

LINDSAY CORP  
Form 10-Q  
December 23, 2015  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

(MARK ONE)

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

**For the quarterly period ended November 30, 2015**

**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)**

<b>Delaware</b> <b>(State or other jurisdiction of</b>	<b>47-0554096</b> <b>(I.R.S. Employer</b>
<b>incorporation or organization)</b>	<b>Identification No.)</b>
<b>2222 N. 111th Street, Omaha, Nebraska</b> <b>(Address of principal executive offices)</b>	<b>68164</b> <b>(Zip Code)</b>
<b>402-829-6800</b>	
<b>(Registrant's telephone number, including area code)</b>	

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

Edgar Filing: LINDSAY CORP - Form 10-Q

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 December 18, 2015, 11,135,450 shares of the registrant's common stock were outstanding.

**Table of Contents**

**Lindsay Corporation**

**INDEX FORM 10-Q**

	Page No.
<b><u>Part I FINANCIAL INFORMATION</u></b>	
<b><u>ITEM 1 Financial Statements</u></b>	
<u>Condensed Consolidated Statements of Operations for the three months ended November 30, 2015 and 2014</u>	3
<u>Condensed Consolidated Statements of Comprehensive Income for the three months ended November 30, 2015 and 2014</u>	4
<u>Condensed Consolidated Balance Sheets as of November 30, 2015 and 2014 and August 31, 2015</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the three months ended November 30, 2015 and 2014</u>	6
<u>Notes to the Condensed Consolidated Financial Statements</u>	7
<b><u>ITEM 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	16
<b><u>ITEM 3 - Quantitative and Qualitative Disclosures about Market Risk</u></b>	21
<b><u>ITEM 4 - Controls and Procedures</u></b>	21
<b><u>Part II OTHER INFORMATION</u></b>	
<b><u>ITEM 1 - Legal Proceedings</u></b>	21
<b><u>ITEM 1A - Risk Factors</u></b>	21
<b><u>ITEM 2 - Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	22
<b><u>ITEM 6 - Exhibits</u></b>	23
<b><u>SIGNATURES</u></b>	24

**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	
	November 30, 2015	November 30, 2014
Operating revenues	\$ 121,622	\$ 134,845
Cost of operating revenues	87,208	97,931
Gross profit	34,414	36,914
Operating expenses:		
Selling expense	9,992	9,417
General and administrative expense	9,015	12,871
Engineering and research expense	3,659	2,724
Total operating expenses	22,666	25,012
Operating income	11,748	11,902
Other income (expense):		
Interest expense	(1,196)	(71)
Interest income	164	172
Other expense, net	(320)	(342)
Earnings before income taxes	10,396	11,661
Income tax expense	3,452	4,093
Net earnings	\$ 6,944	\$ 7,568
Earnings per share:		
Basic	\$ 0.62	\$ 0.62
Diluted	\$ 0.62	\$ 0.62
Shares used in computing earnings per share:		
Basic	11,259	12,224
Diluted	11,288	12,274

Cash dividends declared per share	\$ 0.280	\$ 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	
	November 30, 2015	November 30, 2014
Net earnings	\$ 6,944	\$ 7,568
Other comprehensive income (loss):		
Defined benefit pension plan adjustment, net of tax	5	32
Foreign currency translation adjustment, net of hedging activities and tax	(1,566)	(3,973)
Total other comprehensive loss, net of tax expense of \$644 and \$556	(1,561)	(3,941)
Total comprehensive income	\$ 5,383	\$ 3,627

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

**Table of Contents****Lindsay Corporation and Subsidiaries****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(\$ and shares in thousands, except par values)	November 30, 2015	November 30, 2014	August 31, 2015
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 129,260	\$ 139,287	\$ 139,093
Receivables, net of allowance of \$8,485, \$2,530, and \$9,706, respectively	70,403	89,165	74,063
Inventories, net	78,246	77,010	74,930
Deferred income taxes	12,305	17,107	15,807
Other current assets	18,494	18,853	18,274
Total current assets	308,708	341,422	322,167
Property, plant and equipment:			
Cost	183,630	170,051	181,598
Less accumulated depreciation	(104,641)	(99,150)	(102,942)
Property, plant and equipment, net	78,989	70,901	78,656
Intangibles, net			
Goodwill	50,598	30,821	51,920
Other noncurrent assets, net of allowance of \$0, \$2,017, and \$0, respectively	76,497	36,634	76,801
	6,824	10,299	6,924
Total assets	\$ 521,616	\$ 490,077	\$ 536,468
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>			
Current Liabilities:			
Accounts payable	\$ 39,106	\$ 48,648	\$ 38,814
Current portion of long-term debt	194		193
Other current liabilities	48,255	60,972	56,105
Total current liabilities	87,555	109,620	95,112
Pension benefits liabilities			
	6,500	6,530	6,569
Long-term debt	117,124		117,173
Deferred income taxes	18,583	11,903	18,971
Other noncurrent liabilities	10,162	9,190	10,083

Edgar Filing: LINDSAY CORP - Form 10-Q

Total liabilities	239,924	137,243	247,908
Shareholders' Equity:			
Preferred stock of \$1 par value - Authorized 2,000 shares; no shares issued and outstanding			
Common stock of \$1 par value - authorized 25,000 shares; 18,713, 18,674, and 18,684 shares issued at November 30, 2015 and 2014 and August 31, 2015, respectively	18,713	18,674	18,684
Capital in excess of stated value	55,287	52,650	55,184
Retained earnings	462,713	449,658	458,903
Less treasury stock - at cost, 7,531, 6,578, and 7,394 shares at November 30, 2015 and 2014 and August 31, 2015, respectively	(238,152)	(162,006)	(228,903)
Accumulated other comprehensive loss, net	(16,869)	(6,142)	(15,308)
Total shareholders' equity	281,692	352,834	288,560
Total liabilities and shareholders' equity	\$ 521,616	\$ 490,077	\$ 536,468

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)	Three months ended	
	November 30, 2015	November 30, 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net earnings	\$ 6,944	\$ 7,568
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	4,295	3,748
Provision for uncollectible accounts receivable	153	169
Deferred income taxes	2,060	(774)
Share-based compensation expense	906	1,099
Other, net	1,648	1,368
Changes in assets and liabilities:		
Receivables	2,503	1,792
Inventories	(3,749)	(5,347)
Other current assets	982	(1,513)
Accounts payable	733	7,300
Other current liabilities	(6,322)	(8,131)
Current income taxes payable	(1,089)	(3,441)
Other noncurrent assets and liabilities	(614)	1,857
<b>Net cash provided by operating activities</b>	<b>8,450</b>	<b>5,695</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(4,705)	(3,649)
Proceeds from settlement of net investment hedges	231	1,889
Payments for settlement of net investment hedges	(512)	(329)
Other investing activities, net	749	
<b>Net cash used in investing activities</b>	<b>(4,237)</b>	<b>(2,089)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from exercise of stock options	72	
Common stock withheld for payroll tax withholdings	(719)	(1,699)
Principal payments on long-term debt	(48)	
Excess tax benefits from share-based compensation	53	501
Repurchase of common shares	(9,249)	(29,986)
Dividends paid	(3,134)	(3,276)

Edgar Filing: LINDSAY CORP - Form 10-Q

Net cash used financing activities	(13,025)	(34,460)
Effect of exchange rate changes on cash and cash equivalents	(1,021)	(1,701)
Net change in cash and cash equivalents	(9,833)	(32,555)
Cash and cash equivalents, beginning of period	139,093	171,842
Cash and cash equivalents, end of period	\$ 129,260	\$ 139,287

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

---

**Table of Contents**

**Lindsay Corporation and Subsidiaries**

**NOTES TO THE 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, 2015.

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.

**Note 2 New Accounting Pronouncements**

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*. The standard provides a single model for revenue arising from contracts with customers and supersedes current revenue recognition guidance. The ASU requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of goods or services. The ASU will replace existing revenue recognition guidance in U.S. GAAP and becomes effective in the first quarter of fiscal year 2019. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The guidance permits companies to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption, through a cumulative adjustment. The Company is currently evaluating the impact the adoption will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method, nor has it determined the effect of the standard on its ongoing financial reporting.

In September 2015, the FASB issued ASU No. 2015-16, *Business Combinations*. The standard requires an entity to recognize adjustments to provisional amounts resulting from business combinations to be recognized in the period in which they are determined. The standard requires the acquirer to record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, result from the change to provisional amounts, calculated as if the accounting had been completed at the acquisition date. The Company elected to adopt the standard in September 2015. The adoption of ASU 2015-16 did not have a material impact on our condensed consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes: Balance Sheet Classification of Deferred Taxes*. The standard requires an entity to classify all deferred tax assets and liabilities as noncurrent. In addition, companies will no longer allocate valuation allowances between current and noncurrent because all valuation

allowances will also be classified as noncurrent. The effective date of ASU No. 2015-17 will be the first quarter of fiscal 2018 with early adoption permitted. The guidance allows companies to apply the update either on a retrospective or prospective basis. The Company does not expect this standard to have a material impact on the 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 months ended November 30, 2015 and 2014:

(\$ and shares in thousands, except per share amounts)	Three months ended	
	November 30, 2015	November 30, 2014
Numerator:		
Net earnings	\$ 6,944	\$ 7,568
Denominator:		
Weighted average shares outstanding	11,259	12,224
Diluted effect of stock awards	29	50
Weighted average shares outstanding assuming dilution	11,288	12,274
Basic net earnings per share	\$ 0.62	\$ 0.62
Diluted net earnings per share	\$ 0.62	\$ 0.62

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. The following table shows the securities excluded from the computation of earnings per share because their effect would have been anti-dilutive:

Units and options in thousands	Three months ended	
	November 30, 2015	November 30, 2014
Restricted stock units	15	10
Stock options	63	58

**Note 4 Acquisitions**

In connection with business acquisitions, the Company records the estimated fair value of the identifiable assets acquired, liabilities assumed, goodwill, and any non-controlling interest in the acquired, all determined as of the date of acquisition. The Company records acquisition and integration expenses as part of general and administrative expenses on the consolidated statement of operations. There were no acquisition and integration expenses incurred during the three months ended November 30, 2015 and \$0.6 million of acquisition and integration expenses incurred during the three months ended November 30, 2014.

On July 20, 2015, the Company completed the acquisition of SPF Water Engineering, LLC ( SPF ) based in Boise, Idaho. SPF is a full-service water resource consulting firm offering water supply studies, well design and construction, water and wastewater system design, water rights consulting and more. The Company paid \$2.5 million, which was financed with cash on hand, for total purchase consideration of \$2.4 million net of cash acquired of \$0.1 million. The

allocation of the purchase price to the tangible and intangible assets acquired was finalized in the first quarter of fiscal 2016 with no changes from the preliminary amounts reported in the Company's most recent annual report.

**Note 5 Income Taxes**

It is the Company's policy to report income tax expense for interim periods using an estimated annual effective income tax rate. However, the tax effects of significant or unusual items are not considered in the estimated annual effective income tax rate. The tax effects of such discrete events are recognized in the interim period in which the events occur. The Company recorded no material discrete items for the three months ended November 30, 2015 and 2014.

The Company recorded income tax expense of \$3.5 million and \$4.1 million for the three months ended November 30, 2015 and 2014, respectively. The estimated annual effective income tax rate was 33.2 percent and 35.1 percent for the three months ended November 30, 2015 and 2014, respectively.

**Table of Contents****Note 6 Inventories**

Inventories consisted of the following as of November 30, 2015, November 30, 2014 and August 31, 2015:

(\$ in thousands)	November 30, 2015	November 30, 2014	August 31, 2015
Raw materials and supplies	\$ 26,611	\$ 21,006	\$ 29,427
Work in process	8,623	9,343	7,318
Finished goods and purchased parts	48,569	54,015	44,269
Total inventory value before LIFO adjustment	83,803	84,364	81,014
Less adjustment to LIFO value	(5,557)	(7,354)	(6,084)
Inventories, net	\$ 78,246	\$ 77,010	\$ 74,930

**Note 7 Credit Arrangements***Senior Notes*

On February 19, 2015, the Company issued \$115.0 million in aggregate principal amount of its Senior Notes, Series A, entirely due and payable on February 19, 2030 (the Senior Notes). Borrowings under the Senior Notes are unsecured and have equal priority with borrowings under the Company's other senior unsecured indebtedness. Interest is payable semi-annually at an annual rate of 3.82 percent.

*Amended Credit Agreement*

On February 18, 2015, the Company entered into a \$50 million unsecured Amended and Restated Revolving Credit Agreement (the Amended Credit Agreement), with Wells Fargo Bank, National Association (the Bank). The Amended Credit Agreement amends and restates the Revolving Credit Agreement, dated January 24, 2008, and last amended on January 22, 2014. The Company intends to use borrowings under the Amended Credit Agreement for working capital purposes and to fund acquisitions. At November 30, 2015 and 2014, the Company had no outstanding borrowings under the Amended Credit Agreement or the Revolving Credit Facility, respectively. The amount of borrowings available at any time under the Amended Credit Agreement is reduced by the amount of standby letters of credit then outstanding. At November 30, 2015, the Company had the ability to borrow up to \$44.4 million under this facility, after consideration of outstanding standby letters of credit of \$5.6 million. Borrowings under the Amended Credit Agreement bear interest at a variable rate equal to LIBOR plus 90 basis points (1.14 percent at November 30, 2015), subject to adjustment as set forth in the Amended 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 Amended Credit Agreement. Borrowings under the Amended Credit Agreement will be unsecured and have equal priority with borrowings under the Company's other senior unsecured indebtedness. Unpaid principal and interest is due by February 18, 2018.

Each of the agreements above contains certain covenants relating primarily to the Company's financial condition. These financial covenants include a funded debt to EBITDA leverage ratio and an interest coverage ratio. Upon the occurrence of any event of default of these covenants, including a change in control of the Company, all amounts outstanding thereunder may be declared to be immediately due and payable. At November 30, 2015 and 2014 and

August 31, 2015, the Company was in compliance with all financial loan covenants contained in its credit agreements in place as of each of those dates.

*Elecsys Series 2006A Bonds*

The Company's wholly-owned subsidiary, Elecsys Corporation has outstanding \$2.3 million in principal amount of industrial revenue bonds that were issued in 2006 (the Series 2006A Bonds). Principal and interest on the Series 2006A Bonds are payable monthly through maturity on September 1, 2026. The interest rate is adjustable based on the yield of the 5-year United States Treasury Notes, plus 0.45 percent (2.10 percent as of November 30, 2015). The obligations under the Series 2006A Bonds are secured by a first priority security interest in certain real estate.

**Table of Contents**

Long-term debt consists of the following:

(\$ in thousands)	November 30, 2015	November 30, 2014	August 31, 2015
Senior Notes	\$ 115,000	\$	\$ 115,000
Amended Credit Agreement			
Elecsys Series 2006A Bonds	2,318		2,366
Total debt	117,318		117,366
Less current portion	(194)		(193)
Total long-term debt	\$ 117,124	\$	\$ 117,173

Principal payments due on the debt are as follows:

Due within:	\$ in thousands
1 year	\$ 194
2 years	198
3 years	202
4 years	206
5 years	210
Thereafter	116,308
	\$ 117,318

**Note 8 Financial Derivatives**

The Company uses certain financial derivatives to mitigate its exposure to volatility in 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 November 30, 2015, the Company's derivative counterparty had investment grade credit ratings. Financial derivatives consist of the following:

**Fair Values of Derivative Instruments**

(\$ in thousands)	Balance Sheet Classification	Asset (Liability)		
		November 30, 2015	November 30, 2014	August 31, 2015
Derivatives designated as hedging instruments:				
Foreign currency forward contracts	Other current assets	\$ 2,092	\$ 1,072	\$ 217

Edgar Filing: LINDSAY CORP - Form 10-Q

Foreign currency forward contracts	Other current liabilities	(31)	(87)	(352)
Total derivatives designated as hedging instruments		\$ 2,061	\$ 985	\$ (135)
Derivatives not designated as hedging instruments:				
Foreign currency forward contracts	Other current assets	\$ 63	\$ 181	\$ 495
Foreign currency forward contracts	Other current liabilities	(311)		(61)
Total derivatives not designated as hedging instruments		\$ (248)	\$ 181	\$ 434

Accumulated other comprehensive income included realized and unrealized after-tax gains of \$6.7 million, \$3.1 million and \$5.4 million at November 30, 2015 and 2014 and August 31, 2015, respectively, related to derivative contracts designated as hedging instruments.

**Table of Contents***Net Investment Hedging Relationships*

(\$ in thousands)	Amount of Gain/(Loss) Recognized in OCI on Derivatives Three months ended	
	November 30, 2015	November 30, 2014
Foreign currency forward contracts, net of tax expense of \$649 and \$733	\$ 1,212	\$ 1,145

For the three months ended November 30, 2015 and 2014, the Company settled foreign currency forward contracts resulting in an after-tax net (loss) gain of \$(0.1) million and \$0.9 million, which were included in other comprehensive income 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 months ended November 30, 2015 and 2014.

At November 30, 2015 and 2014 and August 31, 2015, the Company had outstanding Euro foreign currency forward contracts to sell 28.8 million Euro, 29.0 million Euro and 29.1 million Euro, respectively, at fixed prices to settle during the next fiscal quarter. At November 30, 2015 and 2014 and August 31, 2015, the Company had an outstanding South African Rand foreign currency forward contract to sell 43.0 million South African 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.

*Derivatives Not Designated as Hedging Instruments*

For derivative contracts in which the Company does not elect hedge accounting treatment, the Company carries the derivative at its fair value in the condensed consolidated balance sheet and recognizes any subsequent changes in its fair value through earnings in the condensed consolidated statement of operations. The Company generally does not elect hedge accounting treatment for derivative contracts related to future settlements of foreign denominated intercompany receivables and payables. At November 30, 2015 and 2014 and August 31, 2015, the Company had \$9.6 million, \$4.3 million and \$9.5 million respectively, of U.S. dollar equivalent of foreign currency forward contracts outstanding that are not designated as hedging instruments.

**Note 9 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 November 30, 2015 and 2014 and August 31, 2015, respectively. There were no transfers between any levels for the periods presented.

(\$ in thousands)	November 30, 2015			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 129,260	\$	\$	\$ 129,260
Derivative assets		2,155		2,155
Derivative liabilities		(342)		(342)

(\$ in thousands)	November 30, 2014			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 139,287	\$	\$	\$ 139,287
Derivative assets		1,253		1,253
Derivative liabilities		(87)		(87)

(\$ in thousands)	August 31, 2015			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 139,093	\$	\$	\$ 139,093
Derivative assets		712		712
Derivative liabilities		(413)		(413)

There were no required fair value adjustments for assets and liabilities measured at fair value on a non-recurring basis for the three months ended November 30, 2015, November 30, 2014 or August 31, 2015.

---

**Table of Contents****Note 10 Commitments and Contingencies**

In the ordinary course of its business operations, the Company enters into arrangements that obligate it to make future payments under contracts such as lease agreements. Additionally, the Company is involved, from time to time, in commercial litigation, employment disputes, administrative proceedings, business disputes 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, other than the environmental remediation matters discussed separately below, would not have a material effect on the business or its consolidated financial statements.

*Environmental Remediation*

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 compounds 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.

In 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 of source area contamination and operating costs and accrued that undiscounted amount. The EPA has not approved the Company's remediation plan.

In addition to the source area noted above, the Company has determined that volatile organic compounds also exist under one of the manufacturing buildings on the site. Due to the location, the Company has not yet determined the extent of these compounds or the extent to which they are contributing to groundwater contamination. Based on the current stage of discussions with the EPA and the uncertainty of the remediation actions that may be required with respect to this affected area, if any, the Company believes that meaningful estimates of costs or range of costs cannot currently be made and accordingly have not been accrued.

In fiscal 2013, the Company and the EPA conducted a periodic five-year review of the status of the remediation of the contamination of the site. During a meeting with the EPA in December 2014, the EPA requested that the Company prepare a feasibility study related to the site, which resulted in a revision to the Company's remediation timeline. In November 2014, the Company accrued \$1.5 million of incremental operating costs to reflect its updated timeline of when an approved remediation plan could begin. The Company now intends to complete its investigation of the soil and groundwater on the site during the first half of calendar 2016. In connection with the development of the feasibility study, the Company will assess revisions to its remediation plan and expects to meet with the EPA toward the end of calendar 2016 to determine how to proceed.

The Company accrues the anticipated cost of investigation and remediation when the obligation is probable and can be reasonably estimated. Although the Company has accrued all reasonably estimable costs associated with the site, it anticipates there could be revisions to the current remediation plan as well as additional testing and environmental monitoring as part of the Company's ongoing discussions with the EPA regarding the development and implementation of the remedial action plans. While 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 November 30, 2015 and 2014 and August 31, 2015:

<b>Environmental Remediation Liabilities</b>			
(\$ in thousands) Balance Sheet Classification	November 30, 2015	November 30, 2014	August 31, 2015
Other current liabilities	\$ 1,343	\$ 1,403	\$ 1,431
Other noncurrent liabilities	6,100	6,475	6,100
<b>Total environmental remediation liabilities</b>	<b>\$ 7,443</b>	<b>\$ 7,878</b>	<b>\$ 7,531</b>

**Table of Contents****Note 11 Warranties**

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

(\$ in thousands)	Three months ended	
	November 30 2015	November 30 2014
Product warranty accrual balance, beginning of period	\$ 7,271	\$ 9,331
Liabilities accrued for warranties during the period	1,357	958
Warranty claims paid during the period	(1,860)	(1,140)
Changes in estimates	(483)	25
Product warranty accrual balance, end of period	\$ 6,285	\$ 9,174

**Note 12 Share-Based Compensation**

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. The Company measures and recognizes compensation expense for all share-based payment awards made to employees and directors based on estimated fair values. Share-based compensation expense was \$0.9 million and \$1.1 million for the three months ended November 30, 2015 and 2014, respectively.

The following table illustrates the type and fair value of the share-based compensation awards granted during the three month periods ended November 30, 2015 and 2014, respectively:

	# Granted	Three months ended November 30,	
		2015	2014
		Weighted Average Grant-Date Fair Value Per Award	Weighted Average Grant-Date Fair Value Per Award
Stock options	39,999	\$ 27.88	\$ 40.66
RSUs	38,438	\$ 64.37	\$ 80.33
PSUs	16,466	\$ 64.37	\$ 80.33

The RSUs granted during the three months ended November 30, 2015 and 2014 consisted of 3,496 and 2,808, respectively of awards that will be settled in cash. The weighted average stock price on the date of the grant was \$67.68 and \$83.53 for 2015 and 2014, respectively.

The following table provides the assumptions used in determining the fair value of the stock options awarded during the three month periods ended November 30, 2015 and 2014, respectively:

	<b>Grant Year</b>	
	<b>2015</b>	<b>2014</b>
Weighted-average dividend yield	1.7%	1.3%
Weighted-average volatility	46.3%	53.6%
Range of risk-free interest rates	1.8%	2.0%
Weighted-average expected lives	7 years	7 years

**Table of Contents****Note 13 Other Current Liabilities**

(\$ in thousands)	November 30, 2015	November 30, 2014	August 31, 2015
Other current liabilities:			
Compensation and benefits	\$ 12,752	\$ 10,769	\$ 16,168
Warranties	6,285	9,174	7,271
Deferred revenues	5,709	9,452	6,146
Customer deposits	4,843	4,072	3,161
Dealer related liabilities	4,822	5,946	5,328
Income tax payable	3,256	6,090	4,034
Other	10,588	15,469	13,997
<b>Total other current liabilities</b>	<b>\$ 48,255</b>	<b>\$ 60,972</b>	<b>\$ 56,105</b>

**Note 14 Share Repurchases**

On January 3, 2014, the Company announced that its Board of Directors authorized the Company to repurchase up to \$150.0 million of common stock through January 2, 2016. On July 22, 2015, the Company announced that its Board of Directors increased its outstanding share repurchase authorization by \$100.0 million with no expiration. Under the program, shares may be repurchased in privately negotiated and/or open market transactions as well as under formalized trading plans in accordance with the guidelines specified under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. During the three months ended November 30, 2015, and November 30, 2014, the Company repurchased 136,263 shares and 381,619 shares, respectively, of common stock for an aggregate purchase price of \$9.2 million and \$30.0 million, respectively. The remaining amount available under the repurchase program was \$102.8 million as of November 30, 2015.

**Note 15 Industry Segment Information**

The Company manages its business activities in two reportable segments: Irrigation and Infrastructure. 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 and other overhead charges directly attributable to the segment. There are no inter-segment sales. The Company had no single major customer who represented 10 percent or more of its total revenues during the three months ended November 30, 2015 and 2014.

*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, controls, filtration solutions and machine-to-machine (M2M) technology. The irrigation reporting segment consists of five 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 moveable barriers, specialty barriers, crash cushions and end terminals, and road marking and road safety equipment; the manufacture and sale of

large diameter steel tubing and railroad signals and structures; and the provision of outsourced manufacturing and production services. The infrastructure reporting segment consists of one operating segment.

**Table of Contents**

(\$ in thousands)	Three months ended	
	November 30, 2015	November 30, 2014
<b>Operating revenues:</b>		
Irrigation	\$ 101,327	\$ 114,716
Infrastructure	20,295	20,129
<b>Total operating revenues</b>	<b>\$ 121,622</b>	<b>\$ 134,845</b>
<b>Operating income:</b>		
Irrigation <sup>(1)</sup>	\$ 12,692	\$ 14,669
Infrastructure <sup>(1)</sup>	3,082	2,244
<b>Segment operating income <sup>(1)</sup></b>	<b>15,774</b>	<b>16,913</b>
Unallocated general and administrative expenses	(4,026)	(5,011)
Interest and other expense, net	(1,352)	(241)
<b>Earnings before income taxes</b>	<b>\$ 10,396</b>	<b>\$ 11,661</b>
<b>Capital Expenditures:</b>		
Irrigation	\$ 3,152	\$ 3,084
Infrastructure	1,553	565
	<b>\$ 4,705</b>	<b>\$ 3,649</b>
<b>Depreciation and Amortization:</b>		
Irrigation	\$ 3,094	\$ 2,486
Infrastructure	1,201	1,262
	<b>\$ 4,295</b>	<b>\$ 3,748</b>

- (1) There were no environmental remediation expenses for the three months ended November 30, 2015. Environmental remediation expenses of \$1.3 million and \$0.2 million were allocated to the irrigation segment and infrastructure segment, respectively, for the three months ended November 30, 2014.

(\$ in thousands)	November 30, 2015	November 30, 2014	August 31, 2015
<b>Total Assets:</b>			
Irrigation	\$ 415,106	\$ 368,577	\$ 429,224
Infrastructure	106,510	121,500	107,244
	<b>\$ 521,616</b>	<b>\$ 490,077</b>	<b>\$ 536,468</b>



## **Table of Contents**

### **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, as amended. Statements that are not historical are forward-looking and reflect information concerning possible or assumed future results of operations and planned financing of the Company. 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, outlook, could, may, should, generally identify forward-looking statements. The entire section entitled Executive Overview 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, 2015. 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, 2015, 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, 2015. 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 three months ended November 30, 2015.

#### **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.

## **Executive Overview and Outlook**

Net earnings for the three months ended November 30, 2015 were \$6.9 million or \$0.62 per diluted share compared with \$7.6 million or \$0.62 per diluted share in the same period of the prior year. The decrease in earnings was primarily attributable to lower revenues, which declined 10 percent to \$121.6 million from \$134.8 million, and higher interest expense related to new debt issues in February 2015. Operating margin for the three months ended November 30, 2015 increased to 9.7 percent as compared to 8.8 percent for the three months ended November 30, 2014. The increase in operating margin was primarily attributable to higher gross margins resulting from the sales mix in the period.

The primary driver of lower revenue was the irrigation segment, in which sales decreased 12 percent to \$101.3 million. Lower commodity prices and reduced farm income have caused a dampening of farmer sentiment regarding capital investments, which has driven a reduction in the global irrigation market. Infrastructure revenues increased 1 percent to \$20.3 million. The strengthening of the U.S. dollar against the value of other currencies, including the Brazilian real, South African rand, the Australian dollar and the Euro negatively affected revenues by \$7.7 million and operating income by \$0.7 million for the three months ended November 30, 2015 as compared to the same period of fiscal 2014.

**Table of Contents**

The Company's irrigation revenues are highly dependent upon the need for irrigated agricultural crop production, which, in turn, depends upon many factors, including the following primary drivers:

***Agricultural commodity prices*** - As of November 2015, corn prices have decreased approximately 5 percent and soybeans prices have decreased approximately 15 percent compared to the same time last year.

***Net farm income*** - As of November 2015, the U.S. Department of Agriculture (USDA) estimated U.S. 2015 net farm income to be \$55.9 billion, down 38 percent from USDA's estimate of U.S. 2014 net farm income of \$90.4 billion. If realized, the 2015 forecast would be the lowest since 2002.

***Weather conditions*** - Favorable growing conditions in the United States during 2015 led to record harvests that contributed to lower crop prices.

***Governmental policies*** - A number of governmental laws and regulations can impact the Company's business, including:

The Agricultural Act of 2014 provides certainty to growers by adopting a five-year farm bill. This law continues many of its existing programs, including funding for the Environmental Quality Incentives Program (EQIP), which provides financial assistance to farmers to implement conservation practices and is frequently used to assist in the purchase of center pivot irrigation systems.

In December 2015, certain tax incentives such as the Section 179 income tax deductions and bonus depreciation that encourage equipment purchases were granted long term extensions. These incentives could benefit equipment sales in the future.

Various U.S. and global trade sanctions could negatively impact irrigation equipment sales to certain geographic markets around the world.

On November 30, 2015, the Environmental Protection Agency (EPA) finalized requirements for the amount of ethanol and other renewable fuels blended into the overall U.S. fuel supply in 2016. The requirement, while decreased from the original mandate, still provides for continued growth in demand for the upcoming calendar year as the goal is set out to achieve 18 billion gallons of renewable fuels for 2016.

Many international markets are affected by government policies such as subsidies and other agriculturally related incentives. While these policies can have a significant impact on an individual market, they typically do not have a material impact on consolidated results.

**Currency** The U.S. dollar has strengthened against most currencies from the same period in the prior year, including the Brazilian real, South African rand, the Australian dollar and the Euro. This strengthening increases the cost of parts and products exported from the U.S. in comparison to supply denominated in local currency and therefore could negatively impact the Company's international sales and margins.

Although visibility into 2016 is limited, numerous factors are creating headwind against a potential revenue increase over the prior year. While commodity prices have leveled off in the U.S., net farm income is projected at the lowest level since 2002, leading to downward pressure on demand and pricing. In the international markets, currency conditions remain challenging and performance is likely to be dependent upon project sales in 2016, leading to lumpy revenue. While the Company is confident in the future of these markets, there have been no significant indicators of improvements in demand in the near-term.

The Company remains confident in the long-term drivers for efficient agricultural irrigation and water use efficiency globally. The Company has expanded global capacity with the opening of a factory in Turkey that began manufacturing operations in March 2015. While the additional capacity from the plant in Turkey may create some short-term fixed expense absorption pressure, the Company is confident in the incremental profit potential of global expansion plans and the long-term growth opportunities the region offers.

The infrastructure business has continued to improve its profit profile and generated growth in an environment of constrained government spending. In December 2015, the U.S. government enacted a \$305.0 billion highway-funding bill to fund highway, bridge and transit projects over the next five years. In light of this longer term government funding, opportunities exist for market growth in each of the infrastructure product lines. Demand for the Company's transportation safety products continues to be driven by population growth and the need for improved road safety. The Company's outlook for infrastructure continues to be positive, although somewhat mitigated by the possibility that a global economic slowdown could impact government spending on international projects.

**Table of Contents**

As of November 30, 2015, the Company had an order backlog of \$61.9 million compared with \$68.3 million at November 30, 2014 and \$48.0 million at August 31, 2015. The November 30, 2015 backlog includes \$8.1 million of backlog for Elecsys Corporation while the backlog at November 30, 2014 included a \$12.7 million Road Zipper System™ order from the Golden Gate Bridge Highway & Transportation District. The Company's backlog can fluctuate from period to period due to the seasonality, cyclicity, timing and execution of contracts. Backlog typically represents long-term projects as well as short lead-time orders and therefore, is generally not a good indication of the next fiscal quarter's revenues.

The global drivers for the Company's markets of population growth, expanded food production and efficient water use and infrastructure expansion support the Company's long-term growth goals. The most significant opportunities for growth over the next several years are in international markets, where irrigation use is less developed and demand is driven primarily by food security, water scarcity and population growth.

**Results of Operations****For the Three Months ended November 30, 2015 compared to the Three Months ended November 30, 2014**

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 November 30, 2015 and 2014. It should be read together with the industry segment information in Note 15 to the condensed consolidated financial statements:

(\$ in thousands)	Three months ended November 30, 2015	November 30, 2014	Percent Increase (Decrease)
<b>Consolidated</b>			
Operating revenues	\$ 121,622	\$ 134,845	(10%)
Gross profit	\$ 34,414	\$ 36,914	(7%)
Gross margin	28.3%	27.4%	
Operating expenses <sup>(1)</sup>	\$ 22,666	\$ 25,012	(9%)
Operating income	\$ 11,748	\$ 11,902	(1%)
Operating margin	9.7%	8.8%	
Other (expense) income, net	\$ (1,352)	\$ (241)	461%
Income tax expense	\$ 3,452	\$ 4,093	(16%)
Effective income tax rate	33.2%	35.1%	
Net earnings	\$ 6,944	\$ 7,568	(8%)
<b>Irrigation Equipment Segment</b>			
Segment operating revenues	\$ 101,327	\$ 114,716	(12%)
Segment operating income <sup>(2) (3)</sup>	\$ 12,692	\$ 14,669	(13%)
Segment operating margin <sup>(2) (3)</sup>	12.5%	12.8%	
<b>Infrastructure Products Segment</b>			
Segment operating revenues	\$ 20,295	\$ 20,129	1%
Segment operating income <sup>(2) (3)</sup>	\$ 3,082	\$ 2,244	37%
Segment operating margin <sup>(2) (3)</sup>	15.2%	11.1%	

- (1) Includes \$4.0 million and \$5.0 million of unallocated general and administrative expenses for the three months ended November 30, 2015 and 2014, respectively.
- (2) Excludes unallocated general and administrative expenses.
- (3) There were no environmental remediation expenses for the three months ended November 30, 2015. Environmental remediation expenses of \$1.3 million and \$0.2 million were allocated to the irrigation segment and infrastructure segment, respectively, for the three months ended November 30, 2014.

**Revenues**

Operating revenues for the three months ended November 30, 2015 declined 10 percent to \$121.6 million from \$134.8 million for the three months ended November 30, 2014 as irrigation revenues decreased \$13.4 million partially offset by the \$0.2 million increase in infrastructure revenues. The irrigation segment provided 83 percent of the Company's revenue for the three months ended November 30, 2015 as compared to 85 percent of the same prior year period.

## **Table of Contents**

U.S. irrigation revenues for the three months ended November 30, 2015 of \$59.2 million decreased \$3.5 million or 6 percent from \$62.7 million for the three months ended November 30, 2014. The decrease in U.S. irrigation revenues is primarily due to a volume decline in the number of units sold compared to the prior year, partially offset by \$7.2 million of revenue from the recently acquired Elecsys Corporation. Lower commodity prices and lower farm income affected farmers' sentiment regarding equipment purchases and contributed to lower demand for U.S. irrigation equipment.

International irrigation revenues for the three months ended November 30, 2015 of \$42.1 million decreased \$9.9 million or 19 percent from \$52.0 million for the three months ended November 30, 2014. Foreign currency translation as compared to the prior year reduced international irrigation revenues by \$6.0 million for the three months ended November 30, 2015 compared to the first three months of November 2014. Revenue excluding the effect of foreign currency translation decreased most notably in Brazil and several export markets.

Infrastructure segment revenues for the three months ended November 30, 2015 of \$20.3 million increased \$0.2 million or 1 percent from \$20.1 million for the three months ended November 30, 2014. The increase is primarily due to increases in road safety and Road Zipper sales and leases, partially offset by the impact of currency exchange rates and lower rail and contract product sales.

## **Gross Margin**

Gross profit for the three months ended November 30, 2015 of \$34.4 million decreased 7 percent from \$36.9 million for the three months ended November 30, 2014. The decrease in gross profit was primarily due to the decline in sales partially offset by an increase in gross margin to 28.3 percent for the three months ended November 30, 2015 from 27.4 percent for the three months ended November 30, 2014. Gross margin in irrigation increased by approximately 1 percentage point and infrastructure gross margin also increased by approximately 1 percentage point. Irrigation gross margin increased primarily as a result of a change in sales mix with the addition of Elecsys in the current year, while competitive pricing pressures were largely offset by lower input costs. The increase in infrastructure gross margin was primarily due to the sales mix.

## **Operating Expenses**

The Company's operating expenses of \$22.7 million for the three months ended November 30, 2015 decreased by \$2.3 million over operating expenses in the prior year. The change in operating expenses includes \$2.4 million of incremental expenses related to Elecsys Corporation, offset by reductions in environmental expenses of \$1.5 million, personnel related expenses of \$1.5 million, collections on accounts receivable that were reserved for in the prior periods of \$1.2 million and acquisition related expenses of \$0.6 million. Operating expenses were 18.6 percent of sales for the three months ended November 30, 2015 compared to 18.5 percent of sales for the three months ended November 30, 2014.

## **Income Taxes**

The Company recorded income tax expense of \$3.5 million and \$4.1 million for the three months ended November 30, 2015 and 2014, respectively. The effective income tax rate was 33.2 percent and 35.1 percent for the three months ended November 30, 2015 and 2014, respectively. The decrease in the effective income tax rate from November 2014 to November 2015 primarily relates to the earnings mix among jurisdictions.

## **Liquidity and Capital Resources**

The Company's cash and cash equivalents totaled \$129.3 million at November 30, 2015 compared with \$139.3 million at November 30, 2014 and \$139.1 million at August 31, 2015. The Company requires cash for financing its receivables and inventories, paying operating expenses and capital expenditures, and for dividends and share repurchases. The Company meets its liquidity needs and finances its capital expenditures from its available cash and funds provided by operations along with borrowings under its credit arrangements 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 and dividends.

The Company's total cash and cash equivalents held by foreign subsidiaries was approximately \$30.8 million, \$27.8 million and \$23.5 million as of November 30, 2015 and 2014 and August 31, 2015, respectively. 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. The Company considers its earnings in foreign subsidiaries to be permanently reinvested and would need to accrue and pay taxes if these earnings were repatriated.

Net working capital was \$221.2 million at November 30, 2015, as compared with \$231.8 million at November 30, 2014 and \$227.1 million at August 31, 2015. Cash provided by operations totaled \$8.5 million during the three months ended November 30, 2015, an increase of \$2.8 million compared to the prior year period. This increase was primarily due to changes of \$2.8 million in deferred income taxes, \$2.5 million in other current assets, \$2.4 million in income taxes payable and \$1.8 million in other current liabilities, partially offset by a \$6.6 million negative change in accounts payable.

## **Table of Contents**

Cash flows used in investing activities totaled \$4.2 million during the three months ended November 30, 2015 compared to \$2.1 million used in investing activities during the same prior year period. Capital spending of \$4.7 million in fiscal 2016 increased compared to the prior year capital spending of \$3.6 million.

Cash flows used in financing activities totaled \$13.0 million during the three months ended November 30, 2015 compared to cash flows used in financing activities of \$34.5 million during the same prior year period. The decrease in cash used in financing activities was primarily due to a reduction in the repurchasing of common shares of \$20.7 million.

### *Capital Allocation Plan*

The Company's capital allocation plan is to continue investing in revenue and earnings growth, combined with a defined process for enhancing returns to stockholders. Under the Company's announced capital allocation plan in January 2014, the priorities for uses of cash include:

Investment in organic growth including capital expenditures and expansion of international markets,

Dividends to stockholders, along with expectations to increase dividends on an annual basis,

Synergistic water related acquisitions that provide attractive returns to stockholders, and

Opportunistic share repurchases taking into account cyclical and seasonal fluctuations.

### *Capital Expenditures and Expansion of International Markets*

Capital expenditures for fiscal 2016 are estimated to be between \$15.0 and \$20.0 million largely focused on manufacturing capacity expansion and productivity improvements. The Company's management does maintain flexibility to modify the amount and timing of some of the planned expenditures in response to economic conditions.

### *Dividends*

In the first quarter of fiscal 2016, the Company paid a quarterly cash dividend of \$0.28 per common share or \$3.1 million to stockholders as compared to \$0.27 per common share or \$3.3 million in the first quarter of fiscal 2015.

### *Share Repurchases*

On January 3, 2014, the Company announced that its Board of Directors authorized the Company to repurchase up to \$150.0 million of common stock through January 2, 2016. On July 22, 2015, the Company announced that its Board of Directors increased its outstanding share repurchase authorization by \$100.0 million with no expiration. Under the program, shares may be repurchased in privately negotiated and/or open market transactions as well as under formalized trading plans in accordance with the guidelines specified under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. During the three months ended November 30, 2015, and November 30, 2014, the Company repurchased 136,263 shares and 381,619 shares, respectively, of common stock for an aggregate purchase price of \$9.2 million and \$30.0 million, respectively. The remaining amount available under the repurchase program was

\$102.8 million as of November 30, 2015.

*Senior Notes*

On February 19, 2015, the Company issued \$115.0 million in aggregate principal amount of Senior Notes, Series A, entirely due and payable on February 19, 2030 (the Senior Notes). Borrowings under the Senior Notes are unsecured and have equal priority with borrowings under the Company's other senior unsecured indebtedness. Interest is payable semi-annually at an annual rate of 3.82 percent. The Company intends to use the proceeds of the sale of the Senior Notes for general corporate purposes, including acquisitions, dividends and share repurchases.

*Amended Credit Agreement*

On February 18, 2015, the Company entered into a \$50 million unsecured Amended and Restated Revolving Credit Agreement (the Amended Credit Agreement), with Wells Fargo Bank, National Association (the Bank). The Amended Credit Agreement amends and restates the Revolving Credit Agreement, dated January 24, 2008, and last amended on January 22, 2014. The Company intends to use borrowings under the Amended Credit Agreement for working capital purposes and to fund acquisitions. At November 30, 2015 and 2014, the Company had no outstanding borrowings under the Amended Credit Agreement or the Revolving Credit Facility, respectively. The amount of borrowings available at any time under the Amended Credit Agreement is reduced by the amount of standby letters of credit then outstanding. At November 30, 2015, the Company had the ability to borrow up to \$44.4 million under this facility, after consideration of outstanding standby letters of credit of \$5.6 million. Borrowings under the Amended Credit Agreement bear interest at a variable rate equal to LIBOR plus 90 basis points (1.14 percent at November 30, 2015), subject to adjustment as set forth in the Amended 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 Amended Credit Agreement. Borrowings under the Amended Credit Agreement will be unsecured and have equal priority with borrowings under the Company's other senior unsecured indebtedness. Unpaid principal and interest is due by February 18, 2018.

**Table of Contents**

Each of the agreements above contains certain covenants relating primarily to the Company's financial condition. These financial covenants include a funded debt to EBITDA leverage ratio and an interest coverage ratio. Upon the occurrence of any event of default of these covenants, including a change in control of the Company, all amounts outstanding thereunder may be declared to be immediately due and payable. At November 30, 2015 and 2014 and August 31, 2015, the Company was in compliance with all financial loan covenants contained in its credit agreements in place as of each of those dates.

*Elecsys Series 2006A Bonds*

The Company's wholly-owned subsidiary, Elecsys Corporation has outstanding \$2.3 million in principal amount of industrial revenue bonds that were issued in 2006 (the Series 2006A Bonds). Principal and interest on the Series 2006A Bonds are payable monthly through maturity on September 1, 2026. The interest rate is adjustable based on the yield of the 5-year United States Treasury Notes, plus 0.45 percent (2.10 percent as of November 30, 2015). The obligations under the Series 2006A Bonds are secured by a first priority security interest in certain real estate.

**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, 2015.

The table below sets forth the Company's significant future obligations by time period related to principal and interest on the Company's Senior Notes and Elecsys Series 2006A Bonds.

**\$ in thousands**

	<b>Total</b>	<b>Less than 1 Year</b>	<b>2-3 Years</b>	<b>4-5 Years</b>	<b>More than 5 Years</b>
<b>Contractual Obligations</b>					
Long-term debt	\$ 117,318	194	400	416	\$ 116,308
Interest	63,950	4,436	8,860	8,845	41,809
<b>Total</b>	<b>\$ 181,268</b>	<b>\$ 4,630</b>	<b>\$ 9,260</b>	<b>\$ 9,261</b>	<b>\$ 158,117</b>

**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, 2015.

**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 November 30, 2015.

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 10 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 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, 2015.

**Table of Contents****ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds**

The table below sets forth information with respect to purchases of the Company's common stock made by or on behalf of the Company during the three months ended November 30, 2015:

**ISSUER PURCHASES OF EQUITY SECURITIES**

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Price Paid Per Share</b>	<b>Average as Part of Publicly Announced Plans or Programs</b>	<b>Approximate Dollar Value of Total Number of Shares That May Be Purchased Under the Plans or Programs <sup>(1)</sup> (\$ in thousands)</b>
September 1, 2015 to September 30, 2015		\$		\$ 112,057
October 1, 2015 to October 31, 2015	50,898	\$ 65.89	50,898	\$ 108,703
November 1, 2015 to November 30, 2015	85,365	\$ 69.06	85,365	\$ 102,808
Total	136,263	\$ 67.88	136,263	\$ 102,808

- <sup>(1)</sup> On January 3, 2014, the Company announced that its Board of Directors authorized a share repurchase program of up to \$150.0 million of common stock, effective as of January 2, 2014, through January 2, 2016. On July 22, 2015, the Company announced that its Board of Directors increased its outstanding share repurchase authorization by \$100.0 million with no expiration. Under the program, shares may be repurchased in privately negotiated and/or open market transactions as well as under formalized trading plans in accordance with the guidelines specified under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended.

**Table of Contents**

**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, effective May 2, 2014, incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on May 5, 2014.
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.
10.1*	Lindsay Corporation Management Incentive Plan ( MIP ), 2016 Plan Year. **
10.2*	Lindsay Corporation 2015 Long-Term Incentive Plan and forms of award agreements.
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*	Interactive Data Files.

Management contract or compensatory plan or arrangement required to be filed as an exhibit hereto pursuant to Item 6 of Part II of Form 10-Q.

\* Filed herein.

\*\* Certain confidential portions of this Exhibit were omitted by means of redacting a portion of the text. This Exhibit has been filed separately with the Secretary of the Commission with the redacted text pursuant to the Company's application requesting confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Table of Contents

**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 23<sup>rd</sup> day of December 2015.

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)

- 24