

BRINKS CO  
Form 10-Q  
April 29, 2014

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

FORM 10-Q

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

For the quarterly period ended March 31, 2014

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-09148

THE BRINK'S COMPANY  
(Exact name of registrant as specified in its charter)

Virginia  
(State or other jurisdiction of  
incorporation or organization)

54-1317776  
(I.R.S. Employer  
Identification No.)

1801 Bayberry Court, Richmond, Virginia 23226-8100  
(Address of principal executive offices) (Zip Code)

(804) 289-9600  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

(Check one): Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of April 21, 2014, 48,435,731 shares of \$1 par value common stock were outstanding.

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Part I - Financial Information  
Item 1. Financial Statements

THE BRINK'S COMPANY  
and subsidiaries

Consolidated Balance Sheets  
(Unaudited)

(In millions)	March 31, 2014	December 31, 2013
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 201.5	255.5
Accounts receivable, net	562.4	622.2
Prepaid expenses and other	150.7	153.0
Deferred income taxes	64.4	72.0
Total current assets	979.0	1,102.7
Property and equipment, net	736.9	758.7
Goodwill	241.2	240.2
Other intangibles	45.5	46.3
Deferred income taxes	245.4	251.7
Other	101.4	98.4
Total assets	\$ 2,349.4	2,498.0
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Short-term borrowings	\$ 59.3	80.9
Current maturities of long-term debt	35.2	24.6
Accounts payable	167.0	185.6
Accrued liabilities	476.5	507.5
Total current liabilities	738.0	798.6
Long-term debt	386.4	330.5
Accrued pension costs	195.5	214.8
Retirement benefits other than pensions	184.7	186.0
Deferred income taxes	15.1	18.0
Other	134.0	170.6
Total liabilities	1,653.7	1,718.5
Contingent liabilities (notes 3, 4 and 11)		

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Equity:			
The Brink's Company ("Brink's") shareholders:			
Common stock		48.4	48.4
Capital in excess of par value		572.2	566.4
Retained earnings		633.0	696.4
Accumulated other comprehensive loss		(613.8)	(617.3)
Brink's shareholders		639.8	693.9
Noncontrolling interests		55.9	85.6
Total equity		695.7	779.5
Total liabilities and equity	\$	2,349.4	2,498.0

See accompanying notes to consolidated financial statements.

THE BRINK'S COMPANY  
and subsidiaries

Consolidated Statements of Income (Loss)  
(Unaudited)

(In millions, except for per share amounts)	Three Months Ended March 31,	
	2014	2013
Revenues	\$ 991.6	950.5
Costs and expenses:		
Cost of revenues	795.6	792.6
Selling, general and administrative expenses	145.4	131.9
Total costs and expenses	941.0	924.5
Other operating income (expense)	(123.1)	(8.7)
Operating profit (loss)	(72.5)	17.3
Interest expense	(5.8)	(5.9)
Interest and other income (expense)	(0.3)	0.6
Income (loss) from continuing operations before tax	(78.6)	12.0
Provision (benefit) for income taxes	9.0	5.4
Income (loss) from continuing operations	(87.6)	6.6
Income (loss) from discontinued operations, net of tax	(0.1)	(19.5)
Net income (loss)	(87.7)	(12.9)
Less net income (loss) attributable to noncontrolling interests	(29.2)	3.7
Net income (loss) attributable to Brink's	(58.5)	(16.6)
Amounts attributable to Brink's		
Continuing operations	(58.4)	2.9
Discontinued operations	(0.1)	(19.5)
Net income (loss) attributable to Brink's	\$ (58.5)	(16.6)
Earnings (loss) per share attributable to Brink's common shareholders(a):		
Basic:		
Continuing operations	\$ (1.19)	0.06
Discontinued operations	-	(0.40)
Net income (loss)	\$ (1.20)	(0.34)
Diluted:		
Continuing operations	\$ (1.19)	0.06

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Discontinued operations	-	(0.40)
Net income (loss)	\$ (1.20)	(0.34)
Weighted-average shares		
Basic	48.9	48.6
Diluted	48.9	48.9
Cash dividends paid per common share	\$ 0.10	0.10

(a) Amounts may not add due to rounding.

See accompanying notes to consolidated financial statements.

THE BRINK'S COMPANY  
and subsidiaries

Consolidated Statements of Comprehensive Income (Loss)  
(Unaudited)

(In millions)	Three Months Ended March 31,	
	2014	2013
Net income (loss)	\$ (87.7)	(12.9)
Benefit plan adjustments:		
Benefit plan experience gains	10.5	17.8
Benefit plan prior service cost (credit)	(0.4)	1.0
Total benefit plan adjustments	10.1	18.8
Foreign currency translation adjustments	(4.2)	(6.7)
Gains (losses) on cash flow hedges	0.6	(0.4)
Other comprehensive income before tax	6.5	11.7
Provision (benefit) for income taxes	3.7	6.5
Other comprehensive income	2.8	5.2
Comprehensive income (loss)	(84.9)	(7.7)
Less comprehensive income (loss) attributable to noncontrolling interests	(29.9)	3.1
Comprehensive income (loss) attributable to Brink's	\$ (55.0)	(10.8)

See accompanying notes to consolidated financial statements.

THE BRINK'S COMPANY  
and subsidiaries

Consolidated Statement of Equity

Three Months ended March 31, 2014  
(Unaudited)

(In millions)	Shares	Attributable to Brink's			Accumulated Other Comprehensive Loss	Attributable to Noncontrolling Interests	Total
		Common Stock	Capital in Excess of Par Value	Retained Earnings			
Balance as of December 31, 2013	48.4	\$ 48.4	566.4	696.4	(617.3)	85.6	779.5
Net income (loss)	-	-	-	(58.5)	-	(29.2)	(87.7)
Other comprehensive income (loss)	-	-	-	-	3.5	(0.7)	2.8
Dividends to:							
Brink's common shareholders (\$0.10 per share)	-	-	-	(4.8)	-	-	(4.8)
Noncontrolling interests	-	-	-	-	-	(0.1)	(0.1)
Share-based compensation:							
Stock options and awards:							
Compensation expense	-	-	5.9	-	-	-	5.9
Other share-based benefit programs	-	-	(0.1)	(0.1)	-	-	(0.2)
Capital contributions from noncontrolling interest	-	-	-	-	-	0.3	0.3
Balance as of March 31, 2014	48.4	\$ 48.4	572.2	633.0	(613.8)	55.9	695.7

See accompanying notes to consolidated financial statements



THE BRINK'S COMPANY  
and subsidiaries

Consolidated Statements of Cash Flows  
(Unaudited)

(In millions)	Three Months Ended March 31,	
	2014	2013
Cash flows from operating activities:		
Net income (loss)	\$ (87.7)	(12.9)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Loss from discontinued operations, net of tax	0.1	19.5
Depreciation and amortization	43.6	42.1
Share-based compensation expense	5.9	0.8
Deferred income taxes	(15.8)	(12.8)
Gains and losses:		
Sales of available-for-sale securities	(0.1)	(0.2)
Sales of property and other assets	(0.3)	(0.3)
Retirement benefit funding (more) less than expense:		
Pension	(0.2)	8.5
Other than pension	1.8	3.2
Loss on Venezuela currency devaluation	121.9	13.4
Other operating	1.7	(1.1)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(39.4)	(36.1)
Accounts payable, income taxes payable and accrued liabilities	6.4	(15.8)
Customer obligations	6.4	16.8
Prepaid and other current assets	(14.2)	(8.5)
Other	(0.5)	(5.8)
Discontinued operations	1.0	(7.5)
Net cash provided by operating activities	30.6	3.3
Cash flows from investing activities:		
Capital expenditures	(24.3)	(33.4)
Acquisitions	-	(19.0)
Sale of available-for-sale securities	0.2	9.3
Cash proceeds from sale of property, equipment and investments	0.4	0.3
Other	(0.2)	(0.2)
Discontinued operations	(4.7)	(2.3)
Net cash used by investing activities	(28.6)	(45.3)
Cash flows from financing activities:		
Borrowings (repayments) of debt:		
Short-term debt	(13.9)	43.0

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Long-term revolving credit facilities	70.0	82.0
Repayments of long-term debt		
Borrowings	1.2	-
Repayments	(11.9)	(7.4)
Acquisition of noncontrolling interests in subsidiaries	-	(18.5)
Payment of acquisition-related obligation	-	(8.1)
Dividends to:		
Shareholders of Brink's	(4.8)	(4.8)
Noncontrolling interests in subsidiaries	(0.1)	(0.2)
Proceeds from exercise of stock options	-	0.2
Minimum tax withholdings associated with share-based compensation	(0.1)	(1.6)
Other	(0.2)	-
Discontinued operations	-	0.9
Net cash provided by financing activities	40.2	85.5
Effect of exchange rate changes on cash	(96.2)	(10.4)
Cash and cash equivalents:		
Increase (decrease)	(54.0)	33.1
Balance at beginning of period	255.5	201.7
Balance at end of period	\$ 201.5	234.8

See accompanying notes to consolidated financial statements

THE BRINK'S COMPANY  
and subsidiaries

Notes to Consolidated Financial Statements  
(Unaudited)

Note 1 – Basis of presentation

The Brink's Company (along with its subsidiaries, "Brink's" or "we") has four geographic operating segments:

- Latin America
- Europe, Middle East, and Africa ("EMEA")
  - North America (U.S. and Canada)
  - Asia Pacific

Our unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial reporting and applicable quarterly reporting regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, the unaudited consolidated financial statements do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes in our Annual Report on Form 10-K for the year ended December 31, 2013.

We have made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements. Actual results could differ materially from these estimates. The most significant estimates are related to goodwill and other long-lived assets, pension and other retirement benefit obligations, legal contingencies, foreign currency translation and deferred tax assets.

The consolidated financial statements include all of the assets, liabilities, revenues, expenses and cash flows of Brink's and all entities in which Brink's has a controlling voting interest. Intercompany accounts and transactions between consolidated companies have been eliminated in consolidation.

Foreign Currency Translation

Our consolidated financial statements are reported in U.S. dollars. Our foreign subsidiaries maintain their records primarily in the currency of the country in which they operate.

The method of translating local currency financial information into U.S. dollars depends on whether the economy in which our foreign subsidiary operates has been designated as highly inflationary or not. Economies with a three-year cumulative inflation rate of more than 100% are considered highly inflationary.

Assets and liabilities of foreign subsidiaries in non-highly inflationary economies are translated into U.S. dollars using rates of exchange at the balance sheet date. Translation adjustments are recorded in other comprehensive income (loss). Revenues and expenses are translated at rates of exchange in effect during the year. Transaction gains and losses are recorded in net income.

Foreign subsidiaries that operate in highly inflationary countries use the U.S. dollar as their functional currency. Local-currency monetary assets and liabilities are remeasured into U.S. dollars using rates of exchange as of each

balance sheet date, with remeasurement adjustments and other transaction gains and losses recognized in earnings. Non-monetary assets and liabilities do not fluctuate with changes in local currency exchange rates to the dollar.

#### Venezuela

The economy in Venezuela has had significant inflation in the last several years. We consolidate our Venezuelan results using our accounting policy for subsidiaries operating in highly inflationary economies.

Since 2003, the Venezuelan government has controlled the exchange of local currency into other currencies, including the U.S. dollar. The Venezuelan government requires that currency exchanges be made at official rates or through auctions controlled by the government. Different exchange processes exist for different industries and purposes. The government does not approve all requests to convert bolivars to other currencies.

The government devalued the official rate for essential services in February 2013 from 5.3 to 6.3 bolivars to the dollar. Late in 2013, the government added another official exchange process, known as SICAD, for travel and certain other purposes, made available at government discretion. The published rate for this process in the first quarter of 2014 ranged from 10.7 to 11.8 bolivars to the U.S. dollar. Since the end of the first quarter of 2013, we have been unable to obtain dollars using either of these processes and we do not expect to be able to obtain dollars using these processes in the foreseeable future.

On March 24, 2014, the government initiated another exchange mechanism known as SICAD II. Conversions under this mechanism are also subject to specific eligibility requirements. Transactions have been reported to be in a range of 50 to 52 bolivars to the dollar. We exchanged 15.6 million bolivars for \$300,000 (exchange rate of 52) through the SICAD II mechanism in March 2014. We do not know whether we will be able to access dollars under this new process on a consistent basis in the future.

As a result of the restrictions on currency exchange, we have in the past been unable to obtain sufficient U.S. dollars to purchase certain imported supplies and fixed assets to fully operate our business in Venezuela. As a result, we have occasionally purchased more expensive, bolivar-denominated supplies and fixed assets. We currently believe that we will be able to access dollars for our needs under the current SICAD II process, although there is a risk that this process will be discontinued or not accessible when needed in the future, which may prevent us from obtaining dollars to operate our Venezuelan operations.

Remeasurement rates during 2013. Through January 31, 2013, we used an official rate of 5.3 bolivars to the dollar to remeasure our bolivar-denominated monetary assets and liabilities into U.S. dollars and to translate our revenue and expenses. After the devaluation in February 2013, we began to use the 6.3 official exchange rate to remeasure bolivar denominated monetary assets and liabilities and to translate our revenue and expenses. We recognized a \$13.4 million net remeasurement loss in the first quarter of 2013 when we changed from the 5.3 to 6.3 exchange rate. The after-tax effect of these losses attributable to noncontrolling interests were \$4.7 million in the first quarter of 2013.

Remeasurement rates during 2014. Through March 23, 2014, we used the official rate of 6.3 bolivars to the dollar to remeasure our bolivar denominated monetary assets and liabilities into U.S. dollars and to translate our revenue and expenses. Effective March 24, 2014, we began to use the exchange rate published for the SICAD II process to remeasure bolivar denominated monetary assets and liabilities and to translate our revenue and expenses. We recognized a \$121.9 million net remeasurement loss in the first quarter of 2014 when we changed from the official rate of 6.3 to SICAD II exchange rate, which averaged 51 in the 7 days ending March 31, 2014, and was 50 at March 31, 2014. The after-tax effect of these losses attributable to noncontrolling interests were \$39.7 million in the first quarter of 2014.

Brink's Venezuela accounted for \$131.3 million or 13% of total Brink's revenues and represented a significant component of total segment operating profit in the three months ended March 31, 2014.

Because we began remeasuring our Venezuelan results effective March 24, 2014, using the SICAD II rate:

- We do not expect Brink's Venezuela to be a significant component of Brink's consolidated revenue or operating profit in the last nine months of 2014.
- Our investment in our Venezuelan operations on an equity-method basis declined from \$125.3 million at December 31, 2013, to \$66.6 million at March 31, 2014.
- Our bolivar-denominated net monetary assets declined from \$120.4 million (including \$93.8 million of cash and cash equivalents) at December 31, 2013, to \$23.5 million (including \$13.8 million of cash and cash equivalents) at March 31, 2014.



## Note 2 – Segment information

We identify our operating segments based on how our chief operating decision maker (“CODM”) allocates resources, assesses performance and makes decisions. Our CODM is our President, and Chief Executive Officer. Our CODM evaluates performance and allocates resources based on operating profit or loss for the geographic components of Brink’s, excluding non-segment expenses.

We have four geographic operating segments: Latin America; Europe, Middle East and Africa (“EMEA”); North America and Asia Pacific. These four operating segments are also our reportable segments.

We currently serve customers in more than 100 countries, including 43 countries where we operate subsidiaries.

The primary services of the reportable segments include:

- Cash-in-Transit (“CIT”) Services – armored vehicle transportation of valuables
- ATM Services – replenishing and maintaining customers’ automated teller machines; providing network infrastructure services
  - Global Services – secure international transportation of valuables
    - Cash Management Services
- o Currency and coin counting and sorting; deposit preparation and reconciliations; other cash management services
  - o Safe and safe control device installation and servicing (including our patented CompuSafe® service)
  - o Check and cash processing services for banking customers (“Virtual Vault Services”)
    - o Check imaging services for banking customers
- Payment Services – bill payment and processing services on behalf of utility companies and other billers at any of our Brink’s or Brink’s operated payment locations in Latin America; Brink’s Money™ prepaid payroll cards; Brink’s Checkout e-commerce online payment services
- Security and Guarding Services – protection of airports, offices, and certain other locations in Europe with or without electronic surveillance, access control, fire prevention and highly trained patrolling personnel

(In millions)	Three Months Ended March 31,	
	2014	2013
<b>Revenues:</b>		
Latin America	\$ 438.4	412.9
EMEA	298.0	277.8
North America	220.1	223.2
Asia Pacific	35.1	36.6
<b>Revenues</b>	<b>\$ 991.6</b>	<b>950.5</b>

(In millions)	Three Months Ended March 31,	
	2014	2013
<b>Operating profit (loss):</b>		
Latin America	\$ (74.8)	23.4
EMEA	14.8	8.6
North America	1.1	(2.0)

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Asia Pacific		4.4	4.3
	Segment operating profit (loss)	(54.5)	34.3
Non-segment		(18.0)	(17.0)
	Operating profit (loss)	\$ (72.5)	17.3

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## Note 3 – Retirement benefits

## Pension plans

We have various defined-benefit pension plans covering eligible current and former employees. Benefits under most plans are based on salary and years of service.

The components of net periodic pension cost for our pension plans were as follows:

(In millions)	U.S. Plans		Non-U.S. Plans		Total	
	2014	2013	2014	2013	2014	2013
Three months ended March 31,						
Service cost	\$ -	-	3.5	3.6	3.5	3.6
Interest cost on projected benefit obligation	11.4	10.6	5.8	4.8	17.2	15.4
Return on assets – expected	(15.4)	(14.2)	(3.8)	(3.2)	(19.2)	(17.4)
Amortization of losses	7.2	11.3	0.5	1.6	7.7	12.9
Amortization of prior service cost	-	-	0.2	0.6	0.2	0.6
Settlement loss	-	-	0.7	0.3	0.7	0.3
Net periodic pension cost	\$ 3.2	7.7	6.9	7.7	10.1	15.4

In the first three months of 2014, we made a \$3.4 million cash contribution to our primary U.S. pension plan. We are required to contribute an additional \$22.5 million to the primary U.S. pension plan during the remainder of 2014, which we intend to fund using cash.

## Retirement benefits other than pensions

We provide retirement healthcare benefits for eligible current and former U.S., Canadian, and Brazilian employees. Retirement benefits related to our former U.S. coal operation include medical benefits provided by the Pittston Coal Group Companies Employee Benefit Plan for UMWA Represented Employees (the “UMWA plans”) as well as costs related to Black Lung obligations.

The components of net periodic postretirement cost related to retirement benefits other than pensions were as follows:

(In millions)	UMWA Plans		Black Lung and Other Plans		Total	
	2014	2013	2014	2013	2014	2013
Three months ended March 31,						
Service cost	\$ -	-	-	0.1	-	0.1
Interest cost on accumulated postretirement benefit obligations	4.8	5.0	0.6	0.5	5.4	5.5
Return on assets – expected	(5.6)	(5.2)	-	-	(5.6)	(5.2)
Amortization of losses	3.7	5.0	0.2	0.1	3.9	5.1
Amortization of prior service (credit) cost	(1.1)	-	0.4	0.4	(0.7)	0.4
Net periodic postretirement cost	\$ 1.8	4.8	1.2	1.1	3.0	5.9



## Note 4 – Income taxes

	Three Months Ended March 31,	
	2014	2013
Continuing operations		
Provision for income taxes (in millions)	\$ 9.0	5.4
Effective tax rate	(11.5)%	45.0 %

## 2014 Compared to U.S. Statutory Rate

The effective income tax rate on continuing operations in the first quarter of 2014 was negative and less than the 35% U.S. statutory tax rate primarily due to the significant remeasurement charge resulting from the currency devaluation in Venezuela in the first quarter. This remeasurement charge caused our first quarter before tax earnings to be negative and is largely nondeductible for tax purposes. Excluding the aforementioned Venezuela remeasurement charge and associated tax implications, our effective tax rate on continuing operations in the first quarter is 37%.

## 2013 Compared to U.S. Statutory Rate

The effective income tax rate on continuing operations in the first quarter of 2013 was higher than the 35% U.S. statutory tax rate primarily due to a nondeductible remeasurement charge resulting from the effects of currency devaluation in Venezuela.

## Note 5 – Accumulated other comprehensive income (loss)

Other comprehensive income (loss), including the amounts reclassified from accumulated other comprehensive income (loss) into earnings, was as follows:

(In millions)	Amounts Arising During the Current Period		Amounts Reclassified to Net Income (Loss)		Total Other Comprehensive Income (Loss)
	Pretax	Income Tax	Pretax	Income Tax	
Three months ended March 31, 2014					
Amounts attributable to Brink's:					
Benefit plan adjustments	\$ (1.7)	0.3	11.7	(4.0)	6.3
Foreign currency translation adjustments	(3.4)	-	-	-	(3.4)
Unrealized gains (losses) on available-for-sale securities	(0.1)	-	0.1	-	-
Gains (losses) on cash flow hedges	(0.3)	-	0.9	-	0.6
	(5.5)	0.3	12.7	(4.0)	3.5
Amounts attributable to noncontrolling interests:					
Benefit plan adjustments	-	-	0.1	-	0.1
Foreign currency translation adjustments	(0.8)	-	-	-	(0.8)
	(0.8)	-	0.1	-	(0.7)
Total					