

LINDSAY CORP  
Form 10-Q  
July 02, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(MARK ONE)

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

For the quarterly period ended May 31, 2013

OR

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

Commission File Number 1-13419

**Lindsay Corporation**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**47-0554096**  
(I.R.S. Employer  
Identification No.)

**2222 N. 111th Street, Omaha, Nebraska**  
(Address of principal executive offices)

**68164**  
(Zip Code)

**402-829-6800**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if smaller reporting company)

Smaller reporting company

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

As of June 25, 2013, 12,861,551 shares of the registrant's common stock were outstanding.

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**Lindsay Corporation**

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**Table of Contents****Part I FINANCIAL INFORMATION****ITEM 1 Financial Statements****Lindsay Corporation and Subsidiaries****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

(\$ and shares in thousands, except per share amounts)	Three months ended		Nine months ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
Operating revenues	\$ 219,542	\$ 172,099	\$ 542,451	\$ 423,438
Cost of operating revenues	156,506	123,071	386,194	307,668
<b>Gross profit</b>	<b>63,036</b>	<b>49,028</b>	<b>156,257</b>	<b>115,770</b>
Operating expenses:				
Selling expense	8,674	7,324	23,995	21,136
General and administrative expense	11,783	10,390	32,056	27,764
Engineering and research expense	3,029	2,527	8,946	6,827
Environmental remediation expense				7,225
<b>Total operating expenses</b>	<b>23,486</b>	<b>20,241</b>	<b>64,997</b>	<b>62,952</b>
Operating income	39,550	28,787	91,260	52,818
Other income (expense):				
Interest expense	(32)	(103)	(258)	(376)
Interest income	100	137	367	327
Other income (expense), net	132	(234)	252	(314)
<b>Earnings before income taxes</b>	<b>39,750</b>	<b>28,587</b>	<b>91,621</b>	<b>52,455</b>
Income tax expense	13,687	9,764	31,479	17,937
<b>Net earnings</b>	<b>\$ 26,063</b>	<b>\$ 18,823</b>	<b>\$ 60,142</b>	<b>\$ 34,518</b>
Earnings per share:				
Basic	\$ 2.03	\$ 1.48	\$ 4.69	\$ 2.72
Diluted	\$ 2.01	\$ 1.47	\$ 4.66	\$ 2.70
Shares used in computing earnings per share:				
Basic	12,858	12,714	12,819	12,700
Diluted	12,947	12,814	12,894	12,799
Cash dividends declared per share	\$ 0.115	\$ 0.090	\$ 0.345	\$ 0.270

The accompanying notes are an integral part of the condensed consolidated financial statements.

**Table of Contents****Lindsay Corporation and Subsidiaries****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Unaudited)**

(\$ in thousands)	Three months ended		Nine months ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
Net earnings	\$ 26,063	\$ 18,823	\$ 60,142	\$ 34,518
Other comprehensive income (loss):				
Defined benefit pension plan adjustment, net of tax	33	26	99	77
Unrealized gain on cash flow hedges, net of tax	15	57	6	177
Foreign currency translation adjustment, net of hedging activities and tax	(1,389)	(4,599)	(282)	(7,386)
Total other comprehensive loss, net of tax (benefit) expense of (\$10), \$530, (\$128) and \$885	(1,341)	(4,516)	(177)	(7,132)
Total comprehensive income	\$ 24,722	\$ 14,307	\$ 59,965	\$ 27,386

The accompanying notes are an integral part of the condensed consolidated financial statements.

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**Lindsay Corporation and Subsidiaries**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)

(\$ and shares in thousands, except par values)	May 31, 2013	May 31, 2012	August 31, 2012
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 170,215	\$ 119,785	\$ 143,444
Receivables, net of allowance of \$2,847, \$1,786 and \$1,717	130,924	95,693	82,565
Inventories, net	72,458	62,119	52,873
Deferred income taxes	11,810	9,399	9,505
Other current assets	18,307	13,177	10,478
Total current assets	403,714	300,173	298,865
Property, Plant and Equipment:			
Cost	144,199	134,508	136,695
Less accumulated depreciation	(87,293)	(78,365)	(80,515)
Property, plant and equipment, net	56,906	56,143	56,180
Intangibles, net			
Goodwill	22,974	25,709	25,070
Other noncurrent assets	30,111	29,866	29,961
Other noncurrent assets	4,416	5,057	5,455
Total assets	\$ 518,121	\$ 416,948	\$ 415,531
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>			
Current Liabilities:			
Accounts payable	\$ 56,902	\$ 38,820	\$ 31,372
Current portion of long-term debt	1,071	4,286	4,285
Other current liabilities	65,259	45,502	44,781
Total current liabilities	123,232	88,608	80,438
Pension benefits liabilities			
Long-term debt	6,603	6,057	6,821
Deferred income taxes	1,071	1,071	1,071
Other noncurrent liabilities	8,809	10,458	9,984
Other noncurrent liabilities	7,715	8,573	7,450
Total liabilities	146,359	114,767	104,693
Shareholders Equity:			
Preferred stock of \$1 par value- Authorized 2,000 shares; none issued	18,560	18,413	18,421
Common stock of \$1 par value- Authorized 25,000 shares; 18,560 issued	48,392	41,580	43,140
Capital in excess of stated value	396,825	333,819	341,115
Retained earnings	(90,961)	(90,961)	(90,961)
Less treasury stock (at cost, 5,698 shares)	(1,054)	(670)	(877)
Accumulated other comprehensive loss, net	(1,054)	(670)	(877)

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Total shareholders' equity	371,762	302,181	310,838
Total liabilities and shareholders' equity	\$ 518,121	\$ 416,948	\$ 415,531

The accompanying notes are an integral part of the condensed consolidated financial statements.

**Table of Contents****Lindsay Corporation and Subsidiaries****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

(\$ in thousands)	Nine months ended	
	May 31, 2013	May 31, 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net earnings	\$ 60,142	\$ 34,518
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	9,380	9,384
Provision for uncollectible accounts receivable	1,502	230
Deferred income taxes	(5,304)	(3,899)
Share-based compensation expense	3,452	2,611
Other, net	176	132
Changes in assets and liabilities:		
Receivables	(49,375)	(20,151)
Inventories	(19,898)	(14,892)
Other current assets	(7,712)	(1,371)
Accounts payable	25,203	8,124
Other current liabilities	18,233	(1,597)
Current taxes payable	4,551	6,864
Other noncurrent assets and liabilities	536	5,943
<b>Net cash provided by operating activities</b>	<b>40,886</b>	<b>25,896</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(8,149)	(7,573)
Proceeds from sale of property, plant and equipment	21	107
(Payment) proceeds for settlement of net investment hedge	(515)	1,237
<b>Net cash used in investing activities</b>	<b>(8,643)</b>	<b>(6,229)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from exercise of stock options	1,781	387
Common stock withheld for payroll tax withholdings	(2,441)	(577)
Principal payments on long-term debt	(3,214)	(3,214)
Excess tax benefits from share-based compensation	2,751	256
Dividends paid	(4,432)	(3,431)
<b>Net cash used in financing activities</b>	<b>(5,555)</b>	<b>(6,579)</b>
Effect of exchange rate changes on cash and cash equivalents	83	(1,470)
<b>Net change in cash and cash equivalents</b>	<b>26,771</b>	<b>11,618</b>
Cash and cash equivalents, beginning of period	143,444	108,167
<b>Cash and cash equivalents, end of period</b>	<b>\$ 170,215</b>	<b>\$ 119,785</b>

The accompanying notes are an integral part of the condensed consolidated financial statements.





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**Lindsay Corporation and Subsidiaries**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

**Note 1 Condensed Consolidated Financial Statements**

The condensed consolidated financial statements are presented in accordance with the rules and regulations of the Securities and Exchange Commission ( SEC ) and do not include all of the disclosures normally required by U.S. generally accepted accounting principles ( U.S. GAAP ) as contained in Lindsay Corporation's (the Company ) Annual Report on Form 10-K. Accordingly, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's most recent Annual Report on Form 10-K for the fiscal year ended August 31, 2012.

In the opinion of management, the condensed consolidated financial statements of the Company reflect all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position and the results of operations and cash flows for the periods presented. The results for interim periods are not necessarily indicative of trends or results expected by the Company for a full year.

The condensed consolidated financial statements were prepared using U.S. GAAP. These principles require us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from these estimates. Certain reclassifications have been made to prior financial statements and notes to conform to the current year presentation. These reclassifications were not material to the Company's condensed consolidated financial statements.

**Note 2 New Accounting Pronouncements**

Newly Adopted Accounting Standards

The Company did not adopt any new accounting standards during the three months ended May 31, 2013.

New Accounting Standards Issued but not yet adopted

In December 2011, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2011-11, *Amendments to Disclosures about Offsetting Assets and Liabilities*. The objective of ASU No. 2011-11 is to provide enhanced disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements on its financial position. In January 2013, the FASB issued ASU No. 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*, which clarifies what instruments and transactions are subject to the offsetting disclosure requirements established by ASU No. 2011-11. Derivative instruments accounted for in accordance with Accounting Standards Codification ( ASC ) 815, repurchase agreements, reverse repurchase agreements, securities borrowing, and securities lending transactions are subject to ASU No. 2011-11 disclosure requirements. The effective date for ASU No. 2011-11 and ASU No. 2013-01 will be the first quarter of fiscal year 2014. The Company does not expect the adoption of these standards to impact its condensed consolidated financial statements.

In February 2013, the FASB issued ASU No. 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. The objective of ASU No. 2013-02 is to improve the reporting of reclassifications out of accumulated other comprehensive income ( AOCI ). Entities are required to disclose changes in AOCI balances by component and significant items reclassified out of AOCI. The effective date for ASU No. 2013-02 will be the first quarter of fiscal year 2014.

In March 2013, the FASB issued ASU No. 2013-05, *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*. The objective of ASU No. 2013-05 is to clarify the applicable guidance for the release of the cumulative translation adjustment under U.S. GAAP. The effective date for ASU No. 2013-05 will be the first quarter of fiscal year 2015. The Company does not expect the adoption of this standard to impact its condensed consolidated financial statements.



**Table of Contents****Note 3 Net Earnings per Share**

The following table shows the computation of basic and diluted net earnings per share for the three and nine months ended May 31, 2013 and 2012:

(\$ and shares in thousands, except per share amounts)	Three months ended		Nine months ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
Numerator:				
Net earnings	\$ 26,063	\$ 18,823	\$ 60,142	\$ 34,518
Denominator:				
Weighted average shares outstanding	12,858	12,714	12,819	12,700
Diluted effect of stock equivalents	89	100	75	99
Weighted average shares outstanding assuming dilution	12,947	12,814	12,894	12,799
Basic net earnings per share	\$ 2.03	\$ 1.48	\$ 4.69	\$ 2.72
Diluted net earnings per share	\$ 2.01	\$ 1.47	\$ 4.66	\$ 2.70

Certain stock options and restricted stock units were excluded from the computation of diluted net earnings per share because their effect would have been anti-dilutive. Performance stock units are excluded from the calculation of dilutive potential common shares until the threshold performance conditions have been satisfied. Items excluded from the calculation were not significant for the three or nine months ended May 31, 2013 and 2012.

**Note 4 Income Taxes**

The Company recorded income tax expense of \$13.7 million and \$31.5 million for the three and nine months ended May 31, 2013, respectively. The Company recorded income tax expense of \$9.8 million and \$17.9 million for the three and nine months ended May 31, 2012, respectively. The estimated annual effective income tax rate used to calculate income tax expense was 34.4 percent and 34.2 percent for the year-to-date periods ended May 31, 2013 and 2012, respectively. The increase in the estimated annual effective income tax rate from May 2012 to May 2013 primarily relates to incremental foreign taxes less certain tax credits reinstated in the three months ended February 28, 2013. The Company recorded no material discrete items for the nine months ended May 31, 2013 and 2012.

**Note 5 Inventories**

Inventories consisted of the following as of May 31, 2013, May 31, 2012 and August 31, 2012:

(\$ in thousands)	May 31, 2013	May 31, 2012	August 31, 2012
Raw materials and supplies	\$ 17,949	\$ 11,002	\$ 9,818
Work in process	7,227	6,216	4,427
Finished goods and purchased parts	54,332	51,897	45,540
Total inventory value before LIFO adjustment	79,508	69,115	59,785
Less adjustment to LIFO value	(7,050)	(6,996)	(6,912)
Inventories, net	\$ 72,458	\$ 62,119	\$ 52,873

**Table of Contents****Note 6 Credit Arrangements**

At May 31, 2013 and 2012 and August 31, 2012, the Company was in compliance with all loan covenants. The Company's credit arrangements consist of the following:

*Euro Line of Credit*

The Company's wholly-owned European subsidiary, Lindsay Europe SAS, has an unsecured revolving line of credit with Societe Generale, a European commercial bank, under which it could borrow for working capital purposes up to 2.3 million Euros, which equates to approximately \$3.0 million U.S. dollars as of May 31, 2013 (the Euro Line of Credit). On February 8, 2013, the Company extended the Euro Line of Credit with Societe Generale through January 31, 2014. There were no borrowings outstanding on this credit agreement at May 31, 2013 and 2012 and August 31, 2012. Under the terms of the Euro Line of Credit, borrowings, if any, bear interest at a floating rate in effect from time to time designated by the commercial bank as the Euro Interbank Offered Rate plus 110 basis points (1.30 percent at May 31, 2013). Unpaid principal and interest is due by January 31, 2014.

*Revolving Credit Agreement*

The Company has an unsecured \$30.0 million Revolving Credit Note and Credit Agreement with Wells Fargo Bank, N.A., which was amended on February 13, 2013 in order to extend the termination date from January 23, 2014 to February 13, 2016 (the Revolving Credit Agreement). The borrowings from the Revolving Credit Agreement may primarily be used for working capital purposes and funding acquisitions. At May 31, 2013 and 2012 and August 31, 2012, there was no outstanding balance on the Revolving Credit Agreement. Borrowings under the Revolving Credit Agreement bear interest at a rate equal to LIBOR plus 90 basis points (1.09 percent as of May 31, 2013), subject to adjustment as set forth in the Revolving Credit Agreement. Interest is paid on a monthly to quarterly basis depending on loan type. The Company also pays an annual commitment fee of 0.25 percent on the unused portion of the Revolving Credit Agreement. Any unpaid principal and interest is due by February 13, 2016.

*BSI Term Note*

The Company entered into an unsecured \$30.0 million Term Note and Credit Agreement, effective June 1, 2006, with Wells Fargo Bank, N.A. (the BSI Term Note) to partially finance the acquisition of Barrier Systems, Inc., a wholly owned subsidiary of the Company. Borrowings under the BSI Term Note bear interest at a rate equal to LIBOR plus 50 basis points (0.69 percent as of May 31, 2013). The Company effectively fixed the economic effect of the variable interest rate at 6.05 percent through an interest rate swap as described in Note 7 to the condensed consolidated financial statements. Principal is repaid quarterly in equal payments of \$1.1 million over a seven-year period that began in September of 2006. The BSI Term Note was repaid in full on its scheduled maturity date of June 10, 2013.

Outstanding long-term debt consists of the following:

(\$ in thousands)	May 31, 2013	May 31, 2012	August 31, 2012
BSI Term Note	\$ 1,071	\$ 5,357	\$ 4,285
Less current portion	(1,071)	(4,286)	(4,285)
<b>Total long-term debt</b>	<b>\$</b>	<b>\$ 1,071</b>	<b>\$</b>

**Table of Contents****Note 7 Financial Derivatives**

The Company uses certain financial derivatives to mitigate its exposure to volatility in interest rates and foreign currency exchange rates. The Company uses these derivative instruments to hedge exposures in the ordinary course of business and does not invest in derivative instruments for speculative purposes. The Company manages market and credit risks associated with its derivative instruments by establishing and monitoring limits as to the types and degree of risk that may be undertaken, and by entering into transactions with high-quality counterparties. As of May 31, 2013, the Company's derivative counterparty had investment grade credit ratings. Financial derivatives consist of the following:

(\$ in thousands)	Balance Sheet Classification	Fair Values of Derivative Instruments		
		Asset (Liability)		
		May 31, 2013	May 31, 2012	August 31, 2012
Derivatives designated as hedging instruments:				
Foreign currency forward contracts	Other current assets	\$ 428	\$ 1,798	\$
Foreign currency forward contracts	Other current liabilities	(472)		(436)
Interest rate swap	Other current liabilities	(1)	(133)	(90)
Interest rate swap	Other noncurrent liabilities		(15)	
Total derivatives designated as hedging instruments		\$ (45)	\$ 1,650	\$ (526)
Derivatives not designated as hedging instruments:				
Foreign currency forward contracts	Other current assets	\$ 172	\$ 116	\$ 12
Foreign currency forward contracts	Other current liabilities			(37)
Total derivatives not designated as hedging instruments		\$ 172	\$ 116	\$ (25)

Accumulated other comprehensive income ( AOCI ) included realized and unrealized after-tax gains of \$2.4 million, \$2.7 million and \$2.4 million at May 31, 2013 and 2012 and August 31, 2012, respectively, related to derivative contracts designated as hedging instruments.

*Cash Flow Hedging Relationships*

In order to reduce interest rate risk on the BSI Term Note, the Company entered into an interest rate swap agreement with Wells Fargo Bank, N.A. that is designed to convert the variable interest rate on the entire amount of the borrowing to a fixed rate of 6.05 percent per annum. Under the terms of the interest rate swap, the Company receives variable interest rate payments and makes fixed interest rate payments on an amount equal to the outstanding balance of the BSI Term Note. Changes in the fair value of the interest rate swap designated as a hedging instrument that effectively offset the variability of cash flows associated with variable-rate, long-term debt obligations are reported in AOCI, net of related income tax effects.

In order to reduce exposures related to changes in foreign currency exchange rates, the Company, at times, may enter into forward exchange or option contracts for transactions denominated in a currency other than the functional currency for certain of its operations. This activity primarily relates to economically hedging against foreign currency risk in purchasing inventory, sales of finished goods, and future settlement of foreign denominated assets and liabilities. Changes in the fair value of the forward exchange contracts or option contracts designated as hedging instruments that effectively offset the hedged risks are reported in AOCI, net of related income tax effects.

*Net Investment Hedging Relationships*

In order to reduce translation exposure resulting from translating the financial statements of its international subsidiaries into U.S. dollars, the Company, at times, utilizes foreign currency forward contracts to hedge a portion of its net investment exposure in its foreign operations. These foreign currency forward contracts qualify as a hedge of net investments in foreign operations. Changes in fair value of the net investment hedge contracts are reported in other comprehensive income ( OCI ) as part of the currency translation adjustment, net of tax.

(\$ in thousands)	Amount of Gain/(Loss) Recognized in OCI on Derivatives			
	Three months ended May 31, 2013	Three months ended May 31, 2012	Nine months ended May 31, 2013	Nine months ended May 31, 2012
Foreign currency forward contracts, net of tax expense (benefit) of \$90, (\$802), (\$126) and (\$1,225)	\$ 564	\$ 1,313	\$ 66	\$ 2,008

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For the three and nine months ended May 31, 2013, the Company settled foreign currency forward contracts resulting in an after-tax net (gain) loss of (\$0.8) million and \$0.4 million, respectively, which were included in OCI as part of a currency translation adjustment. For the three and nine months ended May 31, 2012, the Company settled foreign currency forward contracts resulting in an after-tax net loss (gain) of \$0.2 million and (\$0.8) million, respectively, which were included in OCI as part of a currency translation adjustment.

There were no amounts recorded in the condensed consolidated statement of operations related to ineffectiveness of foreign currency forward contracts related to net investment hedges for the three and nine months ended May 31, 2013 and 2012. Accumulated currency translation adjustments from net investment hedges in AOCI at May 31, 2013 and 2012 and August 31, 2012 reflected realized and unrealized after-tax gains of \$2.5 million, \$2.7 million and \$2.4 million, respectively.

At May 31, 2013 and 2012 and August 31, 2012, the Company had outstanding Euro foreign currency forward contracts to sell 29.6 million Euro, 22.5 million Euro and 26.5 million Euro, respectively, at fixed prices to settle during the next fiscal quarter. At May 31, 2013, the Company also had an outstanding Rand foreign currency forward contract to sell 43.0 million Rand at fixed prices to settle during the next fiscal quarter. The Company's foreign currency forward contracts qualify as hedges of a net investment in foreign operations.

**Note 8 Fair Value Measurements**

The following table presents the Company's financial assets and liabilities measured at fair value based upon the level within the fair value hierarchy in which the fair value measurements fall, as of May 31, 2013 and 2012 and August 31, 2012, respectively.

(\$ in thousands)	May 31, 2013			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 170,215	\$	\$	\$ 170,215
Derivative assets		600		600
Derivative liabilities		(473)		(473)

  

(\$ in thousands)	May 31, 2012			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 119,785	\$	\$	\$ 119,785
Derivative assets		1,914		1,914
Derivative liabilities		(148)		(148)

  

(\$ in thousands)	August 31, 2012			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 143,444	\$	\$	\$ 143,444
Derivative assets		12		12
Derivative liabilities		(563)		(563)

The carrying amount of long-term debt (including current portion) was \$1.1 million, \$5.4 million and \$4.3 million as of May 31, 2013 and 2012 and August 31, 2012, respectively. The fair value of long-term debt (including current portion) was \$1.1 million, \$5.3 million and \$4.3 million as of May 31, 2013 and 2012 and August 31, 2012, respectively. Fair value of long-term debt (including current portion) is estimated (using level 2 inputs) by discounting the future estimated cash flows of each instrument at current market interest rates for similar debt instruments of comparable maturities and credit quality.

The Company also measures the fair value of certain assets on a non-recurring basis, generally quarterly, annually, or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. These assets include fixed assets, goodwill, and other intangible assets. There were no required fair value adjustments for assets and liabilities measured at fair value on a non-recurring basis for the three and nine months ended May 31, 2013 and 2012. While the Company currently expects improvement in the infrastructure segment's revenues and operating income, the increases involve certain matters that are outside of the Company's control. To the extent that forecasted cash flows are not realized, the Company may be subject to further considerations of impairment exposures.



**Table of Contents****Note 9 Commitments and Contingencies**

In the ordinary course of its business operations, the Company is involved, from time to time, in commercial litigation, employment disputes, administrative proceedings and other legal proceedings. The Company has established accruals for certain proceedings based on an assessment of probability of loss. The Company believes that any potential loss in excess of the amounts accrued would not have a material effect on the business or its condensed consolidated financial statements. Such proceedings are exclusive of environmental remediation matters which are discussed separately below.

In 1992, the Company entered into a consent decree with the U.S. Environmental Protection Agency (the EPA) in which the Company committed to remediate environmental contamination of the groundwater that was discovered in 1982 through 1990 at and adjacent to its Lindsay, Nebraska facility (the site). The site was added to the EPA's list of priority superfund sites in 1989. Between 1993 and 1995, remediation plans for the site were approved by the EPA and fully implemented by the Company. Since 1998, the primary remaining contamination at the site has been the presence of volatile organic chemicals in the soil and groundwater. To date, the remediation process has consisted primarily of drilling wells into the aquifer and pumping water to the surface to allow these contaminants to be removed by aeration. The Company accrues the anticipated cost of investigation and remediation when the obligation is probable and can be reasonably estimated.

In 2008, the Company and the EPA conducted their periodic five-year review of the status of the remediation of the contamination of the site. In response to the review, the Company and its environmental consultants developed a remedial action work plan. In the first quarter of fiscal 2012, the Company undertook an investigation to assess further potential site remediation and containment actions. In connection with the receipt of preliminary results of this investigation and other evaluations, the Company estimated that it would incur \$7.2 million in remediation and operating costs and accrued that undiscounted amount as an operating expense in the first quarter of fiscal 2012. The EPA has not approved the Company's remediation plan. During the first nine months of fiscal 2013, the Company did not accrue any additional incremental costs related to environmental remediation liabilities.

Although the Company has accrued all reasonably estimable costs associated with remediation of the site, it is expected that additional testing and environmental monitoring and remediation could be required in the future as part of the Company's ongoing discussions with the EPA regarding the development and implementation of the remedial action plans. In addition, the current investigation has not yet been completed and does not include all affected areas on the site. Due to the current stage of discussions with the EPA and the uncertainty of the remediation actions that may be required with respect to these affected areas, the Company believes that meaningful estimates of costs or range of costs cannot currently be made and accordingly have not been accrued.

The EPA is expected to complete its next five-year review of the site by August 31, 2013. The Company intends to complete additional investigation of the soil and groundwater on the site during fiscal 2014 with the expectation that the Company will then come to an agreement with the EPA on an approved remediation plan. The Company anticipates there could be revisions to the current remediation plan as a result of these activities. Any revisions could be material to the operating results of any fiscal quarter or fiscal year. The Company does not expect such additional expenses would have a material adverse effect on its liquidity or financial condition.

The following table summarizes the undiscounted environmental remediation liability classifications included in the balance sheet as of May 31, 2013 and 2012 and August 31, 2012:

(\$ in thousands) Balance Sheet Classification	Environmental Remediation Liabilities		
	May 31, 2013	May 31, 2012	August 31, 2012
Other current liabilities	\$ 2,050	\$ 2,559	\$ 2,414
Other noncurrent liabilities	5,200	5,200	5,200
Total environmental remediation liabilities	\$ 7,250	\$ 7,759	\$ 7,614

**Table of Contents****Note 10 Warranties**

The following table provides the changes in the Company's product warranties:

(\$ in thousands)	Three months ended	
	May 31, 2013	May 31, 2012
<b>Warranties:</b>		
Product warranty accrual balance, beginning of period	\$ 5,572	\$ 3,829
Liabilities accrued for warranties during the period	2,240	1,250
Warranty claims paid during the period	(1,330)	(946)
<b>Product warranty accrual balance, end of period</b>	<b>\$ 6,482</b>	<b>\$ 4,133</b>

(\$ in thousands)	Nine months ended	
	May 31, 2013	May 31, 2012
<b>Warranties:</b>		
Product warranty accrual balance, beginning of period	\$ 4,848	\$ 3,651
Liabilities accrued for warranties during the period	4,766	2,985
Warranty claims paid during the period	(3,132)	(2,503)
<b>Product warranty accrual balance, end of period</b>	<b>\$ 6,482</b>	<b>\$ 4,133</b>

**Note 11 Share-Based Compensation**

The Company measures and recognizes compensation expense for all share-based payment awards made to employees and directors based on estimated fair values. The Company's current share-based compensation plans, approved by the stockholders of the Company, provides for awards of stock options, restricted shares, restricted stock units (RSUs), stock appreciation rights, performance shares and performance stock units (PSUs) to employees and non-employee directors of the Company. In connection with the RSUs, PSUs and stock options, the Company is accruing compensation expense based on the estimated number of shares expected to be issued utilizing the most current information available to the Company at the date of the financial statements.

The PSUs vest contingent upon meeting various performance goals. The awards actually earned may range from zero to two hundred percent of the targeted number of PSUs and will be paid in shares of common stock. The performance goals are based upon a three-year revenue growth and a three-year average return on net assets over the performance period. If defined performance goals are not met, no compensation cost will be recognized and any previously recognized compensation expense will be reversed. Share-based compensation expense was \$1.1 million and \$0.8 million for the three months ended May 31, 2013 and 2012, respectively. Share-based compensation expense was \$3.5 million and \$2.6 million for the nine months ended May 31, 2013 and 2012, respectively.

**Note 12 Industry Segment Information**

*Irrigation* This reporting segment includes the manufacture and marketing of center pivot, lateral move, and hose reel irrigation systems as well as various water pumping stations and controls. The irrigation reporting segment consists of twelve operating segments that have similar economic characteristics and meet the aggregation criteria, including similar products, production processes, type or class of customer and methods for distribution.

*Infrastructure* This reporting segment includes the manufacture and marketing of Road Zipper Systems™, moveable barriers, specialty barriers and crash cushions; providing outsource manufacturing services and the manufacturing and selling of large diameter steel tubing and railroad signals and structures. The infrastructure reporting segment consists of two operating segments that have similar economic characteristics and meet the aggregation criteria, including similar products, production processes, type or class of customer and methods for distribution.

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The Company evaluates the performance of its reportable segments based on segment sales, gross profit, and operating income, with operating income for segment purposes excluding unallocated corporate general and administrative expenses, interest income, interest expense, other income and expenses, and income taxes. Operating income for segment purposes does include general and administrative expenses, selling expenses, engineering and research expenses, environmental remediation expenses and other overhead charges directly attributable to the segment.

The Company had no single major customer who represented 10 percent or more of its total revenues during the three and nine months ended May 31, 2013 and 2012.

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Summarized financial information concerning the Company's reportable segments is shown in the following tables:

(\$ in thousands)	Three months ended		Nine months ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
<b>Operating revenues:</b>				
Irrigation	\$ 200,950	\$ 149,624	\$ 497,844	\$ 367,388
Infrastructure	18,592	22,475	44,607	56,050
<b>Total operating revenues</b>	<b>\$ 219,542</b>	<b>\$ 172,099</b>	<b>\$ 542,451</b>	<b>\$ 423,438</b>
<b>Operating income (loss):</b>				
Irrigation	\$ 44,052	\$ 31,242	\$ 106,787	\$ 64,046
Infrastructure	197	1,433	(3,187)	(699)
<b>Segment operating income</b>	<b>44,249</b>	<b>32,675</b>	<b>103,600</b>	<b>63,347</b>
Unallocated general and administrative expenses	(4,699)	(3,888)	(12,340)	(10,529)
Interest and other income (expense), net	200	(200)	361	(363)
<b>Earnings before income taxes</b>	<b>\$ 39,750</b>	<b>\$ 28,587</b>	<b>\$ 91,621</b>	<b>\$ 52,455</b>
<b>Capital Expenditures:</b>				
Irrigation	\$ 2,733	\$ 2,662	\$ 7,784	\$ 6,493
Infrastructure	74	188	365	1,080
	<b>\$ 2,807</b>	<b>\$ 2,850</b>	<b>\$ 8,149</b>	<b>\$ 7,573</b>
<b>Depreciation and Amortization:</b>				
Irrigation	\$ 1,725	\$ 1,710	\$ 5,121	\$ 5,055
Infrastructure	1,415	1,439	4,259	4,329
	<b>\$ 3,140</b>	<b>\$ 3,149</b>	<b>\$ 9,380</b>	<b>\$ 9,384</b>
<b>Environmental Remediation Expenses</b>				
Irrigation	\$	\$	\$	\$ 6,141
Infrastructure				1,084
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 7,225</b>

(\$ in thousands)	May 31, 2013	May 31, 2012	August 31, 2012
<b>Total Assets:</b>			
Irrigation	\$ 398,751	\$ 304,515	\$ 303,741
Infrastructure	119,370	112,433	111,790
	<b>\$ 518,121</b>	<b>\$ 416,948</b>	<b>\$ 415,531</b>

**Note 13 Other Current Liabilities**

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(\$ in thousands)	May 31, 2013	May 31, 2012	August 31, 2012
<b>Other current liabilities:</b>			
Compensation and benefits	\$ 15,830	\$ 12,560	\$ 14,438
Deferred revenue	8,897	4,572	3,714
Income tax liability	7,785	6,314	5,397
Warranty	6,482	4,133	4,848
Other	26,265	17,923	16,384
<b>Total other current liabilities</b>	<b>\$ 65,259</b>	<b>\$ 45,502</b>	<b>\$ 44,781</b>

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### **ITEM 2 *Management's Discussion and Analysis of Financial Condition and Results of Operations***

#### **Concerning Forward-Looking Statements**

This Quarterly Report on Form 10-Q contains not only historical information, but also forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Statements that are not historical are forward-looking and reflect expectations for future Company conditions or performance. In addition, forward-looking statements may be made orally or in press releases, conferences, reports, on the Company's worldwide web site, or otherwise, in the future by or on behalf of the Company. When used by or on behalf of the Company, the words expect, anticipate, estimate, believe, intend, will, plan, project, and other expressions generally identify forward-looking statements. The entire section entitled "Market Conditions and Outlook" should be considered forward-looking statements. For these statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Forward-looking statements involve a number of risks and uncertainties, including but not limited to those discussed in the "Risk Factors" section in the Company's Annual Report on Form 10-K for the year ended August 31, 2012. Readers should not place undue reliance on any forward-looking statement and should recognize that the statements are predictions of future results or conditions, which may not occur as anticipated. Actual results or conditions could differ materially from those anticipated in the forward-looking statements and from historical results, due to the risks and uncertainties described herein and in the Company's other public filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the Company's fiscal year ended August 31, 2012, as well as other risks and uncertainties not now anticipated. The risks and uncertainties described herein and in the Company's other public filings are not exclusive and further information concerning the Company and its businesses, including factors that potentially could materially affect the Company's financial results, may emerge from time to time. Except as required by law, the Company assumes no obligation to update forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements.

#### **Accounting Policies**

In preparing the Company's condensed consolidated financial statements in conformity with U.S. GAAP, management must make a variety of decisions which impact the reported amounts and the related disclosures. These decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In making these decisions, management applies its judgment based on its understanding and analysis of the relevant circumstances and the Company's historical experience.

The Company's accounting policies that are most important to the presentation of its results of operations and financial condition, and which require the greatest use of judgments and estimates by management, are designated as its critical accounting policies. See discussion of the Company's critical accounting policies under Item 7 in the Company's Annual Report on Form 10-K for the Company's fiscal year ended August 31, 2012. Management periodically re-evaluates and adjusts its critical accounting policies as circumstances change. There were no changes in the Company's critical accounting policies during the nine months ended May 31, 2013.

#### **New Accounting Pronouncements**

See Note 2 "New Accounting Pronouncements" to the condensed consolidated financial statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q.

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### **Executive Overview**

Operating revenues for the three months ended May 31, 2013 increased by 28 percent to \$219.5 million compared with \$172.1 million for the three months ended May 31, 2012. Operating revenues for the nine months ended May 31, 2013 increased by 28 percent to \$542.5 million compared with \$423.4 million for the nine months ended May 31, 2012. The trend for fiscal 2013 included higher demand for irrigation systems stimulated by positive drivers in the agricultural economy and lower demand for infrastructure products due to government funding issues and project delays. The record sales in U.S. and international irrigation markets have led to record results through the first nine months of fiscal 2013 driven by positive farmer sentiment toward capital investments, increased farm income, and concern over drought conditions. As last year's drought conditions across the U.S. pushed commodity prices higher, the recognition of the importance of efficient, mechanical irrigation rose, creating robust demand for irrigation equipment in the current fiscal year.

Gross margins improved to 28.7 percent for the three months ended May 31, 2013 compared to 28.5 percent in the comparable prior year period. Gross margins in irrigation segment improved modestly while infrastructure segment gross margins declined by approximately three percentage points on lower revenues of higher margin Road Zipper systems. U.S. irrigation gross margins increased due to strong pricing, manufacturing productivity and expense leveraging, offset by the increased mix of lower margin international irrigation sales. Gross margins improved to 28.8 percent for the nine months ended May 31, 2013 compared to 27.3 percent in the comparable prior year period primarily due to higher irrigation gross revenues.

Net earnings were \$26.1 million or \$2.01 per diluted share for the three months ended May 31, 2013 compared with \$18.8 million or \$1.47 per diluted share for the same prior year period. Net earnings were \$60.1 million or \$4.66 per diluted share for the nine months ended May 31, 2013 compared with \$34.5 million or \$2.70 per diluted share for the same prior year period.

### **Market Conditions and Outlook**

Irrigation equipment demand remained strong during the primary selling season. However, the impact of drought conditions that had favorably impacted irrigation demand over the past twelve months has been diminished by rainfall throughout the Midwest. The concern has switched from the impact of the drought to concerns over delayed planting and crop quality due to heavy rains in the Midwest, increasing yield uncertainty. Irrigation equipment demand for 2014 and beyond is currently unclear and will be driven by farmer sentiment and influenced by weather conditions, commodity prices, stock-to-use ratios, and farm income potential. Demand for the Company's irrigation equipment is closely aligned with Net Farm Income and commodity prices and can fluctuate significantly on a quarterly or annual basis. Changing farm subsidies and capital investment tax benefits by the U.S. federal government may positively or adversely impact irrigation equipment demand.

The Company believes the most significant opportunities for growth over the next several years are in international markets, where irrigation use is significantly less developed, and demand is driven primarily by food security, water scarcity and population growth. In most of these international markets, mechanized irrigation represents substantial yield enhancement opportunities, while still having minimal market penetration. While the irrigation revenues in the developing regions are often less consistent and project based, they represent substantial near-term and long-term growth opportunities, enabled by the Company's global presence.

Infrastructure demand, including for Road Zipper System™ projects, has proven to be challenging due to funding issues and project delays. The infrastructure segment continues to experience revenue and profit volatility due to the project nature of the Road Zipper Systems™ and the fixed nature of some operating expenses. The Company believes in the opportunity for Road Zipper Systems™ to drive significant profitability over the long term as a superior solution to worldwide traffic congestion, lost productivity and energy waste.

Although the environment for infrastructure sales continues to be constrained by longer-term funding uncertainty, the Company is seeing indications for improvement from recent sales trends. During 2012, the U.S. government extended the multi-year U.S. highway bill through 2014, creating moderately positive sentiment for U.S. infrastructure spending. Demand for the Company's transportation safety products continues to be driven by population growth and the need for improved road safety.

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As of May 31, 2013, the Company had an order backlog of \$80.0 million compared with \$44.5 million at May 31, 2012 and \$159.3 million at February 28, 2013. The increase in current year backlog reflects \$23.0 million carryover volume from the Middle East (Iraq) order announced in the second quarter, increased equipment demand in South America and modest increases in U.S. irrigation and infrastructure. The Company anticipates lower gross margins in the fourth quarter of fiscal 2013 due to increased order backlog of lower margin international irrigation projects and due to planned maintenance projects. The Company's backlog can fluctuate from period to period due to the seasonality, cyclicality, timing and execution of contracts. Typically, the Company's backlog at any point in time represents only a portion of the revenue it expects to realize during the following three month period. However, the timing related to certain project oriented contracts may extend longer than three months.

For the business overall, the global, long-term drivers of water conservation, population growth, increasing importance of biofuels, and the need for safer, more efficient transportation solutions remain positive. The Company is committed to achieving long-term earnings growth and shareholder value through multiple strategies, including continual investment in core businesses, acquisitions, dividends and share repurchases.

**Results of Operations****For the Three Months ended May 31, 2013 compared to the Three Months ended May 31, 2012**

The following section presents an analysis of the Company's operating results displayed in the condensed consolidated statements of operations for the three months ended May 31, 2013 and 2012. It should be read together with the industry segment information in Note 12 to the condensed consolidated financial statements:

(\$ in thousands)	Three months ended May 31, 2013	May 31, 2012	Percent Increase (Decrease)
<b>Consolidated</b>			
Operating revenues	\$ 219,542	\$ 172,099	28%
Gross profit	\$ 63,036	\$ 49,028	29%
Gross margin	28.7%	28.5%	
Operating expenses <sup>(1)</sup>	\$ 23,486	\$ 20,241	16%
Operating income	\$ 39,550	\$ 28,787	37%
Operating margin	18.0%	16.7%	
Other income (expense), net	\$ 200	\$ (200)	200%
Income tax expense	\$ 13,687	\$ 9,764	40%
Effective income tax rate	34.4%	34.2%	
Net earnings	\$ 26,063	\$ 18,823	38%
<b>Irrigation Equipment Segment</b>			
Segment operating revenues	\$ 200,950	\$ 149,624	34%
Segment operating income <sup>(2)</sup>	\$ 44,052	\$ 31,242	41%
Segment operating margin <sup>(2)</sup>	21.9%	20.9%	
<b>Infrastructure Products Segment</b>			
Segment operating revenues	\$ 18,592	\$ 22,475	-17%
Segment operating income <sup>(2)</sup>	\$ 197	\$ 1,433	-86%
Segment operating margin <sup>(2)</sup>	1.1%	6.4%	

(1) Includes \$4.7 million and \$3.9 million of unallocated general and administrative expenses for the three months ended May 31, 2013 and 2012, respectively.

(2) Excludes unallocated general & administrative expenses.



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### **Revenues**

Operating revenues for the three months ended May 31, 2013 increased by 28 percent to \$219.5 million compared with \$172.1 million for the three months ended May 31, 2012. The increase is attributable to a \$51.3 million increase in irrigation revenues offset in part by a \$3.9 million decrease in infrastructure revenues. The irrigation segment provided 92 percent of Company revenue for the three months ended May 31, 2013 as compared to 87 percent of the same prior year period, due to growth in irrigation equipment revenues and the decline in infrastructure revenues.

U.S. irrigation revenues for the three months ended May 31, 2013 of \$118.3 million increased 12 percent compared to the three months ended May 31, 2012. The increase in U.S. irrigation revenues is primarily due to a 6 percent increase in the number of irrigation systems sold compared to the prior year, with the largest increases in the Corn Belt. Favorable economic conditions in U.S. agriculture markets continued to drive strong demand for irrigation equipment. Farm commodity prices remained relatively high through most of the quarter and continue to support positive farmer sentiment. Higher commodity prices and forecasted planted acres are contributing to significantly higher Net Farm Income. As of February 2013, the U.S. Department of Agriculture (USDA) projected U.S. 2013 Net Farm Income to be the highest on record and 73 percent above the 10-year average.

International irrigation revenues for the three months ended May 31, 2013 of \$82.6 million increased 88 percent from \$44.0 million in the three months ended May 31, 2012. The increase in international irrigation revenues is primarily due to a 97 percent increase in the number of irrigation systems sold compared to the prior year. Operating revenues increased in nearly all markets and most significantly in the Middle East and South America. For the three months ended May 31, 2013, the Company recognized revenues of \$16.0 million on the \$39.0 million contract in Iraq consisting of irrigation machines and ancillary equipment. In South America, irrigation equipment revenues in Brazil more than doubled over the same quarter last year, fueled by proven success from mechanized irrigation and attractive interest rates offered by the Brazilian government for agricultural equipment.

Infrastructure segment revenues were \$18.6 million for the three months ended May 31, 2013 decreasing 17 percent from \$22.5 million for the three months ended May 31, 2012 primarily due to lower revenues of Road Zipper System™ projects and road safety products. Infrastructure sales continue to be constrained by uncertainty of longer-term plans for highway projects and government funding.

### **Gross Margin**

Gross profit for the three months ended May 31, 2013 of \$63.0 million increased 29 percent compared to \$49.0 million for three months ended May 31, 2012. The increase in gross profit was primarily attributable to a \$13.5 million increase on higher sales volume and a \$0.5 million gross profit increase from improvement in gross margin primarily due to a strong pricing environment. Gross margin was 28.7 percent for the three months ended May 31, 2013 compared to 28.5 percent for the three months ended May 31, 2012. Gross margins in irrigation improved modestly while infrastructure gross margins declined by approximately three percentage points on lower revenues of higher margin Road Zipper systems. U.S. irrigation gross margins increased due to strong pricing and manufacturing productivity and leverage, offset by the increased mix of lower margin international irrigation sales.

### **Operating Expenses**

The Company's operating expenses of \$23.5 million for the three months ended May 31, 2013 were \$3.2 million higher than such expenses for the three months ended May 31, 2012. The increase in operating expenses is primarily related to an increase of \$1.9 million in personnel-related expenses, driven by higher incentive compensation and headcount to support growth, increases in accounts receivable reserves of \$0.9 million and increases in research and development expenses of \$0.5 million. Operating expenses were 10.7 percent of sales for the three months ended May 31, 2013 compared to 11.8 percent of sales for the three months ended May 31, 2012.

Operating margin was 18.0 percent for the three months ended May 31, 2013 as compared to 16.7 percent for the three months ended May 31, 2012.

### **Income Taxes**

The Company recorded income tax expense of \$13.7 million and \$9.8 million for the three months ended May 31, 2013 and 2012, respectively. The estimated annual effective income tax rate used to calculate income tax expense was 34.4 percent and 34.2 percent for the three months ended May 31, 2013 and 2012, respectively. The increase in the estimated annual effective income tax rate from May 2012 to May 2013 primarily related to incremental foreign taxes less certain tax credits reinstated in the three months ended February 28, 2013. The Company recorded no material discrete items for the three months ended May 31, 2013 and 2012.



**Table of Contents****For the Nine Months ended May 31, 2013 compared to the Nine Months ended May 31, 2012**

The following section presents an analysis of the Company's operating results displayed in the condensed consolidated statements of operations for the nine months ended May 31, 2013 and 2012. It should be read together with the industry segment information in Note 12 to the condensed consolidated financial statements:

\$ in thousands	Nine months ended		Percent
	May 31, 2013	May 31, 2012	Increase (Decrease)
<b>Consolidated</b>			
Operating revenues	\$ 542,451	\$ 423,438	28%
Gross profit	\$ 156,257	\$ 115,770	35%
Gross margin	28.8%	27.3%	
Operating expenses <sup>(1)</sup>	\$ 64,997	\$ 62,952	3%
Operating income	\$ 91,260	\$ 52,818	73%
Operating margin	16.8%	12.5%	
Other income (expense), net	\$ 361	\$ (363)	199%
Income tax provision	\$ 31,479	\$ 17,937	75%
Effective income tax rate	34.4%	34.2%	
Net earnings	\$ 60,142	\$ 34,518	74%
<b>Irrigation Equipment Segment</b>			
Segment operating revenues	\$ 497,844	\$ 367,388	36%
Segment operating income <sup>(2)</sup>	\$ 106,787	\$ 64,046	67%
Segment operating margin <sup>(2)</sup>	21.4%	17.4%	
<b>Infrastructure Products Segment</b>			
Segment operating revenues	\$ 44,607	\$ 56,050	-20%
Segment operating loss <sup>(2)</sup>	\$ (3,187)	\$ (699)	-356%
Segment operating margin <sup>(2)</sup>	-7.1%	-1.2%	

(1) Includes \$12.3 million and \$10.5 million of unallocated general and administrative expenses for the nine months ended May 31, 2013 and 2012, respectively.

(2) Excludes unallocated general and administrative expenses. No environmental remediation expenses were recorded in the nine months ended May 31, 2013. Environmental remediation expenses of \$6.1 and \$1.1 million were allocated to the irrigation segment and the infrastructure segment, respectively, for the nine months ended May 31, 2012.

**Revenues**

Operating revenues for the nine months ended May 31, 2013 increased by 28 percent to \$542.5 million compared with \$423.4 million for the nine months ended May 31, 2012. The increase is attributable to a \$130.5 million increase in irrigation revenues offset in part by an \$11.5 million decrease in infrastructure revenues. The irrigation segment provided 92 percent of Company revenue for the nine months ended May 31, 2013 as compared to 87 percent of the same prior year period, due to exceptional growth in irrigation equipment revenues and the decline in infrastructure revenues.

U.S. irrigation revenues for the nine months ended May 31, 2013 of \$331.9 million increased 33 percent from \$249.1 million in the nine months ended May 31, 2012. The increase in U.S. irrigation revenues is primarily due to a 32 percent increase in the number of irrigation systems sold compared to the prior year, with the largest increases in the Corn Belt. As noted in the analysis of the three month period above, Net Farm Income and commodity prices have remained strong by historical standards and have continued to drive positive farmer sentiment throughout fiscal 2013.

International irrigation revenues for the nine months ended May 31, 2013 of \$166.0 million increased 40 percent compared to the nine months ended May 31, 2012. The increase in international irrigation revenues is primarily due to a 42 percent increase in the number of irrigation systems sold compared to the prior year. Operating revenues increased in nearly all markets and most significantly in South America and the Middle East, including \$16.0 million on the \$39.0 million contract in Iraq consisting of irrigation machines and ancillary equipment.



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Infrastructure segment revenues were \$44.6 million for the nine months ended May 31, 2013 decreasing 20 percent from \$56.1 million for the nine months ended May 31, 2012 primarily due to lower revenues of Road Zipper System™ projects and road safety products. Infrastructure sales continue to be constrained by the uncertainty of longer term plans for highway projects and government funding.

### **Gross Margin**

Gross profit for the nine months ended May 31, 2013 of \$156.3 million increased 35 percent compared to \$115.8 million for the nine months ended May 31, 2012. The increase in gross profit was primarily attributable to a \$32.3 million increase on higher sales volume and an \$8.2 million gross profit increase from improvement in gross margin due to a strong pricing environment. Gross margin was 28.8 percent for the nine months ended May 31, 2013 compared to 27.3 percent for the nine months ended May 31, 2012 as higher gross margins realized in the irrigation segment more than offset lower gross margins realized in the infrastructure segment. Irrigation segment gross margins increased primarily due to a strong pricing environment combined with increased manufacturing productivity and leverage.

### **Operating Expenses**

The Company's operating expenses of \$65.0 million for the nine months ended May 31, 2013 were \$2.0 million higher than such expenses for the nine months ended May 31, 2012. The increase in operating expenses is primary related to an increase of \$5.0 million in personnel-related expenses, driven by higher incentive compensation and headcount to support growth, increases in research and development expenses of \$2.1 million and increases in accounts receivable reserves of \$1.3 million. These increases were partially offset by the \$7.2 million decrease in environmental remediation expense. Operating expenses were 12.0 percent of sales for the nine months ended May 31, 2013 compared to 14.9 percent of sales for the nine months ended May 31, 2012.

Operating margin was 16.8 percent for the nine months ended May 31, 2013 as compared to 12.5 percent for the nine months ended May 31, 2012.

### **Income Taxes**

The Company recorded income tax expense of \$31.5 million and \$17.9 million for the nine months ended May 31, 2013 and 2012, respectively. The estimated annual effective income tax rate used to calculate income tax expense was 34.4 percent and 34.2 percent for each of the nine months ended May 31, 2013 and 2012, respectively. The increase in the estimated annual effective income tax rate from May 2012 to May 2013 primarily related to incremental foreign taxes less certain tax credits reinstated in the nine months ended May 31, 2013. The Company recorded no material discrete items for the nine months ended May 31, 2013 and 2012.

### **Liquidity and Capital Resources**

The Company's cash and cash equivalents totaled \$170.2 million at May 31, 2013 compared with \$119.8 million at May 31, 2012 and \$143.4 million at August 31, 2012. The Company requires cash for financing its receivables and inventories, paying operating expenses and capital expenditures, and for share repurchases and dividends. The Company meets its liquidity needs and finances its capital expenditures from its available cash and funds provided by operations along with borrowings under three credit arrangements that are described below. The Company believes its current cash resources, projected operating cash flow, and remaining capacity under its continuing bank lines of credit are sufficient to cover all of its expected working capital needs, planned capital expenditures, dividends, and other cash requirements, excluding potential acquisitions. Although the Company made no repurchases of its common stock during the nine months ended May 31, 2013, the Company does have existing authorization to purchase up to 881,139 shares of its common stock under the Company's share repurchase plan.

The Company's total cash and cash equivalents held by foreign subsidiaries, in which earnings are considered indefinitely reinvested, was approximately \$18.0 million and \$13.9 million as of May 31, 2013 and 2012, respectively. The Company considers these funds to be permanently reinvested, and would need to accrue and pay taxes if these funds were repatriated. The Company does not intend to repatriate the funds, and does not expect these funds to have a significant impact on the Company's overall liquidity.

Net working capital was \$280.5 million at May 31, 2013, as compared with \$211.6 million at May 31, 2012. The increase in net working capital mainly resulted from increased cash from earnings over the past year, which was partially offset by increased inventory to support the increases in irrigation sales (net of an increase in associated payables) and increased receivables due to higher sales.

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Cash flows provided by operations totaled \$40.9 million during the nine months ended May 31, 2013 compared to \$25.9 million provided by operations during the same prior year period. Cash provided by operations increased by \$15.0 million compared to the prior year period primarily as a result of increased earnings (\$25.6 million) and positive cash flow changes in other current liabilities (\$19.8 million) and payables (\$17.1 million) offset in part by decreases due to negative cash flow changes in receivables (\$29.2 million), other current assets (\$6.3 million), other noncurrent assets and liabilities (\$5.4 million) and inventories (\$5.0 million).

Cash flows used in investing activities totaled \$8.6 million during the nine months ended May 31, 2013 compared to cash flows used in investing activities of \$6.2 million during the same prior year period. The increase in the net cash used in investing activities was primarily due to the payments for the settlement of net investment hedge losses for the nine months ended May 31, 2013 versus proceeds from settlement of net investment gains for the prior year. Capital spending of \$8.1 million in fiscal 2013 increased compared to the prior year capital spending of \$7.6 million.

Cash flows used in financing activities totaled \$5.6 million during the nine months ended May 31, 2013 compared to cash flows used in financing activities of \$6.6 million during the same prior year period. The decrease in cash used in financing activities was primarily due to a \$2.0 million change in share-based compensation activities offset in part by an increase of \$1.0 million of additional dividends paid. The Company's total interest-bearing debt decreased from \$5.4 million at May 31, 2012 to \$1.1 million at May 31, 2013 due to four quarterly principal payments. The payment on the remaining \$1.1 million of interest-bearing debt at May 31, 2013 was repaid in full on its scheduled maturity date of June 10, 2013.

*Euro Line of Credit*

The Company's wholly-owned European subsidiary, Lindsay Europe SAS, has an unsecured revolving line of credit with Societe Generale, a European commercial bank, under which it could borrow for working capital purposes up to 2.3 million Euros, which equates to approximately \$3.0 million U.S. dollars as of May 31, 2013 (the Euro Line of Credit). On February 8, 2013, the Company extended the Euro Line of Credit with Societe Generale through January 31, 2014. There were no borrowings outstanding on this credit agreement at May 31, 2013 and 2012 and August 31, 2012. Under the terms of the Euro Line of Credit, borrowings, if any, bear interest at a floating rate in effect from time to time designated by the commercial bank as the Euro Interbank Offered Rate plus 110 basis points (1.30 percent at May 31, 2013). Unpaid principal and interest is due by January 31, 2014.

*BSI Term Note*

The Company entered into an unsecured \$30.0 million Term Note and Credit Agreement, effective June 1, 2006, with Wells Fargo Bank, N.A. (the BSI Term Note) to partially finance the acquisition of Barrier Systems, Inc., a wholly owned subsidiary of the Company. Borrowings under the BSI Term Note bear interest at a rate equal to LIBOR plus 50 basis points (0.69 percent as of May 31, 2013). The Company effectively fixed the economic effect of the variable interest rate at 6.05 percent through an interest rate swap as described in Note 7 to the condensed consolidated financial statements. Principal is repaid quarterly in equal payments of \$1.1 million over a seven-year period that began in September of 2006. The remaining principal balance of the BSI Term Note was repaid in full on its scheduled maturity date of June 10, 2013.

*Revolving Credit Agreement*

The Company has an unsecured \$30.0 million Revolving Credit Note and Credit Agreement with Wells Fargo Bank, N.A., which was amended on February 13, 2013 in order to extend the termination date from January 23, 2014 to February 13, 2016 (the Revolving Credit Agreement). The borrowings from the Revolving Credit Agreement may primarily be used for working capital purposes and funding acquisitions. At May 31, 2013 and 2012 and August 31, 2012, there was no outstanding balance on the Revolving Credit Agreement. Borrowings under the Revolving Credit Agreement bear interest at a rate equal to LIBOR plus 90 basis points (1.09 percent as of May 31, 2013), subject to adjustment as set forth in the Revolving Credit Agreement. Interest is paid on a monthly to quarterly basis depending on loan type. The Company also pays an annual commitment fee of 0.25 percent on the unused portion of the Revolving Credit Agreement. Any unpaid principal and interest is due by February 13, 2016.

The Revolving Credit Agreement contains similar covenants, including certain covenants relating to the Company's financial condition. These include maintaining a funded debt to EBITDA ratio, a fixed charge coverage ratio, a current ratio and a tangible net worth requirement (all as defined in the Notes) at specified levels. Upon the occurrence of any event of default of these covenants, including a change in control of the Company (as defined in the Notes), all amounts due thereunder may be declared to be immediately due and payable. The BSI Term Note contained substantially similar covenants. At May 31, 2013 and 2012 and August 31, 2012, the Company was in compliance with all loan covenants.

**Contractual Obligations and Commercial Commitments**

There have been no material changes in the Company's contractual obligations and commercial commitments as described in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2012.

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**ITEM 3 Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes from the Company's quantitative and qualitative disclosures about market risk previously disclosed in the Company's most recent Annual Report filed on Form 10-K. See discussion of the Company's quantitative and qualitative disclosures about market risk under Part II, Item 7A in the Company's Annual Report on Form 10-K for the Company's fiscal year ended August 31, 2012.

**ITEM 4 Controls and Procedures**

The Company carried out an evaluation under the supervision and the participation of the Company's management, including the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e). Based upon that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of May 31, 2013.

Additionally, the CEO and CFO determined that there has not been any change to the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**Part II OTHER INFORMATION**

**ITEM 1 Legal Proceedings**

See the disclosure in Note 9 Commitments and Contingencies to the condensed consolidated financial statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q, which disclosure is hereby incorporated herein by reference.

**ITEM 1A Risk Factors**

There have been no material changes from risk factors previously disclosed in the Company's most recent Annual Report filed on Form 10-K. See the discussion of the Company's risk factors under Part I, Item 1A in the Company's Annual Report on Form 10-K for the Company's fiscal year ended August 31, 2012.



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**ITEM 6 Exhibits**

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of the Company, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on December 14, 2006.
3.2	Amended and Restated By-Laws of the Company, incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on February 3, 2011.
4.1	Specimen Form of Common Stock Certificate, incorporated by reference to Exhibit 4(a) of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2006.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 18 U.S.C. Section 1350.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 18 U.S.C. Section 1350.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 18 U.S.C. Section 1350.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herein.

\*\* Furnished herewith. Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under these Sections.

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**SIGNATURES**

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 on this 2<sup>nd</sup> day of July 2013.

LINDSAY CORPORATION

By: /s/ JAMES C. RAABE

Name: James C. Raabe

Title: *Vice President and Chief Financial Officer*  
(on behalf of the registrant and as principal  
financial officer)