OSHKOSH CORP
Form 10-Q
July 30, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2015
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number: 1-31371
Oshkosh Corporation
(Exact name of registrant as specified in its charter)

Wisconsin	39-0520270
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
P.O. Box 2566 Oshkosh, Wisconsin	54903-2566
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (920) 235-9151
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. ý Yes o No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes o No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). o Yes ý No
As of July 23, 2015, 78,318,396 shares of the registrant's Common Stock were outstanding.

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FOR THE QUARTER ENDED JUNE 30, 2015

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ITEM 1. FINANCIAL STATEMENTS
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OSHKOSH CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share amounts; unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2015	2014	2015	2014
Net sales	$1,612.3	$1,932.4	$4,519.8	$5,140.5
Cost of sales	1,328.3	1,585.5	3,730.3	4,247.3
Gross income	284.0	346.9	789.5	893.2
Operating expenses:				
Selling, general and administrative	134.2	158.7	437.5	461.4
Amortization of purchased intangibles	13.2	13.9	40.0	41.6
Total operating expenses	147.4	172.6	477.5	503.0
Operating income	136.6	174.3	312.0	390.2
Other income (expense):				
Interest expense	(13.2)	(14.1)	(56.4)	(57.3)
Interest income	0.6	0.4	2.0	1.4
Miscellaneous, net	(0.2)	0.8	(0.2)	(0.4)
Income before income taxes and equity in earnings (losses) of unconsolidated affiliates	123.8	161.4	257.4	333.9
Provision for income taxes	34.8	56.0	80.5	103.6
Income before equity in earnings (losses) of unconsolidated affiliates	89.0	105.4	176.9	230.3
Equity in earnings (losses) of unconsolidated affiliates	0.9	(0.3)	2.3	1.2
Net income	$89.9	$105.1	$179.2	$231.5
Earnings per share attributable to common shareholders:				
Basic	$1.15	$1.24	$2.28	$2.72
Diluted	1.13	1.22	2.25	2.68
Cash dividends declared per share on Common Stock	$0.17	$0.15	$0.51	$0.45

The accompanying notes are an integral part of these financial statements

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OSHKOSH CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions; unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2015	2014	2015	2014
Net income	$89.9	$105.1	$179.2	$231.5
Other comprehensive income (loss), net of tax:				
Employee pension and postretirement benefits	0.7	(4.1)	1.0	(3.6)
Currency translation adjustments	13.2	(0.6)	(62.8)	5.6
Derivative instruments	(0.1)	—	(0.1)	—
Total other comprehensive income (loss), net of tax	13.8	(4.7)	(61.9)	2.0
Comprehensive income	$103.7	$100.4	$117.3	$233.5

The accompanying notes are an integral part of these financial statements
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OSHKOSH CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share and per share amounts; unaudited)

	June 30, 2015	September 30, 2014
Assets		
Current assets:		
Cash and cash equivalents	$46.2	$313.8
Receivables, net	1,012.0	974.9
Inventories, net	1,352.2	960.9
Deferred income taxes, net	69.6	66.3
Prepaid income taxes	20.2	22.7
Other current assets	43.8	45.7
Total current assets	2,544.0	2,384.3
Investment in unconsolidated affiliates	16.6	21.1
Property, plant and equipment, net	455.7	405.5
Goodwill	1,002.0	1,025.5
Purchased intangible assets, net	619.6	657.9
Other long-term assets	91.3	92.4
Total assets	$4,729.2	$4,586.7
Liabilities and Shareholders' Equity		
Current liabilities:		
Revolving credit facility and current maturities of long-term debt	$40.0	$20.0
Accounts payable	640.5	586.7
Customer advances	399.4	310.1
Payroll-related obligations	112.7	147.2
Accrued warranty	78.6	91.2
Other current liabilities	194.2	156.4
Total current liabilities	1,465.4	1,311.6
Long-term debt, less current maturities	860.0	875.0
Deferred income taxes, net	121.2	125.0
Other long-term liabilities	285.0	290.1
Commitments and contingencies		
Shareholders' equity:		
Preferred Stock ($.01 par value; 2,000,000 shares authorized; none issued and outstanding)	—	—
Common Stock ($.01 par value; 300,000,000 shares authorized; 92,101,465 shares issued)	0.9	0.9
Additional paid-in capital	770.8	758.0
Retained earnings	1,979.3	1,840.1
Accumulated other comprehensive loss	(131.1)	(69.2)
Common Stock in treasury, at cost (13,784,894 and 12,256,103 shares, respectively)	(622.3)	(544.8)
Total shareholders’ equity	1,997.6	1,985.0
Total liabilities and shareholders' equity	$4,729.2	$4,586.7

The accompanying notes are an integral part of these financial statements

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OSHKOSH CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In millions, except per share amounts; unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock in Treasury at Cost	Total
Balance at September 30, 2013	$0.9	$725.6	$1,581.5	$ (14.6)	$(185.6)	$2,107.8
Net income	—	—	231.5	—	—	231.5
Employee pension and postretirement benefits, net of tax of $2.1	—	—	—	(3.6)	—	(3.6)
Currency translation adjustments, net	—	—	—	5.6	—	5.6
Cash dividends ($0.45 per share)	—	—	(38.1)	—	—	(38.1)
Repurchases of Common Stock	—	—	—	—	(152.8)	(152.8)
Exercise of stock options	—	6.3	—	—	44.1	50.4
Stock-based compensation expense	—	15.8	—	—	—	15.8
Excess tax benefit from stock-based compensation	—	6.3	—	—	—	6.3
Payment of earned performance shares	—	(2.7)	—	—	2.7	—
Shares tendered for taxes on stock-based compensation	—	—	—	—	(2.2)	(2.2)
Other	—	(0.3)	—	—	0.6	0.3
Balance at June 30, 2014	$0.9	$751.0	$1,774.9	$ (12.6)	$(293.2)	$2,221.0

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock in Treasury at Cost	Total
Balance at September 30, 2014	$0.9	$758.0	$1,840.1	$ (69.2)	$(544.8)	$1,985.0
Net income	—	—	179.2	—	—	179.2
Employee pension and postretirement benefits, net of tax of $0.4	—	—	—	1.0	—	1.0
Currency translation adjustments, net	—	—	—	(62.8)	—	(62.8)
Cash dividends ($0.51 per share)	—	—	(40.0)	—	—	(40.0)
Repurchases of Common Stock	—	—	—	—	(88.1)	(88.1)
Exercise of stock options	—	—	—	—	7.3	7.3
Stock-based compensation expense	—	16.4	—	—	—	16.4
Excess tax benefit from stock-based compensation	—	4.2	—	—	—	4.2
Payment of earned performance shares	—	(7.4)	—	—	7.4	—
Shares tendered for taxes on stock-based compensation	—	—	—	—	(4.9)	(4.9)
Derivative instruments, net	—	—	—	(0.1)	—	(0.1)
Other	—	(0.4)	—	—	0.8	0.4
Balance at June 30, 2015	$0.9	$770.8	$1,979.3	$ (131.1)	$(622.3)	$1,997.6

The accompanying notes are an integral part of these financial statements

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OSHKOSH CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions; unaudited)

	Nine Months Ended June 30,	
	2015	2014
Operating activities:		
Net income	$179.2	$231.5
Depreciation and amortization	94.1	95.2
Stock-based compensation expense	16.4	15.8
Deferred income taxes	(7.1)	(39.2)
Foreign currency transaction (gains) losses	7.9	(3.8)
Other non-cash adjustments	5.9	6.3
Changes in operating assets and liabilities	(333.0)	(236.4)
Net cash provided (used) by operating activities	(36.6)	69.4
Investing activities:		
Additions to property, plant and equipment	(100.0)	(54.6)
Additions to equipment held for rental	(19.8)	(15.9)
Acquisition of business, net of cash acquired	(8.8)	—
Contribution to rabbi trust	—	(1.9)
Proceeds from sale of equipment held for rental	25.5	5.5
Other investing activities	(0.7)	(1.0)
Net cash used by investing activities	(103.8)	(67.9)
Financing activities:		
Repayment of long-term debt	(265.0)	(705.0)
Proceeds from issuance of long-term debt	250.0	650.0
Proceeds under revolving credit facility	20.0	—
Repurchases of Common Stock	(88.1)	(152.8)
Debt issuance costs	(15.5)	(19.1)
Proceeds from exercise of stock options	7.3	50.4
Dividends paid	(40.0)	(38.1)
Excess tax benefit from stock-based compensation	4.3	6.1
Net cash used by financing activities	(127.0)	(208.5)
Effect of exchange rate changes on cash	(0.2)	(0.8)
Decrease in cash and cash equivalents	(267.6)	(207.8)
Cash and cash equivalents at beginning of period	313.8	733.5
Cash and cash equivalents at end of period	$46.2	$525.7
Supplemental disclosures:		
Cash paid for interest	$31.9	$34.2
Cash paid for income taxes	60.5	27.3

The accompanying notes are an integral part of these financial statements

1. Basis of Presentation

In the opinion of management, the accompanying unaudited Condensed Consolidated Financial Statements contain all adjustments (which include normal recurring adjustments, unless otherwise noted) necessary to present fairly the financial position, results of operations and cash flows for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. These Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements and notes thereto included in the Annual Report on Form 10-K of Oshkosh Corporation for the year ended September 30, 2014. The interim results are not necessarily indicative of results for the full year. "Oshkosh" refers to Oshkosh Corporation not including its subsidiaries and "the Company" refers to Oshkosh Corporation and its subsidiaries. Certain reclassifications have been made to the fiscal 2014 financial statements to conform to the fiscal 2015 presentation.

2. New Accounting Standards

In April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This update revises the required criteria for reporting disposals as discontinued operations, whereby discontinued operations are limited to disposals that represent strategic shifts that had (or will have) a major effect on an entity's operations and financial results. The Company will be required to adopt ASU No. 2014-08 as of October 1, 2015. The Company does not expect the adoption of ASU 2014-08 to have a material impact on its financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which clarifies the principles for recognizing revenue. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB has proposed a deferral of the effective date of the new revenue recognition standard by one year from its original effective date, which is expected to result in the new standard becoming effective for fiscal years and interim periods beginning after December 31, 2017. Entities would have the option to adopt the revenue recognition standard one year earlier under the FASB's proposed update. The Company is currently evaluating the impact of ASU No. 2014-09 on the Company’s financial statements.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements (Topic 205) Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern. The guidance requires management to perform an evaluation each annual and interim reporting period of whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within the one year period after the date that the financial statements are issued. If such conditions are identified, the guidance requires an entity to provide certain disclosures about the principal conditions or events that gave rise to the substantial doubt about the entity’s ability to continue as a going concern, management’s evaluation of the significance of those conditions or events in relation to the entity’s ability to meet its obligations and management’s plans to alleviate or mitigate substantial doubt about the entity’s ability to continue as a going concern. The Company will be required to adopt ASU No. 2014-15 as of October 1, 2016. The Company does not expect the adoption of ASU 2014-15 to have a material impact on its financial statements.

In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810), Amendments to the Consolidation Analysis, which amends the guidance that reporting entities apply when evaluating whether certain legal entities should be consolidated. The Company will be required to adopt ASU No. 2015-02 as of October 1, 2016. The Company does not expect the adoption of ASU 2015-02 to have a material impact on the Company's financial statements.

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Topic 835-30), Simplifying the Presentation of Debt Issuance Costs. ASU No. 2015-03 is part of the FASB’s initiative to reduce complexity in accounting standards. The guidance requires an entity to recognize debt issuance costs related to a debt liability as a direct deduction from the carrying amount of the debt liability in the balance sheet, thereby increasing the effective rate of interest, as opposed to a deferred cost. The Company will be required to adopt ASU No. 2015-03 as of October 1, 2016. The Company is currently evaluating the impact of ASU No. 2015-03 on the Company’s financial statements.

3. Receivables

Receivables consisted of the following (in millions):

	June 30, 2015	September 30, 2014
U.S. government:		
Amounts billed	$27.0	$80.4
Costs and profits not billed	47.8	21.3
	74.8	101.7
Other trade receivables	883.3	848.9
Finance receivables	1.8	2.0
Notes receivable	32.5	25.6
Other receivables	57.9	34.0
	1,050.3	1,012.2
Less allowance for doubtful accounts	(20.1)	(21.8)
	$1,030.2	$990.4

Costs and profits not billed include undefinitized change orders on existing long-term contracts and “not-to-exceed” undefinitized contracts whereby the Company cannot invoice the customer the full price under the contract or contract change order until such contract or change order is definitized and agreed to with the customer following a review of costs under such contract or change order, even though the contract deliverables may have been met. Definitization of a change order on an existing long-term contract or a sole source contract begins when the U.S. government customer undertakes a detailed review of the Company’s submitted costs and proposed margin related to the contract and concludes with a final change order. The Company recognizes revenue on undefinitized contracts to the extent that it can reasonably and reliably estimate the expected final contract price and when collectability is reasonably assured. To the extent that contract definitization results in changes to previously estimated or incurred costs or revenues, the Company records those adjustments as a change in estimate. During the nine months ended June 30, 2014, the Company recorded revenue of $7.5 million related to changes in estimates on undefinitized contracts. The change increased net income by $4.7 million, or $0.05 per share, for the nine months ended June 30, 2014.

Classification of receivables in the Condensed Consolidated Balance Sheets consisted of the following (in millions):

	June 30, 2015	September 30, 2014
Current receivables	$1,012.0	$974.9
Long-term receivables	18.2	15.5
	$1,030.2	$990.4

Finance and notes receivable aging and accrual status consisted of the following (in millions):

	Finance Receivables		Notes Receivable	
	June 30, 2015	September 30, 2014	June 30, 2015	September 30, 2014
Aging of receivables that are past due:				
Greater than 30 days and less than 60 days	$—	$—	$—	$—
Greater than 60 days and less than 90 days	—	—	—	—
Greater than 90 days	—	—	—	2.2
Receivables on nonaccrual status	1.3	1.3	18.7	18.3
Receivables past due 90 days or more and still accruing	—	—	—	—
Receivables subject to general reserves	0.5	0.7	—	—
Allowance for doubtful accounts	—	—	—	—
Receivables subject to specific reserves	1.3	1.3	32.5	25.6
Allowance for doubtful accounts	—	—	(12.5)	(13.6)

Finance Receivables: Finance receivables represent sales-type leases resulting from the sale of the Company's products and the purchase of finance receivables from lenders pursuant to customer defaults under program agreements with finance companies. Finance receivables originated by the Company generally include a residual value component. Residual values are determined based on the expectation that the underlying equipment will have a minimum fair market value at the end of the lease term. This residual value accrues to the Company at the end of the lease. The Company uses its experience and knowledge as an original equipment manufacturer and participant in end markets for the related products along with third-party studies to estimate residual values. The Company monitors these values for impairment on a periodic basis and reflects any resulting reductions in value in current earnings. Finance receivables are written down if management determines that the specific borrower does not have the ability to repay the loan amounts due in full.

Delinquency is the primary indicator of credit quality of finance receivables. The Company maintains a general allowance for finance receivables considered doubtful of future collection based upon historical experience. Additional allowances are established based upon the Company’s perception of the quality of the finance receivables, including the length of time the receivables are past due, past experience of collectability and underlying economic conditions. In circumstances where the Company believes collectability is no longer reasonably assured, a specific allowance is recorded to reduce the net recognized receivable to the amount reasonably expected to be collected. The terms of the finance agreements generally give the Company the ability to take possession of the underlying collateral. The Company may incur losses in excess of recorded allowances if the financial condition of its customers were to deteriorate or the full amount of any anticipated proceeds from the sale of the collateral supporting its customers’ financial obligations is not realized.

Notes Receivable: Notes receivable include amounts related to refinancing of trade accounts and finance receivables. As of June 30, 2015, approximately 82% of the notes receivable balance outstanding was due from three parties. The Company routinely evaluates the creditworthiness of its customers and establishes reserves where the Company believes collectability is no longer reasonably assured. Notes receivable are written down if management determines that the specific borrower does not have the ability to repay the loan in full. Certain notes receivable are collateralized by a security interest in the underlying assets and/or other assets owned by the debtor. The Company may incur losses in excess of recorded allowances if the financial condition of its customers were to deteriorate or the full amount of any anticipated proceeds from the sale of the collateral supporting its customers' financial obligations is not realized.

Quality of Finance and Notes Receivable: The Company does not accrue interest income on finance and notes receivable in circumstances where the Company believes collectability is no longer reasonably assured. Any cash payments received on nonaccrual finance and notes receivable are applied first to the principal balances. The Company does not resume accrual of interest income until the customer has shown that it is capable of meeting its financial obligations by making timely payments over a sustained period of time. The Company determines past due or delinquency status based upon the due date of the receivable.

Receivables subject to specific reserves also include loans that the Company has modified in troubled debt restructurings as a concession to customers experiencing financial difficulty. To minimize the economic loss, the Company may modify certain finance and notes receivable. Modifications generally consist of restructured payment terms and time frames in which no payments are required. At June 30, 2015, restructured finance and notes receivables were $0.5 million and $15.8 million, respectively. Losses on troubled debt restructurings were not significant during the three and nine months ended June 30, 2015 and 2014, respectively. The Company agreed to restructure a note receivable with a customer in December 2014. Under the terms of the restructured note, the maturity date was changed from June 30, 2017 to December 31, 2019. The restructured note requires the customer to make semi-annual payments of principal and interest with a balloon payment due at maturity, consistent with the previous note. At June 30, 2015, the outstanding balance of the restructured note, net of reserves, was $3.3 million.

Changes in the Company’s allowance for doubtful accounts by type of receivable were as follows (in millions):

	Three Months Ended June 30, 2015				Three Months Ended June 30, 2014			
	Finance	Notes	Trade and Other	Total	Finance	Notes	Trade and Other	Total
Allowance for doubtful accounts at beginning of period	$—	$12.1	$9.1	$21.2	$0.2	$13.8	$10.0	$24.0
Provision for doubtful accounts, net of recoveries	—	—	0.2	0.2	(0.1)	—	(0.3)	(0.4)
Charge-off of accounts	—	—	(1.7)	(1.7)	—	—	(0.1)	(0.1)
Foreign currency translation	—	0.4	—	0.4	—	—	0.4	0.4
Allowance for doubtful accounts at end of period	$—	$12.5	$7.6	$20.1	$0.1	$13.8	$10.0	$23.9
	Nine Months Ended June 30, 2015				Nine Months Ended June 30, 2014			
	Finance	Notes	Trade and Other	Total	Finance	Notes	Trade and Other	Total
Allowance for doubtful accounts at beginning of period	$—	$13.6	$8.2	$21.8	$—	$11.0	$9.4	$20.4
Provision for doubtful accounts, net of recoveries	—	0.1	1.4	1.5	0.1	2.8	0.8	3.7
Charge-off of accounts	—	—	(1.9)	(1.9)	—	(0.1)	(0.2)	(0.3)
Foreign currency translation	—	(1.2)	(0.1)	(1.3)	—	0.1	—	0.1
Allowance for doubtful accounts at end of period	$—	$12.5	$7.6	$20.1	$0.1	$13.8	$10.0	$23.9

4. Inventories

Inventories consisted of the following (in millions):

	June 30, 2015	September 30, 2014
Raw materials	$561.0	$519.4
Partially finished products	313.1	230.5

Finished products	588.7	336.4
Inventories at FIFO cost	1,462.8	1,086.3
Less:		
Progress/performance-based payments on U.S. government contracts	(29.4)	(42.5)
Excess of FIFO cost over LIFO cost	(81.2)	(82.9)
	$1,352.2	$960.9

Title to all inventories related to U.S. government contracts, which provide for progress or performance-based payments, vests with the U.S. government to the extent of unliquidated progress or performance-based payments.

5. Investments in Unconsolidated Affiliates

Investments in unconsolidated affiliates are accounted for under the equity method and consisted of the following (in millions):

	June 30, 2015	September 30, 2014
Mezcladoras (Mexico)	$10.8	$9.9
RiRent (The Netherlands)	5.8	11.2
	$16.6	$21.1

Recorded investments generally represent the Company’s maximum exposure to loss as a result of the Company’s ownership interest. Earnings or losses are reflected in “Equity in earnings (losses) of unconsolidated affiliates” in the Condensed Consolidated Statements of Income.

The Company and an unaffiliated third party are joint venture partners in Mezcladoras Y Trailers de Mexico, S.A. de C.V. ("Mezcladoras"). Mezcladoras is a manufacturer and distributor of industrial and commercial machinery with primary operations in Mexico. The Company recognized sales to Mezcladoras of $7.6 million and $4.9 million during the nine months ended June 30, 2015 and 2014, respectively. The Company recognizes income on sales to Mezcladoras at the time of shipment in proportion to the outside third-party interest in Mezcladoras and recognizes the remaining income upon the joint venture's sale of inventory to an unaffiliated customer. The Company earns a service fee for certain operational support services provided to Mezcladoras. For the nine months ended June 30, 2015 and 2014, the Company recognized service fees of $0.9 million and $0.7 million, respectively.

The Company and an unaffiliated third party are joint venture partners in RiRent Europe BV ("RiRent"). RiRent maintains a fleet of access equipment for short-term lease to rental companies throughout most of Europe. The re-rental fleet provides rental companies with equipment to support requirements on short notice. RiRent does not provide services directly to end users. The Company and its joint venture partner are in the process of winding down RiRent. The last sale of new equipment to RiRent by the Company was in October 2013. To the extent that RiRent has existing outstanding contracts, those contracts will continue to be maintained. The Company received dividends of €4.5 million ($5.3 million) from RiRent for the nine months ended June 30, 2015. In May 2015, RiRent terminated its bank credit facility.

6. Property, Plant and Equipment

Property, plant and equipment consisted of the following (in millions):

	June 30, 2015	September 30, 2014
Land and land improvements	$58.8	$48.6
Buildings	272.1	252.0
Machinery and equipment	659.7	624.8
Equipment on operating lease to others	38.9	41.0
Construction in progress	36.4	21.9
	1,065.9	988.3

Less accumulated depreciation	(610.2)	(582.8)
	$455.7	$405.5

Depreciation expense was $16.1 million and $17.0 million for the three months ended June 30, 2015 and 2014, respectively. Depreciation expense was $48.4 million and $48.2 million for the nine months ended June 30, 2015 and 2014, respectively. Capitalized interest was insignificant for all reported periods.

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Equipment on operating lease to others represents the cost of equipment shipped to customers for whom the Company has guaranteed the residual value and equipment on short-term leases. These transactions are accounted for as operating leases with the related assets capitalized and depreciated over their estimated economic lives of five to ten years. Cost less accumulated depreciation for equipment on operating lease at June 30, 2015 and September 30, 2014 was $29.8 million and $32.6 million, respectively.

7. Goodwill and Purchased Intangible Assets

Goodwill and other indefinite-lived intangible assets are not amortized, but are reviewed for impairment annually or more frequently if potential interim indicators exist that could result in impairment. The Company performs its annual impairment test in the fourth quarter of its fiscal year.

The following table presents changes in goodwill during the nine months ended June 30, 2015 (in millions):

	Access Equipment	Fire & Emergency	Commercial	Total
Net goodwill at September 30, 2014	$898.2	$106.1	$21.2	$1,025.5
Foreign currency translation	(25.7)	—	(0.3)	(26.0)
Other	2.5	—	—	2.5
Net goodwill at June 30, 2015	$875.0	$106.1	$20.9	$1,002.0

The following table presents details of the Company’s goodwill allocated to the reportable segments (in millions):

	June 30, 2015			September 30, 2014		
	Gross	Accumulated Impairment	Net	Gross	Accumulated Impairment	Net
Access equipment	$1,807.1	$(932.1)	$875.0	$1,830.3	$(932.1)	$898.2
Fire & emergency	108.1	(2.0)	106.1	108.1	(2.0)	106.1
Commercial	196.8	(175.9)	20.9	197.1	(175.9)	21.2
	$2,112.0	$(1,110.0)	$1,002.0	$2,135.5	$(1,110.0)	$1,025.5

Details of the Company’s total purchased intangible assets were as follows (in millions):

	June 30, 2015			
	Weighted-Average Life (in years)	Gross	Accumulated Amortization	Net
Amortizable intangible assets:				
Distribution network	39.1	$55.4	$(26.2)	$29.2
Non-compete	10.5	56.7	(56.2)	0.5
Technology-related	11.8	105.3	(81.3)	24.0