of the amendment, however, any adjustments should be made as of the beginning of the fiscal year in which the interim period occurred. The Company is currently evaluating the effect, if any, that the ASU will have on our consolidated financial statements and related disclosures.

NOTE 2. ACQUISITIONS

During 2017 and 2016 the Company acquired six businesses for an aggregate consideration of \$353.4 million, net of cash acquired. A summary of the acquisitions made during the period is as follows:

Date	Type	Company/Product Line	Location (Near)	Segment
July 31, 2017	Stock	PLF International Ltd.	Harwich (Sussex), England	Food Tech

Manufacturer of powder filling systems for global food and beverage, and nutraceutical markets headquartered in Harwich (Essex), England.

July 3, 2017	Stock	Aircraft Maintenance Support Services, Ltd. (AMSS)	Cardiff, Wales	AeroTech
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Manufacturer of military and commercial aviation equipment.

February 24, 2017	Stock	Avure Technologies, Inc.	Middletown, OH	FoodTech
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Manufacturer of high pressure processing (HPP) systems. HPP is a cold pasteurization technology that ensures food safety without heat or preservatives, maintaining fresh food characteristics such as flavor and nutritional value, while extending shelf life.

November 1, 2016	Stock	Tipper Tie Inc.	Apex, NC	FoodTech
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Manufacturer of engineered processing and packaging solutions, and related consumables to the food industry.

October 14, 2016	Asset	Cooling and Applied Technologies (C.A.T.)	Russellville, AR	FoodTech
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Manufacturer of value-added food solutions primarily for the poultry industry.

February 17, 2016	Asset	Novus X-Ray LLC	Doylestown, PA	FoodTech
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Manufacturer of modular X-Ray systems for the automated food inspection industry.

Each acquisition has been accounted for as a business combination. Tangible and identifiable intangible assets acquired and liabilities assumed were recorded at their respective estimated fair values. The excess of the consideration transferred over the estimated fair value of the net assets received has been recorded as goodwill. The factors that contributed to the recognition of goodwill primarily relate to acquisition-driven anticipated cost savings and revenue enhancement synergies coupled with the assembled workforce acquired.

The following presents the allocation of acquisition costs to the assets acquired and the liabilities assumed, based on their estimated values:

	PLF ⁽¹⁾	Avure ⁽¹⁾	Tipper Tie ⁽¹⁾	C.A.T. ⁽²⁾	Other ⁽³⁾⁽¹⁾	Total
(In millions)						
Financial assets	\$20.1	\$ 8.5	\$28.4	\$ 3.3	\$6.9	\$67.2
Inventories	1.0	14.4	17.2	16.4	2.5	51.5
Property, plant and equipment	2.3	4.5	17.0	2.9	2.6	29.3
Other intangible assets ⁽⁴⁾	17.7	20.8	66.3	48.0	7.1	159.9
Deferred taxes	(3.6)	(8.5)	(5.9)	—	(0.8)	(18.8)
Financial liabilities	(5.6)	(10.1)	(21.1)	(14.9)	(4.0)	(55.7)
Total identifiable net assets	\$31.9	\$ 29.6	\$101.9	\$ 55.7	\$14.3	\$233.4
Cash consideration paid	\$44.2	\$ 58.9	\$160.6	\$ 72.7	\$15.9	\$352.3
Holdback payments due to seller	5.3	—	—	11.7	2.7	19.7
Total consideration	49.5	58.9	160.6	84.4	18.6	372.0
Cash acquired	15.0	—	2.4	—	0.7	18.1
Net consideration	\$34.5	\$ 58.9	\$158.2	\$ 84.4	\$17.9	\$353.9
Goodwill	\$17.6	\$ 29.3	\$58.7	\$ 28.7	\$4.3	\$138.6

(1) The purchase accounting for these acquisitions is preliminary. For PLF and AMSS the valuation of certain working capital balances, intangibles, income tax balances and residual goodwill related to each is not complete. For Avure and Tipper Tie the income tax balances and residual goodwill is not complete. We are also currently assessing the amount of goodwill that we expect to be deductible for tax purposes. These amounts are subject to adjustment as additional information is obtained within the measurement period (not to exceed 12 months from the acquisition date). During the quarter ended September 30, 2017 we refined our estimates of deferred tax assets for Avure by (\$1.8) million and deferred tax liabilities by \$0.7 million. The impact of these adjustments was reflected as a decrease in goodwill of \$1.1 million, and resulted in an immaterial impact to the consolidated statement of income. During the quarter ended June 30, 2017 we refined our other intangible asset estimates for Avure by \$2.6 million, deferred taxes by (\$0.7) million and inventory by (\$0.7) million. The impact of these adjustments was reflected as a decrease in goodwill of \$1.2 million, and resulted in an immaterial impact to the consolidated statement of income. All other measurement period adjustments in the quarter and nine months ended September 30, 2017 were not material.

(2) The amounts shown represent final allocation of the cash paid for these acquisitions.

(3) Other balances include Novus and AMSS. Novus balances are the final allocation of the cash paid for this acquisition. AMSS is preliminary, refer to Note (1).

The acquired definite-lived intangibles are being amortized on a straight-line basis over their estimated useful lives, (4) which range from five to fourteen years. The tradename intangible assets for Avure, Tipper Tie, C.A.T. and PLF have been identified as indefinite-lived intangible asset and will be reviewed annually for impairment.

During the nine months ended September 30, 2017, PLF, AMSS and Avure had revenue and earnings (losses) of, \$3.0 million and (\$0.2) million, \$3.6 million and \$0 million, and \$22.5 million and (\$1.7) million, respectively.

Pro forma Financial Information (unaudited)

In 2016, certain of JBT's acquisitions were material to JBT's overall results such that we are required under ASC Topic 805, Business Combinations, to present pro forma information. The following information reflects the results of JBT's operations for the three and nine months ended September 30, 2017 and 2016 on a pro forma basis as if the acquisitions of Tipper Tie and C.A.T. had been completed on January 1, 2015. Pro forma adjustments have been made to illustrate the incremental impact on earnings of interest costs on the borrowings to acquire the companies, amortization expense related to acquire intangible assets, depreciation expense related to the fair value of the acquired depreciable tangible assets and the related tax impact associated with the incremental interest costs and amortization and depreciation expense.

(\$ in millions, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenue				
Pro forma	\$420.8	\$386.0	\$1,151.4	\$1,045.1
As reported	420.8	349.6	1,151.4	945.5
Net Earnings				
Pro forma	\$26.4	\$23.0	\$62.8	\$50.8
As reported	26.4	20.6	62.3	44.6
Net earnings from continuing operations per share				
Pro forma				
Basic	\$0.83	\$0.78	\$2.03	\$1.73
Fully diluted	0.82	0.77	2.00	1.71
As reported				
Basic	\$0.83	\$0.70	\$1.99	\$1.52
Fully diluted	0.82	0.69	1.97	1.50

The unaudited pro forma information is provided for illustrative purposes only and does not purport to represent what our consolidated results of operations would have been had the transactions actually occurred as of January 1, 2015, and does not purport to project our actual consolidated results of operations.

NOTE 3. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill by business segment were as follows:

(In millions)	JBT	JBT	Total
	FoodTech	AeroTech	
Balance as of December 31, 2016	\$ 231.8	\$ 7.7	\$239.5
Acquisitions	49.7	3.3	53.0
Currency translation	7.7	0.1	7.8
Balance as of September 30, 2017	\$ 289.2	\$ 11.1	\$300.3

Intangible assets consisted of the following:

(In millions)	September 30, 2017		December 31, 2016	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Customer relationships	\$ 159.7	\$ 30.5	\$ 141.5	\$ 21.5
Patents and acquired technology	91.1	30.2	64.8	24.5
Tradenames	20.3	9.3	18.1	8.4
Indefinite lived intangible assets	15.6	—	9.5	—
Other	14.5	9.2	14.8	8.3
Total intangible assets	\$ 301.2	\$ 79.2	\$ 248.7	\$ 62.7

NOTE 4. INVENTORIES

Inventories consisted of the following:

(In millions)	September 30, 2017	December 31, 2016
Raw materials	\$ 74.2	\$ 62.9
Work in process	98.8	57.3
Finished goods	112.3	86.2
Gross inventories before LIFO reserves and valuation adjustments	285.3	206.4
LIFO reserves and valuation adjustments	(67.8)	(66.8)
Inventories, net	\$ 217.5	\$ 139.6

NOTE 5. PENSION

Components of net periodic benefit cost (income) were as follows:

(In millions)	Pension Benefits			
	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
Service cost	\$0.5	\$0.3	\$1.3	\$1.0
Interest cost	2.7	2.9	8.1	8.6
Expected return on plan assets	(4.3)	(4.5)	(12.9)	(13.5)
Amortization of net actuarial losses	1.3	1.0	3.9	3.1
Net periodic cost (income)	\$0.2	\$(0.3)	\$0.4	\$(0.8)

We expect to contribute \$10.5 million to our pension and other postretirement benefit plans in 2017. We contributed \$6.5 million to our U.S. qualified pension plan during the nine months ended September 30, 2017.

NOTE 6. STOCKHOLDERS' EQUITY

On March 13, 2017 we issued 2.3 million shares of common stock in an underwritten public offering which resulted in proceeds of \$184.1 million, net of underwriting discounts and offering expenses. We used the net proceeds from this offering to repay a portion of our outstanding borrowings under our revolving credit facility and for general corporate purposes.

NOTE 7. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income or loss (“AOCI”) represents the cumulative balance of other comprehensive income, net of tax, as of the balance sheet date. For JBT, AOCI is primarily composed of adjustments related to pension and other postretirement benefit plans, derivatives designated as hedges, and foreign currency translation adjustments. Changes in the AOCI balances for the three months ended September 30, 2017 and 2016 by component are shown in the following tables:

	Pension and Other Postretirement Benefits	Derivatives Designated as Hedges	Foreign Currency Translation	Total
(In millions)				
Beginning balance, June 30, 2017	\$ (107.0)	\$ 0.2	\$ (35.3)	\$(142.1)
Other comprehensive income before reclassification	—	—	7.3	7.3
Amounts reclassified from accumulated other comprehensive income	0.8	0.2	—	1.0
Ending balance, September 30, 2017	\$ (106.2)	\$ 0.4	\$ (28.0)	\$(133.8)

Reclassification adjustments from AOCI into earnings for pension and other postretirement benefit plans for the three months ended September 30, 2017 were \$1.3 million of charges in selling, general and administrative expense, net of \$0.5 million in provision for income taxes. Reclassification adjustments for derivatives designated as hedges for the same period were \$0.3 million of charges in interest expense, net of \$0.1 million in provision for income taxes.

	Pension and Other Postretirement Benefits	Derivatives Designated as Hedges	Foreign Currency Translation	Total
(In millions)				
Beginning balance, June 30, 2016	\$ (102.6)	\$ (4.0)	\$ (38.7)	\$(145.3)
Other comprehensive income (loss) before reclassification	0.1	0.6	(1.1)	(0.4)
Amounts reclassified from accumulated other comprehensive income	0.5	0.2	—	0.7
Ending balance, September 30, 2016	\$ (102.0)	\$ (3.2)	\$ (39.8)	\$(145.0)

Reclassification adjustments from AOCI into earnings for pension and other postretirement benefit plans for the three months ended September 30, 2016 were \$0.9 million of charges in selling, general and administrative expense, net of \$0.4 million in provision for income taxes. Reclassification adjustments for derivatives designated as hedges for the same period were \$0.3 million of charges in interest expense, net of \$0.1 million in provision for income taxes.

Changes in the AOCI balances for the nine months ended September 30, 2017 and 2016 by component are shown in the following tables:

	Pension and Other Postretirement Benefits	Derivatives Designated as Hedges	Foreign Currency Translation	Total
(In millions)				
Beginning balance, December 31, 2016	\$ (108.6)	\$ (0.1)	\$ (48.3)	\$(157.0)
Other comprehensive income before reclassification	—	(0.1)	20.3	20.2
	2.4	0.6	—	3.0

(In millions)	Pension and Other Postretirement Benefits	Derivatives Designated as Hedges	Foreign Currency Translation	Total
Beginning balance, December 31, 2015	\$ (103.8)	\$ (0.8)	\$ (42.6)	\$(147.2)
Other comprehensive income before reclassification	0.1	(3.0)	2.8	(0.1)
Amounts reclassified from accumulated other comprehensive income	1.7	0.6	—	2.3
Ending balance, September 30, 2016	\$ (102.0)	\$ (3.2)	\$ (39.8)	\$(145.0)

Reclassification adjustments from AOCI into earnings for pension and other postretirement benefit plans for the nine months ended September 30, 2016 were \$2.7 million of charges in selling, general and administrative expense, net of \$1.0 million in provision for income taxes. Reclassification adjustments for derivatives designated as hedges for the same period were \$0.9 million of charges in interest expense, net of \$0.3 million in provision for income taxes.

NOTE 8. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share from continuing operations for the respective periods and our basic and diluted shares outstanding:

(In millions, except per share data)	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
Basic earnings per share:				
Income from continuing operations	\$26.4	\$20.6	\$62.3	\$44.6
Weighted average number of shares outstanding	31.9	29.4	31.3	29.4
Basic earnings per share from continuing operations	\$0.83	\$0.70	\$1.99	\$1.52
Diluted earnings per share:				
Income from continuing operations	\$26.4	\$20.6	\$62.3	\$44.6
Weighted average number of shares outstanding	31.9	29.4	31.3	29.4
Effect of dilutive securities:				
Restricted stock	0.4	0.4	0.4	0.4
Total shares and dilutive securities	32.3	29.8	31.7	29.8
Diluted earnings per share from continuing operations	\$0.82	\$0.69	\$1.97	\$1.50

NOTE 9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

• Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities that the Company can assess at the measurement date.

Level 2: Observable inputs other than those included in Level 1 that are observable for the asset or liability, either directly or indirectly. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

Financial assets and financial liabilities measured at fair value on a recurring basis are as follows:

(In millions)	As of September 30, 2017				As of December 31, 2016			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets:								
Investments	\$12.3	\$12.3	\$—	\$—	\$11.9	\$11.9	\$—	\$—
Derivatives	4.8	—	4.8	—	7.2	—	7.2	—
Total assets	\$17.1	\$12.3	\$4.8	\$—	\$19.1	\$11.9	\$7.2	\$—
Liabilities:								
Derivatives	\$2.6	\$—	\$2.6	\$—	\$5.0	\$—	\$5.0	\$—
Contingent consideration	0.9	—	—	0.9	0.8	—	—	0.8
Total liabilities	\$3.5	\$—	\$2.6	\$0.9	\$5.8	\$—	\$5.0	\$0.8

Investments represent securities held in a trust for the non-qualified deferred compensation plan. Investments are classified as trading securities and are valued based on quoted prices in active markets for identical assets that we have the ability to access. Investments are reported separately in Other assets on the Condensed Consolidated Balance Sheets. Investments include an unrealized gain of \$0.4 million as of September 30, 2017 and unrealized gain of \$0.6 million as of December 31, 2016.

We use the income approach to measure the fair value of derivative instruments on a recurring basis. This approach calculates the present value of the future cash flow by measuring the change between the derivative contract rate and the published market indicative currency rate, multiplied by the contract notional values, and applying an appropriate discount rate as well as a factor of credit risk.

The contingent consideration relates to the earnout provision recorded in conjunction with the acquisition completed in the first quarter of 2016.

The carrying amounts of cash and cash equivalents, trade receivables and payables, as well as financial instruments included in other current assets and other current liabilities, approximate fair values because of their short-term maturities.

The carrying values and the estimated fair values of our debt financial instruments are summarized in the table below:

(In millions)	As of September 30, 2017		As of December 31, 2016	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Revolving credit facility, expires February 10, 2020	\$247.8	\$247.8	\$342.1	\$342.1
Term loan due February 10, 2020	150.0	150.0	150.0	150.0
Brazilian term loan due November 30, 2017	1.3	1.3	—	—
Brazilian loan due October 16, 2017	0.2	0.2	1.5	1.4
Foreign credit facilities	4.0	4.0	4.4	4.4
Other	1.1	1.1	1.2	1.2

There is no active or observable market for our fixed rate Brazilian loans. Therefore, the estimated fair value is based on discounted cash flows using current interest rates available for debt with similar terms and remaining maturities.

The estimates of the all-in interest rate for discounting the loans are based on a broker quote for loans with similar terms. We do not have a rate adjustment for risk profile changes, covenant issues or credit rating changes, therefore the broker quote is deemed to be the closest approximation of current market rates. The carrying values of the remaining borrowings approximate their fair values due to their variable interest rates.

NOTE 10. DERIVATIVE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Derivative Financial Instruments

All derivatives are recorded as other assets or liabilities in the Condensed Consolidated Balance Sheets at their respective fair values. For derivatives designated as cash flow hedges, the effective portion of the unrealized gain or loss related to the

derivatives are recorded in Other comprehensive income (loss) until the transaction affects earnings. We assess both at inception of the hedge and on an ongoing basis, whether the derivative in the hedging transaction has been, and will continue to be, highly effective in offsetting changes in cash flows of the hedged item. The impact of any ineffectiveness is recognized in the Condensed Consolidated Statements of Income. Changes in the fair value of derivatives that do not meet the criteria for designation as a hedge are recognized in earnings.

Foreign Exchange: We manufacture and sell products in a number of countries throughout the world and, as a result, we are exposed to movements in foreign currency exchange rates. Our major foreign currency exposures involve the markets in Western Europe, South America and Asia. Some of our sales and purchase contracts contain embedded derivatives due to the nature of doing business in certain jurisdictions, which we take into consideration as part of our risk management policy. The purpose of our foreign currency hedging activities is to manage the economic impact of exchange rate volatility associated with anticipated foreign currency purchases and sales made in the normal course of business. We primarily utilize forward foreign exchange contracts with maturities of less than 2 years in managing this foreign exchange rate risk. We have not designated these forward foreign exchange contracts, which had a notional value at September 30, 2017 of \$404.8 million, as hedges and therefore do not apply hedge accounting.

The following table presents the fair value of foreign currency derivatives included within the Condensed Consolidated Balance Sheets:

(In millions)	As of September 30, 2017		As of December 31, 2016	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Other current assets / liabilities	\$ 4.3	\$ 3.0	\$ 7.2	\$ 4.8
Other assets / liabilities	0.1	—	—	—
Total	\$ 4.4	\$ 3.0	\$ 7.2	\$ 4.8

A master netting arrangement allows counterparties to net settle amounts owed to each other as a result of separate offsetting derivative transactions. We enter into master netting arrangements with our counterparties when possible to mitigate credit risk in derivative transactions by permitting us to net settle for transactions with the same counterparty. However, we do not net settle with such counterparties. As a result, we present derivatives at their gross fair values in the Condensed Consolidated Balance Sheets.

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As of September 30, 2017 and December 31, 2016, information related to these offsetting arrangements was as follows:

(In millions)	As of September 30, 2017				
Offsetting of Assets	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net Presented in the Consolidated Balance Sheets	Amount Subject to Master Netting Agreement	Net Amount
Derivatives	\$4.8	\$	—\$ 4.8	\$ (1.8)	\$ 3.0

(In millions)	As of September 30, 2017				
Offsetting of Liabilities	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Presented in the Consolidated Balance Sheets	Amount Subject to Master Netting Agreement	Net Amount
Derivatives	\$2.6	\$	—\$ 2.6	\$ (1.8)	\$ 0.8

(In millions)	As of December 31, 2016				
Offsetting of Assets	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net Presented in the Consolidated Balance Sheets	Amount Subject to Master Netting Agreement	Net Amount
Derivatives	\$7.2	\$	—\$ 7.2	\$ (4.3)	\$ 2.9

(In millions)	As of December 31, 2016				
Offsetting of Liabilities	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Presented in the Consolidated Balance Sheets	Amount Subject to Master Netting Agreement	Net Amount
Derivatives	\$5.0	\$	—\$ 5.0	\$ (4.3)	\$ 0.7

The following table presents the location and amount of the gain (loss) on foreign currency derivatives and on the remeasurement of assets and liabilities denominated in foreign currencies, as well as the net impact recognized in the Condensed Consolidated Statements of Income:

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Loss Recognized in Income on Derivatives	
		Three Months Ended September 30,	Nine Months Ended September 30,

(In millions)		30,			
		2017	2016	2017	2016
Foreign exchange contracts	Revenue	\$1.3	\$ —	\$1.2	\$(0.5)
Foreign exchange contracts	Cost of sales	—	(0.2)	0.7	(0.3)
Foreign exchange contracts	Other income, net	0.7	0.1	0.9	(0.1)
Total		2.0	(0.1)	2.8	(0.9)
Remeasurement of assets and liabilities in foreign currencies		(1.0)	0.1	(1.9)	(0.2)
Net gain (loss) on foreign currency transactions		\$1.0	\$ —	\$0.9	\$(1.1)

Interest Rates: We have entered into three interest rate swaps to fix the interest rate applicable to certain of our variable-rate debt. The agreements swap one-month LIBOR for fixed rates. We have designated these swaps as cash flow hedges and all changes in fair value of the swaps are recognized in Accumulated other comprehensive income (loss).

At September 30, 2017, the fair value recorded in other assets on the Condensed Consolidated Balance Sheet was \$0.5 million. The effective portion of these derivatives designated as cash flow hedges of (\$0.3 million) has been reported in other comprehensive income (loss), net of tax, on the Condensed Consolidated Statement of Comprehensive Income.

Ineffectiveness from cash flow hedges, all of which are interest rate swaps, was immaterial as of September 30, 2017.

Refer to Note 9. Fair Value Of Financial Instruments for a description of how the values of the above financial instruments are determined.

Credit Risk

By their nature, financial instruments involve risk including credit risk for non-performance by counterparties. Financial instruments that potentially subject us to credit risk primarily consist of trade receivables and derivative contracts. We manage the credit risk on financial instruments by transacting only with financially secure counterparties, requiring credit approvals and establishing credit limits, and monitoring counterparties' financial condition. Our maximum exposure to credit loss in the event of non-performance by the counterparty is limited to the amount drawn and outstanding on the financial instrument. Allowances for losses are established based on collectability assessments.

NOTE 11. COMMITMENTS AND CONTINGENCIES

In the normal course of our business, we are at times subject to pending and threatened legal actions, some for which the relief or damages sought may be substantial. Although we are not able to predict the outcome of such actions, after reviewing all pending and threatened actions with counsel and based on information currently available, management believes that the outcome of such actions, individually or in the aggregate, will not have a material adverse effect on our results of operations or financial position. However, it is possible that the ultimate resolution of such matters, if unfavorable, may be material to our results of operations in a particular future period as the time and amount of any resolution of such actions and its relationship to the future results of operations are not currently known.

Liabilities are established for pending legal claims only when losses associated with the claims are judged to be probable, and the loss can be reasonably estimated. In many lawsuits and arbitrations, it is not considered probable that a liability has been incurred or not possible to estimate the ultimate or minimum amount of that liability until the case is close to resolution, in which case no liability would be recognized until that time.

We are currently the subject of an audit being conducted by the State of Delaware to determine whether we have complied with Delaware unclaimed property (escheat) laws. This audit is being conducted by an outside firm on behalf of the State of Delaware and covers the years from 1986 through the present. In addition to seeking the turnover of unclaimed property subject to escheat laws, the State of Delaware may seek interest, penalties, and other relief. We are not able to reasonably estimate a possible assessment from this audit at this time.

Guarantees and Product Warranties

In the ordinary course of business with customers, vendors and others, we issue standby letters of credit, performance bonds, surety bonds and other guarantees. These financial instruments, which totaled \$189.1 million at September 30, 2017, represent guarantees of our future performance. We also have provided \$18.4 million of bank guarantees and letters of credit to secure a portion of our existing financial obligations. The majority of these financial instruments expire within two years; we expect to replace them through the issuance of new or the extension of existing letters of credit and surety bonds.

In some instances, we guarantee our customers' financing arrangements. We are responsible for payment of any unpaid amounts, but will receive indemnification from third parties for between seventy-five and ninety-five percent of the contract values. In addition, we generally retain recourse to the equipment sold. As of September 30, 2017, the gross value of such arrangements was \$5.0 million, of which our net exposure under such guarantees was \$0.4 million.

We provide warranties of various lengths and terms to certain of our customers based on standard terms and conditions and negotiated agreements. We provide for the estimated cost of warranties at the time revenue is recognized for products where reliable, historical experience of warranty claims and costs exists. We also provide a warranty liability when additional specific obligations are identified. The warranty obligation reflected in other current liabilities in the consolidated balance sheets is based on historical experience by product and considers failure rates and the related costs in correcting a product failure. Warranty cost and accrual information were as follows:

	Three Months		Nine Months	
	Ended		Ended	
(In millions)	September 30,		September 30,	
	2017	2016	2017	2016
Balance at beginning of period	\$ 14.7	\$ 12.7	\$ 14.5	\$ 12.5
Expense for new warranties	2.9	3.0	8.9	8.6
Adjustments to existing accruals	—	(0.1)	(0.4)	(0.5)
Claims paid	(3.4)	(2.3)	(10.8)	(7.3)
Added through acquisition	0.6	—	2.3	—
Translation	0.2	—	0.5	—
Balance at end of period	\$ 15.0	\$ 13.3	\$ 15.0	\$ 13.3

NOTE 12. BUSINESS SEGMENT INFORMATION

Operating segments for the Company are determined based on information used by the chief operating decision maker (CODM) in deciding how to evaluate performance and allocate resources to each of the segments. JBT's CODM is the Chief Executive Officer (CEO). While there are many measures the CEO reviews in this capacity, the key segment measures reviewed include operating profit, operating income margin, and EBITDA.

In the third quarter of 2017, we changed the internal structure of our management team; insofar that it increased the number of operating segments, as defined by ASC 280, Segment Reporting, for the Company. Although the number of operating segments has increased from prior periods, we have aggregated multiple operating segments into one reportable segment, FoodTech, as they exhibit similar long-term operational, financial and economic characteristics. As such, our reportable segments remain the same and prior period disclosures are still comparable.

Segment operating profit is defined as total segment revenue less segment operating expenses. Business segment information was as follows:

(In millions)	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Revenue:				
JBT FoodTech	\$296.1	\$235.9	\$816.6	\$642.2
JBT AeroTech	124.8	112.7	334.8	303.3
Other revenue and intercompany eliminations	(0.1)	1.0	—	—
Total revenue	\$420.8	\$349.6	\$1,151.4	\$945.5
Income before income taxes				
Segment operating profit:				
JBT FoodTech	\$37.8	\$28.2	\$89.4	\$78.0
JBT AeroTech	15.4	12.0	35.8	31.9
Total segment operating profit	53.2	40.2	125.2	109.9
Corporate items:				
Corporate expense ⁽¹⁾	(10.7)	(10.4)	(31.5)	(31.4)
Restructuring expense ⁽²⁾	(0.3)	(0.3)	(1.3)	(9.4)
Operating income	42.2	29.5	92.4	69.1
Net interest expense	(3.6)	(2.8)	(10.3)	(7.0)
Income from continuing operations before income taxes	\$38.6	\$26.7	\$82.1	\$62.1

Corporate expense generally includes corporate staff-related expense, stock-based compensation, pension and other (1) postretirement benefit expenses not related to service, LIFO adjustments, certain foreign currency-related gains and losses, and the impact of unusual or strategic events not representative of segment operations.

(2) Refer to Note 13. Restructuring for further information on restructuring expense.

NOTE 13. RESTRUCTURING

Restructuring costs primarily consist of employee separation benefits under our existing severance programs, foreign statutory termination benefits, certain one-time termination benefits, contract termination costs, asset impairment charges and other costs that are associated with restructuring actions. Certain restructuring charges are accrued prior to payments made in accordance with applicable guidance. For such charges, the amounts are determined based on estimates prepared at the time the restructuring actions were approved by management.

In the first quarter of 2016, we implemented our optimization program to realign FoodTech's Protein business in North America and Liquid Foods business in Europe, accelerate JBT's strategic sourcing initiatives, and consolidate smaller facilities. The total estimated cost in connection with this plan is approximately \$12.0 million.

During the fourth quarter of 2016 we implemented and acquired a restructuring plan to consolidate certain facilities and optimize our general and administrative infrastructure subsequent to a FoodTech acquisition. The total estimated cost in connection with this plan is approximately \$4.0 million.

The following table details the amounts reported in Restructuring expense on the condensed consolidated statement of income since the implementation of these plans:

(In millions)	Cumulative Amount As of December 31, 2016	For the Quarter Ended			Cumulative Amount As of September 30, 2017
		March 31, 2017	June 30, 2017	September 30, 2017	
Severance and related expense	\$ 6.1	\$0.5	\$ 0.1	\$ —	\$ 6.7
Other	6.2	0.2	0.6	0.3	7.3
Total restructuring charges	\$ 12.3	\$0.7	\$ 0.7	\$ 0.3	\$ 14.0

The restructuring expense is associated with the FoodTech segment, and is excluded from our calculation of segment operating profit. Expenses incurred during the three months ended September 30, 2017 primarily relate to costs to streamline operations and consolidate facilities as a direct result of our plan.

Liability balances for restructuring activities are included in other current liabilities in the accompanying condensed consolidated balance sheets. The table below details the activities in 2017:

(In millions)	Balance as of December 31, 2016	Charged to Earnings	Payments Made	Release of Liability	Balance as of September 30, 2017
Severance and related expense	\$ 8.3	\$ 0.5	\$ (4.1)	\$ (0.4)	\$ 4.3
Other	0.6	1.2	(1.2)	—	0.6
Total	\$ 8.9	\$ 1.7	\$ (5.3)	\$ (0.4)	\$ 4.9

The releases represent amounts which we no longer expect to pay in connection with this plan due to actual severance payments differing from the original estimates and natural attrition of employees. We expect to complete all plans by mid 2018.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, our Annual Report on Form 10-K and other materials filed or to be filed by us with the Securities and Exchange Commission, as well as information in oral statements or other written statements made or to be made by us, contain statements that are, or may be considered to be, forward-looking statements. All statements that are not historical facts, including statements about our beliefs or expectations, are forward-looking statements. You can identify these forward-looking statements by the use of forward-looking words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “seeks,” “approximately,” “predicts,” “intends,” “plans,” “anticipates,” “foresees” or the negative version of those words or other comparable words and phrases. Any forward-looking statements contained in this Form 10-Q are based upon our historical performance and on current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. These forward-looking statements include, among others, statements relating to our strategic plans, restructuring and optimization plans and expected cost savings from those plans, our cash flows, our acquisitions, and our covenant compliance.

We believe that the factors that could cause our actual results to differ materially from expectations include but are not limited to the factors we described in our Form 10-K under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” If one or more of those or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Consequently, actual events and results may vary significantly from those included in or contemplated or implied by our forward-looking statements. The forward-looking statements included in this Form 10-Q are made only as of the date hereof, and we undertake no obligation to publicly update or revise any forward-looking statement made by us or on our behalf, whether as a result of new information, future developments, subsequent events or changes in circumstances or otherwise.

Executive Overview

We are a leading global technology solutions provider to high-value segments of the food and beverage industry with focus on proteins, liquid foods and automated system solutions. JBT designs, produces and services sophisticated products and systems for multi-national and regional customers through its FoodTech segment. JBT also sells critical equipment and services to domestic and international air transportation customers through its AeroTech segment.

In 2016, we announced the Elevate plan, a follow on to our successful Next Level strategy that was developed in 2014 to capitalize on the leadership position of our businesses and favorable macroeconomic trends. The Elevate plan is based on a four-pronged approach to deliver continued growth and margin expansion.

Accelerate New Product & Service Development. JBT is accelerating the development of innovative products and services to provide customers with solutions that enhance yield and productivity and reduce lifetime cost of ownership.

Grow Recurring Revenue. JBT is capitalizing on its extensive installed base to expand recurring revenue from aftermarket parts and services, equipment leases, consumables and airport services.

Execute Impact Initiatives. JBT is enhancing organic growth through initiatives that enable us to sell the entire FoodTech portfolio globally, including enhancing our international sales and support infrastructure, localizing targeted products for emerging markets, and strategic cross selling of Protein and Liquid Foods products. Additionally, our impact initiatives are designed to support the reduction in operating cost including strategic sourcing, relentless continuous improvement (lean) efforts, and the optimization of organization structure. In AeroTech, we plan to continue to develop advanced military product offerings and leading customer support capability to service global military customers.

Maintain Disciplined Acquisition Program. We are also continuing our strategic acquisition program focused on companies that add complementary products, which enable us to offer more comprehensive solutions to customers, and meet our strict economic criteria for returns and synergies.

As we evaluate our operating results, we consider our key performance indicators of segment revenue, segment operating profit, the level of inbound orders and order backlog.

We continue to enhance our comprehensive approach to Corporate Social Responsibility (CSR), building on our culture and long tradition of concern for our employees' health, safety, and well-being; partnering with our customers to improve their operations; and giving back to the communities where we live and work. Our equipment and technology continue to deliver quality performance while striving to minimize waste and maximize efficiency in order to create shared value for both our food processing and beverage and air transportation customers. A key CSR objective is to further align our business with our customers in order to support their ambitious quality, financial, and CSR goals.

Non-GAAP Financial Measures

The results for the three and nine months ended September 30, 2017 and 2016 include items that affect the comparability of our results. These include significant expenses that are not indicative of our ongoing operations as detailed in the table below:

(In millions, except per share data)	Three Months Ended		Nine Months Ended	
	September 30, 2017	2016	September 30, 2017	2016
Income from continuing operations as reported	\$26.4	\$20.6	\$62.3	\$44.6
Non-GAAP adjustments:				
Restructuring expense	0.3	0.3	1.3	9.4
Impact on tax provision from Non-GAAP adjustments ⁽¹⁾	(0.1)	(0.1)	(0.4)	(3.0)
Adjusted income from continuing operations	\$26.6	\$20.8	\$63.2	\$51.0
Income from continuing operations as reported	\$26.4	\$20.6	\$62.3	\$44.6
Total shares and dilutive securities	32.3	29.8	31.7	29.8
Diluted earnings per share from continuing operations	\$0.82	\$0.69	\$1.97	\$1.50
Adjusted income from continuing operations	\$26.6	\$20.8	\$63.2	\$51.0
Total shares and dilutive securities	32.3	29.8	31.7	29.8
Adjusted diluted earnings per share from continuing operations	\$0.82	\$0.70	\$1.99	\$1.71

(1) Impact on tax provision was calculated using the Company's annual effective tax rate of 31.0% and 30.6% for September 30, 2017 and 2016, respectively.

The above table contains adjusted income from continuing operations and adjusted diluted earnings per share from continuing operations, which are non-GAAP financial measures, and are intended to provide an indication of our underlying ongoing operating results and to enhance investors' overall understanding of our financial performance by eliminating the effects of certain items that are not comparable from one period to the next. In addition, this information is used as a basis for evaluating our performance and for the planning and forecasting of future periods.

The table below provides a reconciliation of net income to Adjusted EBITDA:

(In millions)	Three Months Ended		Nine Months Ended	
	September 30, 2017	2016	September 30, 2017	2016
Net income	\$25.8	\$20.6	\$61.1	\$44.5
Loss from discontinued operations, net of taxes	(0.6)	—	(1.2)	(0.1)
Income from continuing operations as reported	26.4	20.6	62.3	44.6
Provision for income taxes	12.2	6.1	19.8	17.5
Net interest expense	3.6	2.8	10.3	7.0
Depreciation and amortization	12.8	9.1	37.9	27.2
EBITDA	55.0	38.6	130.3	96.3
Restructuring expense	0.3	0.3	1.3	9.4

Adjusted EBITDA	\$55.3	\$38.9	\$131.6	\$105.7
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The above table provides net income as adjusted by income taxes, net interest expense and depreciation and amortization expense recorded during the period to arrive at EBITDA. Further, we add back to EBITDA significant expenses that are not indicative of our ongoing operations to calculate an Adjusted EBITDA for the periods reported. Given the Company's focus on growth through strategic acquisitions, management considers Adjusted EBITDA to be an important non-GAAP financial

measure. This measure allows us to monitor business performance while excluding the impact of amortization due to the step up in value of intangible assets, and the depreciation of fixed assets. We use Adjusted EBITDA internally to make operating decisions and believe this information is helpful to investors because it allows more meaningful period-to-period comparisons of our ongoing operating results.

We evaluate our results of operations on both an as reported and a constant currency basis. The constant currency presentation is a non-GAAP financial measure, which excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency information provides valuable supplemental information regarding our results of operations, consistent with how we evaluate our performance. We calculate constant currency percentages by converting our financial results in local currency for a period using the average exchange rate for the prior period to which we are comparing. This calculation may differ from similarly-titled measures used by other companies.

The non-GAAP financial measures disclosed in this Quarterly Report on Form 10-Q are not intended to nor should they be considered in isolation or as a substitute for financial measures prepared in accordance with U.S. GAAP.

CONSOLIDATED RESULTS OF OPERATIONS
THREE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

(In millions, except %)	Three Months		Favorable/(Unfavorable)
	Ended September 30, 2017	2016	
Revenue	\$420.8	\$349.6	\$ 71.2
Cost of sales	299.3	255.5	(43.8)
Gross profit	121.5	94.1	27.4
Gross profit %	28.9 %	26.9 %	200 bps
Selling, general and administrative expense	73.7	56.5	(17.2)
Research and development expense	6.9	6.3	(0.6)
Restructuring expense	0.3	0.3	—
Other (income) expense, net	(1.6)	1.5	3.1
Operating income	42.2	29.5	12.7
Operating income %	10.0 %	8.4 %	160 bps
Interest expense, net	(3.6)	(2.8)	(0.8)
Income from continuing operations before income taxes	38.6	26.7	11.9
Provision for income taxes	12.2	6.1	(6.1)
Income from continuing operations	26.4	20.6	5.8
Loss from discontinued operations, net	(0.6)	—	(0.6)
Net income	\$25.8	\$20.6	\$ 5.2

Total revenue for the three months ended September 30, 2017 increased \$71.2 million compared to the same period in 2016. The increase was driven by revenue from acquired companies, which added \$51.6 million, organic growth of \$14.0 million and \$5.6 million due to currency translation.

Operating income margin was 10.0% for the three months ended September 30, 2017 compared to 8.4% in the same period in 2016, an increase of 160 bps, as a result of the following items:

Gross profit margin increased 200 bps to 28.9% compared to 26.9% in the same period last year. This increase was the result of Elevate initiatives, including value selling, aftermarket growth and sourcing, as well as favorable mix of higher margin products, both of which contributed evenly to this improvement.

Selling, general and administrative expense increased both in dollars and as a percentage of revenue primarily in FoodTech as a result of higher SG&A expenses of our recently acquired companies. These increased expenses were partially offset by a benefit recognized in the quarter of \$0.5 million related to forfeited stock compensation from retiring executives.

Research and development expense has increased as we continue to invest in Elevate new product development initiatives. As a percent of revenue, these expenses have declined to 1.6% compared to 1.8% in the same period last year as revenue increased at a faster pace.

Other (income) expense, net was \$(1.6) million in the quarter, a decrease in costs of \$3.1 million compared to the same period last year. Acquisition costs declined by \$1.8 million in the quarter compared to prior year. The remaining decrease reflected foreign currency gains in the quarter.

Currency translation did not have a significant impact on our operating income comparative results.

Interest expense, net increased \$0.8 million primarily due to higher average debt levels resulting from acquisitions as well as increases in interest rates.

Income tax expense for the three months ended September 30, 2017 reflected an expected effective income tax rate of 31.0%, compared to 30.6% in the same period in 2016, reflecting a higher mix of earnings in the U.S. than in jurisdictions with lower tax rates.

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OPERATING RESULTS OF BUSINESS SEGMENTS
THREE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

(In millions, except %)	Three Months		Favorable/(Unfavorable) \$/bps
	Ended September 30, 2017	2016	
Revenue:			
JBT FoodTech	\$296.1	\$235.9	\$ 60.2
JBT AeroTech	124.8	112.7	12.1
Other revenue and intercompany eliminations	(0.1)	1.0	(1.1)
Total revenue	\$420.8	\$349.6	\$ 71.2
Operating income before income taxes			
Segment operating profit ⁽¹⁾⁽²⁾ :			
JBT FoodTech	\$37.8	\$28.2	\$ 9.6
JBT FoodTech segment operating profit %	12.8 %	12.0 %	80 bps
JBT AeroTech	15.4	12.0	3.4
JBT AeroTech segment operating profit %	12.3 %	10.6 %	170 bps
Total segment operating profit	53.2	40.2	13.0
Total segment operating profit %	12.6 %	11.5 %	110 bps
Corporate items:			
Corporate expense	(10.7)	(10.4)	(0.3)
Restructuring expense	(0.3)	(0.3)	—
Operating income	\$42.2	\$29.5	\$ 12.7
Operating income %	10.0 %	8.4 %	160 bps
Inbound orders:			
JBT FoodTech	\$296.4	\$242.2	
JBT AeroTech	144.0	104.6	
Total inbound orders	\$440.4	\$346.8	

(1) Refer to Note 12. Business Segment Information of the Notes to Condensed Consolidated Financial Statements.

Segment operating profit is defined as total segment revenue less segment operating expenses. Corporate expense, restructuring expense, interest income and expense and income taxes are not allocated to the segments. Corporate (2) expense generally includes corporate staff-related expense, stock-based compensation, pension and other postretirement benefit expenses not related to service, LIFO adjustments, certain foreign currency-related gains and losses, and the impact of unusual or strategic events not representative of segment operations.

JBT FoodTech

JBT FoodTech's revenue for the three months ended September 30, 2017 increased by \$60.2 million, or \$54.8 million in constant currency, compared to the same period in 2016. Revenue growth in North America contributed to half of the increase in the quarter, with the remaining growth primarily driven by equal growth in Europe and Asia Pacific. Acquisitions contributed \$48.0 million in growth in revenue, and the remaining FoodTech business contributed \$6.8 million. Currency translation resulted in an increase of \$5.4 million from prior year.

JBT FoodTech's operating profit margin for the three months ended September 30, 2017 was 12.8% compared to 12.0% in the same period in the prior year, an increase of 80 bps. Operating profit margin was positively impacted by an increase in gross profit margins of 210 bps, primarily driven by Elevate initiatives including aftermarket growth and strategic sourcing, as well as a favorable mix of higher margin products. This increase was partially offset by increased SG&A costs resulting in a decline of 130 bps, which was the result of higher relative SG&A costs from acquired companies.

Currency translation did not have a significant impact on our operating profit comparative results for FoodTech.

JBT AeroTech

JBT AeroTech's revenue for the three months ended September 30, 2017 increased \$12.1 million, or \$11.9 million in constant currency, compared to the same period in 2016. Acquisitions contributed \$3.6 million, \$8.3 million was from organic growth and \$0.2 million from currency translation. Revenue from our organic mobile equipment business increased \$8.0 million primarily due to higher shipments of cargo loaders and deicing equipment, service revenue increased by \$4.7 million driven by higher revenue on new and existing maintenance contracts, and our fixed equipment revenue decreased \$4.4 million mainly as a result of lower installation revenue compared to the same period in the prior year.

JBT AeroTech's operating profit margin for the three months ended September 30, 2017 was 12.3% compared to 10.6% in the same period in the prior year, an increase of 170 bps. Operating profit margin was positively impacted by an increase in gross margin of 120 bps, driven by Elevate initiatives including value selling, and favorable mix on higher margin equipment. In addition SG&A savings provided a 50 bps improvement resulting from better leveraging of fixed expenses on higher revenue.

Currency translation did not have a significant impact on our operating profit comparative results for AeroTech.

Corporate Expense

Corporate expense was consistent during the three months ended September 30, 2017, compared to the same period in 2016, and declined as a percent of sales from 3.0% in the prior year compared to 2.5% in the third quarter 2017. In the third quarter ended September 30, 2017 we recognized \$0.5 million of benefits in forfeited stock compensation from retiring executives.

CONSOLIDATED RESULTS OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

(In millions, except %)	Nine Months Ended September 30,		Favorable/(Unfavorable) \$/bps
	2017	2016	
Revenue	\$1,151.4	\$945.5	\$ 205.9
Cost of sales	817.5	678.8	(138.7)
Gross profit	333.9	266.7	67.2
Gross profit %	29.0 %	28.2 %	80 bps
Selling, general and administrative expense	221.2	168.4	(52.8)
Research and development expense	19.6	17.7	(1.9)
Restructuring expense	1.3	9.4	8.1
Other (income) expense, net	(0.6)	2.1	2.7
Operating income	92.4	69.1	23.3
Operating income %	8.0 %	7.3 %	70 bps
Interest expense, net	(10.3)	(7.0)	(3.3)
Income from continuing operations before income taxes	82.1	62.1	20.0
Provision for income taxes	19.8	17.5	(2.3)
Income from continuing operations	62.3	44.6	17.7
Loss from discontinued operations, net	(1.2)	(0.1)	(1.1)
Net income	\$61.1	\$44.5	\$ 16.6

Total revenue for the nine months ended September 30, 2017 increased \$205.9 million, or \$203.2 million in constant currency, compared to the same period in 2016. The increase was driven by revenue from acquired companies, which added \$129.3 million, organic growth of \$73.9 million and \$2.7 million due to currency translation.

Operating income margin was 8.0% for the nine months ended September 30, 2017 compared to 7.3% in the same period in 2016, an increase of 70 bps, as a result of the following items:

Gross profit margin increased 80 bps to 29.0% compared to 28.2% in the same period last year. This increase was the result of acquired companies with higher gross margin profiles than our legacy businesses, Elevate initiatives such as value selling and aftermarket growth, and increased volume of higher margin products, each contributing to this increase by approximately one-third.

Selling, general and administrative expense increased both in dollars and as a percentage of revenue as a result of higher SG&A expenses of our recently acquired companies.

Research and development expense has increased as we continue to invest in Elevate new product development initiatives. As a percent of revenue, these expenses have declined to 1.7% compared to 1.9% in the same period last year as revenue increased at a faster pace.

Restructuring expense decreased \$8.1 million. In the prior year we recorded restructuring expense of \$9.4 million in connection with our plan to realign portions of the FoodTech business, accelerate sourcing initiatives and consolidate smaller facilities.

Other (income) expense, net improved \$2.7 million due to foreign currency gains and gains disposals of fixed assets, and lower acquisition costs in the year.

Currency translation did not have a significant impact on our operating income comparative results.

Interest expense, net increased \$3.3 million primarily due to higher average debt levels resulting from acquisitions and increased interest rates.

Income tax expense for the nine months ended September 30, 2017 reflected an expected effective income tax rate of approximately 31.0%, compared to 30.6% in the same period in 2016. In addition we recognized a \$5.9 million discrete tax benefit due to new share-based compensation guidance effective as of January 1, 2017.

OPERATING RESULTS OF BUSINESS SEGMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

(In millions, except %)	Nine Months Ended		Favorable/(Unfavorable)
	September 30,		
	2017	2016	\$
Revenue:			
JBT FoodTech	\$816.6	\$642.2	\$ 174.4
JBT AeroTech	334.8	303.3	31.5
Other revenue and intercompany eliminations	—	—	—
Total revenue	\$1,151.4	\$945.5	\$ 205.9
Operating income before income taxes			
Segment operating profit ⁽¹⁾⁽²⁾ :			
JBT FoodTech	\$89.4	\$78.0	\$ 11.4
JBT FoodTech segment operating profit %	10.9	% 12.1	% -120 bps
JBT AeroTech	35.8	31.9	3.9
JBT AeroTech segment operating profit %	10.7	% 10.5	% 20 bps
Total segment operating profit	125.2	109.9	15.3
Total segment operating profit %	10.9	% 11.6	% -70 bps
Corporate items:			
Corporate expense	(31.5)	(31.4)	(0.1)
Restructuring expense	(1.3)	(9.4)	8.1
Operating income	\$92.4	\$69.1	\$ 23.3
Operating income %	8.0	% 7.3	% 70 bps
Inbound orders:			
JBT FoodTech	\$897.3	\$665.0	
JBT AeroTech	365.4	333.2	
Intercompany eliminations/other	0.1	—	
Total inbound orders	\$1,262.8	\$998.2	

(1) Refer to Note 12. Business Segment Information of the Notes to Condensed Consolidated Financial Statements.

Segment operating profit is defined as total segment revenue less segment operating expenses. Corporate expense, restructuring expense, interest income and expense and income taxes are not allocated to the segments. Corporate (2) expense generally includes corporate staff-related expense, stock-based compensation, pension and other postretirement benefit expenses not related to service, LIFO adjustments, certain foreign currency-related gains and losses, and the impact of unusual or strategic events not representative of segment operations.

JBT FoodTech

JBT FoodTech's revenue for the nine months ended September 30, 2017 increased by \$174.4 million, or \$171.1 million in constant currency, compared to the same period in 2016. Revenue growth in North America contributed to half of the increase in the nine months ended September 30, 2017, with the remaining growth primarily driven by equal growth in Europe and Asia Pacific. Acquisitions contributed \$125.7 million in revenue growth, and the legacy FoodTech businesses contributed organic growth of \$45.5 million. Currency translation resulted in an increase of \$3.2 million from prior year.

JBT FoodTech's operating profit margin for the nine months ended September 30, 2017 was 10.9% compared to 12.1% in the same period prior year, a decrease of 120 bps. Operating profit margin was positively impacted by an increase in gross profit margins of 70 bps, offset by increased SG&A costs which drove a decline of 190 bps. The gross margin improvement was driven by acquisitions which resulted in a 35 bps increase, and the remainder from Elevate initiatives such as value selling and aftermarket growth. Increased SG&A expenses were primarily the result of higher relative SG&A costs from acquired companies.

Currency translation did not have a significant impact on our operating profit comparative results for FoodTech.

JBT AeroTech

JBT AeroTech's revenue for the nine months ended September 30, 2017 increased by \$31.5 million, or \$32.0 million in constant currency, compared to the same period in 2016. Acquisitions contributed \$3.6 million, \$28.4 million was from organic growth and (\$0.5) million in currency translation. Revenue from our fixed equipment business increased \$19.3 million primarily driven by higher shipments of passenger boarding bridges to domestic airports, service revenue increased by \$12.5 million driven by higher revenue on new and existing maintenance contracts, and our organic mobile equipment revenue declined \$3.4 million resulting mainly from decreased sales to military customers.

JBT AeroTech's operating profit margin for the nine months ended September 30, 2017 was 10.7% compared to 10.5% in the same period in the prior year, reflecting an increase of 20 bps. The drivers of gross profit margin improvement were split fairly evenly between improvements from Elevate initiatives including value selling, and favorable mix on higher margin equipment. Operating expenses remained consistent as a percent of sales compared to 2016, despite an increase in expenses related to transaction costs on acquisitions and higher relative SG&A costs on acquired companies totaling \$1.2 million offset by improved leveraging of fixed costs.

Currency translation did not have a significant impact on our operating profit comparative results for AeroTech.

Corporate Expense

Corporate expense was consistent during the nine months ended September 30, 2017, compared to the same period in 2016, and declined as a percent of sales from 3.3% in the prior year compared to 2.7% in 2017.

Restructuring

In the first quarter of 2016, we implemented our optimization program to realign FoodTech's Protein business in North America and Liquid Foods business in Europe, accelerate JBT's strategic sourcing initiatives, and consolidate smaller facilities. The total estimated cost in connection with this plan is approximately \$12.0 million.

During the fourth quarter of 2016 we implemented and acquired a restructuring plan to consolidate certain facilities and optimize our general and administrative infrastructure subsequent to a FoodTech acquisition. The total estimated

cost in connection with this plan is approximately \$4.0 million.

The following table shows the cumulative cost savings to date from inception of the plans through September 30, 2017, and expected through the duration of the plans:

(In millions)	Cumulative to Date	Remainder of 2017	2018
Cost of Sales	\$ 1.6	\$ 0.2	\$0.5
Selling, General and Administrative Expense	4.7	0.5	0.5
Total	\$ 6.3	\$ 0.7	\$1.0

Liquidity and Capital Resources

Our primary sources of liquidity are cash flows provided by operating activities from our U.S. and foreign operations and borrowings from our revolving credit facility. Our liquidity as of September 30, 2017, or cash plus borrowing capacity under our credit facilities was \$290.4 million. The cash flows generated by our operations and the credit facility are expected to be sufficient to satisfy our working capital needs, research and development activities, restructuring costs, capital expenditures, pension contributions, anticipated share repurchases, acquisitions and other financing requirements.

As of September 30, 2017, we had \$38.4 million of cash and cash equivalents, \$34.7 million of which was held by our foreign subsidiaries. Although these funds are considered permanently invested in our foreign subsidiaries, we are not presently aware of any restriction on the repatriation of these funds. We maintain significant operations outside of the U.S., and many of our uses of cash for working capital, capital expenditures and business acquisitions arise in these foreign geographies. If these funds were needed to fund our operations or satisfy obligations in the U.S., they could be repatriated and their repatriation into the U.S. could cause us to incur additional U.S. income taxes and foreign withholding taxes. Any additional taxes could be offset, in part or in whole, by foreign tax credits. The amount of such taxes and application of tax credits would be dependent on the income tax laws and other circumstances at the time any of these amounts were repatriated.

As noted above, funds held outside of the U.S. are considered permanently invested in our non-U.S. subsidiaries. At times, these foreign subsidiaries have cash balances that exceed their immediate working capital or other cash needs. In these circumstances, the foreign subsidiaries may loan funds to the U.S. parent company on a temporary basis; the U.S. parent company has in the past and may in the future use the proceeds of these temporary intercompany loans to reduce outstanding borrowings under our committed credit facilities. By using available non-U.S. cash to repay our debt on a short-term basis, we can optimize our leverage ratio, which has the effect of both lowering the rate we pay on certain of our borrowings and lowering our interest costs.

Under Internal Revenue Service (“IRS”) guidance, no incremental tax liability is incurred on the proceeds of these loans as long as each individual loan has a term of 30 days or less and all such loans from each subsidiary are outstanding for a total of less than 60 days during the year. As of September 30, 2017 there were no amounts outstanding subject to this IRS guidance. During 2017, each such loan was outstanding for less than 30 days, and all such loans were outstanding for less than 60 days in the aggregate. The U.S. parent used the proceeds of these intercompany loans to reduce outstanding borrowings under our five-year revolving credit facility. We may choose to access such funds again in the future to the extent they are available and can be transferred without significant cost, and use them on a temporary basis to repay outstanding borrowings or for other corporate purposes, but intend to do so only as allowed under this IRS guidance.

Cash Flows

Cash flows for the nine months ended September 30, 2017 and 2016 were as follows:

(In millions)	2017	2016
Cash provided by continuing operating activities	\$69.2	\$26.9
Cash required by investing activities	(129.2)	(26.2)
Cash provided by financing activities	65.0	8.0
Cash required by discontinued operating activities	(1.2)	(0.1)
Effect of foreign exchange rate changes on cash and cash equivalents	1.4	2.1
Increase in cash and cash equivalents	\$5.2	\$10.7

Cash provided by continuing operating activities during the nine months ended September 30, 2017 was \$69.2 million, representing a \$42.3 million increase compared to the same period in 2016. The increase was driven primarily by higher net income and increased deposits from customers, which were partially offset by an increase in inventory spend.

Cash required by investing activities during the nine months ended September 30, 2017 was \$129.2 million, an increase of \$103.0 million compared to the same period in 2016, due primarily to increased acquisition spending in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 as we acquired Avure, AMSS and PLF in 2017.

Cash provided by financing activities during the nine months ended September 30, 2017 was \$65.0 million, an increase of \$57.0 million compared to the same period in 2016. On March 6, 2017 we issued 2.3 million shares of common stock which resulted in net proceeds of \$184.1 million. We used the net proceeds from this offering to repay a portion of our outstanding

borrowings under our revolving credit facility and for general corporate purposes. We made net payments under our revolving credit facility of \$93.1 million during the nine months ended September 30, 2017, as well as paid dividends of \$9.6 million.

Financing Arrangements

We have a \$600.0 million credit facility with Wells Fargo Bank, N.A. as administrative agent that matures in February 2020. This credit facility permits borrowings in the U.S. and in The Netherlands. Revolving loans under the credit facility bear interest, at our option, at one month U.S. LIBOR subject to a floor rate of zero or an alternative base rate, which is the greater of Wells Fargo's Prime Rate, the Federal Funds Rate plus 50 basis points, and LIBOR plus 1%, plus, in each case, a margin dependent on our leverage ratio. We must also pay an annual commitment fee of 15.0 to 30.0 basis points dependent on our leverage ratio. The credit agreement evidencing the facility contains customary representations, warranties, and covenants, including a minimum interest coverage ratio and maximum leverage ratio, as well as certain events of default.

We have an incremental term loan in the amount of \$150.0 million which bears interest on the same fully funded terms as the revolving credit facility and matures in February 2020. We are required to make mandatory prepayments, subject to certain exceptions, of the term loan with the net cash proceeds of (i) any issuance or other incurrence of indebtedness not otherwise permitted under the Credit Agreement and (ii) certain sales or other dispositions of assets subject to certain exceptions and thresholds. We are required to repay the term loan in quarterly principal installments of \$1.9 million beginning on March 31, 2018, with a balloon payment at maturity to pay the remaining outstanding balance.

As of September 30, 2017 we had \$150.0 million outstanding under the term loan within the credit facility, \$247.8 million drawn on and \$352.2 million of availability under the revolving credit facility. Our ability to use this availability is limited by the leverage ratio covenant described below.

Our credit agreement includes covenants that, if not met, could lead to a renegotiation of our credit lines, a requirement to repay our borrowings and/or a significant increase in our cost of financing. As of September 30, 2017, we were in compliance with all covenants in our credit agreement. We expect to remain in compliance with all covenants in the foreseeable future. However, there can be no assurance that continued or increased volatility in global economic conditions will not impair our ability to meet our covenants, or that we will continue to be able to access the capital and credit markets on terms acceptable to us or at all. In February 2017, we exercised our option to temporarily increase the maximum allowable leverage ratio under the Credit Agreement from 3.5x to 4.0x, for the quarter ended December 31, 2016 and the following three quarters. The leverage ratio increase option is available for the first quarter end after we complete a permitted acquisition having consideration in excess of \$100.0 million. Our exercise of the leverage ratio increase option had the effect of temporarily increasing the amount we are able to borrow under the revolving credit facility.

In May 2017, we entered into a fourth amendment to the credit agreement. This amendment revoked the leverage ratio increase period and returned us to the original maximum leverage ratio of 3.5x, as well as immediately resetting the leverage ratio increase option so it would be available to us without a waiting period that would otherwise apply. The amendment expanded the qualifying event to allow for the option to be exercised if any permitted acquisition, or a series of permitted acquisitions occurring within any consecutive twelve (12) month period following the first such permitted acquisition, had aggregate consideration in excess of \$100.0 million. It also provided flexibility to JBT in determining the length of the leverage ratio increase period, but not to exceed four quarters.

We have entered into interest rate swaps to fix the interest rate applicable to certain of our variable-rate debt. The agreements swap one-month LIBOR for fixed rates. We have designated these swaps as cash flow hedges and all

changes in fair value of the swaps are recognized in accumulated other comprehensive income (loss). As a result, as of September 30, 2017, some of our debt was effectively fixed rate debt while approximately \$177.9 million, or 44.0%, was subject to floating, or market, rates. To the extent interest rates increase in future periods, our earnings could be negatively impacted by higher interest expense.

CRITICAL ACCOUNTING ESTIMATES

There were no material changes in our judgments and assumptions associated with the development of our critical accounting estimates during the period ended September 30, 2017. Refer to our Annual Report on Form 10-K for the year ended December 31, 2016 for a discussion of our critical accounting estimates.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in reported market risks from the information reported in our Annual Report on Form 10-K for the year ended December 31, 2016.

ITEM 4. CONTROLS AND PROCEDURES

Under the direction of our principal executive officer and principal financial officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of September 30, 2017. We have concluded that, as of September 30, 2017, our disclosure controls and procedures were:

- i) effective in ensuring that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms; and
- ii) effective in ensuring that information required to be disclosed is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

In the ordinary course of business, we review our system of internal control over financial reporting and make changes to our systems and processes to improve such controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, automating manual processes and updating existing systems.

In the third quarter of 2017, we deployed the first instance of a new standardized enterprise resource planning system (“ERP”), which is a critical component of our internal control infrastructure. The implementation of this ERP requires changes to both manual and automated controls; including automating previously manual processes. The ERP implementation is scheduled to continue through 2020. Management believes the necessary steps have been taken to maintain effective internal controls and to monitor their operation during the period of change.

Other than as noted above, there were no changes in controls identified in the evaluation for the quarter ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
John Bean Technologies Corporation:

We have reviewed the condensed consolidated balance sheet of John Bean Technologies Corporation and subsidiaries as of September 30, 2017, the related condensed consolidated statements of income, and comprehensive income, for the three-month and nine-month periods ended September 30, 2017 and 2016, and the related condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2017 and 2016. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of John Bean Technologies Corporation and subsidiaries as of December 31, 2016, and the related consolidated statements of income, comprehensive income (loss), changes in stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 28, 2017, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2016, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP

Chicago, IL
October 30, 2017

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material legal proceedings identified or material developments in existing legal proceedings during the three months ended September 30, 2017.

ITEM 1A. RISK FACTORS

There have been no material changes in reported risk factors from the information reported in our Annual Report on Form 10-K for the year ended December 31, 2016.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table includes information about the Company's stock repurchases during the three months ended September 30, 2017:

(Dollars in millions, except per share amounts)

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as part of Publicly Announced Program ⁽¹⁾	Approximate Dollar Value of Shares that may yet be Purchased under the Program
July 1, 2017 through July 31, 2017	—	\$—	—	\$ 25.7
August 1, 2017 through August 31, 2017	56,973	87.76	56,973	20.7
September 1, 2017 through September 30, 2017	—	—	—	20.7
	56,973	\$ 87.76	56,973	\$ 20.7

Shares repurchased under a share repurchase program for up to \$30 million of our common stock authorized in (1)2015. Refer to our Annual Report on Form 10-K for the year ended December 31, 2016, Note 11. Stockholders' Equity for share repurchase program details.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

All exhibits are set forth on the Exhibit Index, which is incorporated herein by reference.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

John Bean Technologies Corporation
(Registrant)

/s/ MEGAN J. RATTIGAN
Megan J. Rattigan
Vice President, Controller and duly authorized officer
(Principal Accounting Officer)
Date: October 30, 2017

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EXHIBIT INDEX

Number in Exhibit Table	Description
10.1*	<u>Separation and General Release Agreement - Steven Smith</u>
15*	<u>Letter re: Unaudited interim financial information.</u>
31.1*	<u>Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) /15d-14(a).</u>
31.2*	<u>Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) /15d-14(a).</u>
32.1*	<u>Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2*	<u>Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101*	The following materials from John Bean Technologies Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Income, (ii) Condensed Consolidated Statements of Comprehensive Income, (iii) Condensed Consolidated Balance Sheets, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements.
*	Filed herewith.