

Lindsay Corporation NYSE:LNN

FQ2 2020 Earnings Call Transcripts

Tuesday, April 07, 2020 3:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2020-			-FQ3 2020-	-FY 2020-	-FY 2021-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.47	0.51	▲8.51	0.70	1.80	2.78
Revenue (mm)	113.93	113.79	▼(0.12 %)	124.44	443.75	461.61

Currency: USD

Consensus as of Apr-07-2020 1:45 PM GMT

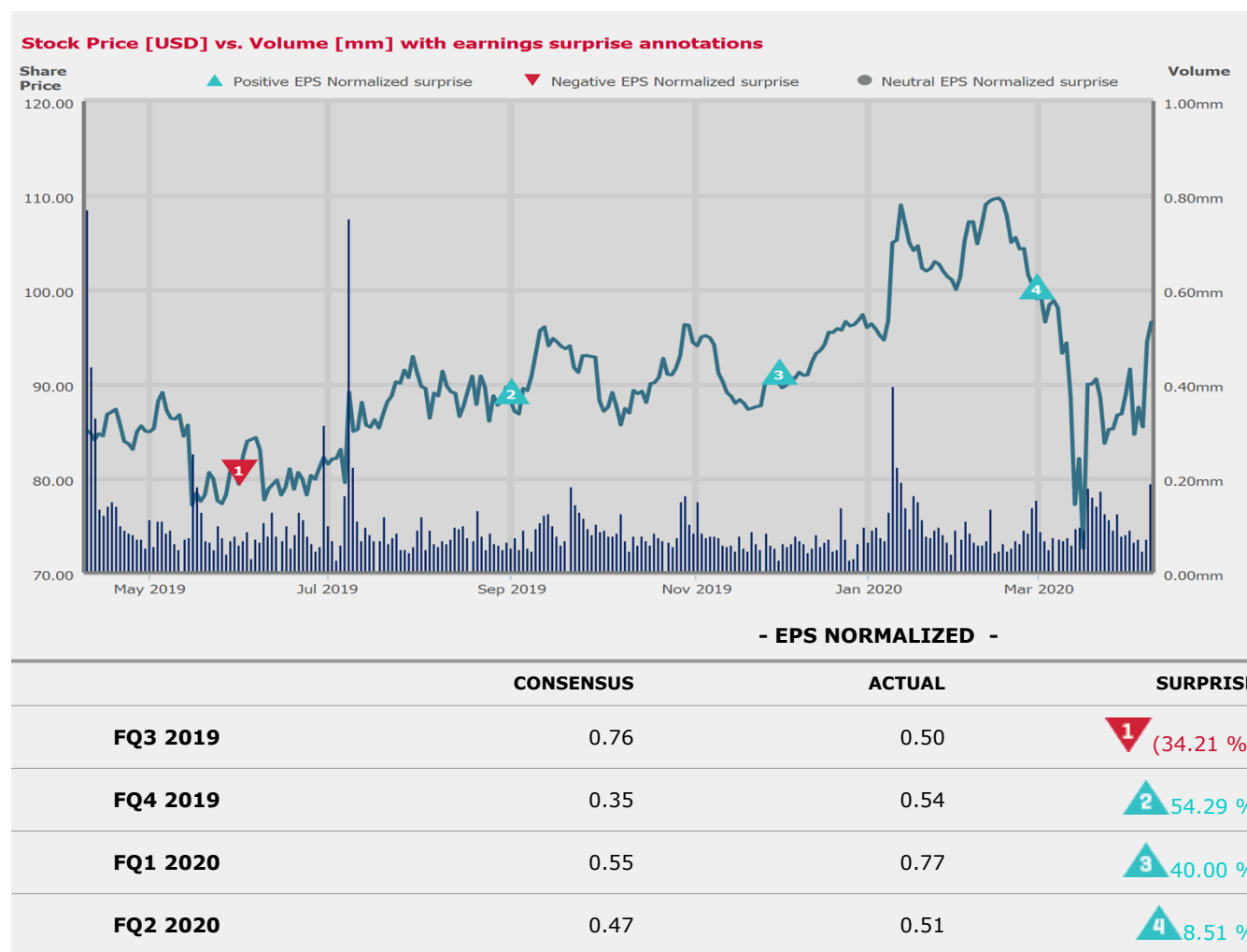


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Call Participants

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Senior VP & CFO

Timothy L. Hassinger
President, CEO & Director

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Joseph Logan Mondillo
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Nathan Hardie Jones
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Ryan Michael Connors
*Boenning and Scattergood, Inc.,
Research Division*

Presentation

Operator

Good morning. My name is Nick, and I'll be your conference operator today. At this time, I'd like to welcome everyone to Lindsay Corporation Second Quarter Fiscal Year 2020 Earnings Call. [Operator Instructions] Please note, the event is being recorded.

During this call, management may make forward-looking statements that are subject to risks and uncertainties, which reflect management's current beliefs, estimates of future economic circumstances, industry conditions, company performance and fiscal financial results. Forward-looking statements include the information concerning possible or assumed future results of operations of the company and those statements preceded by, followed by or including the words expectation, outlook, could, may, should or similar expressions. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. I'd now like to turn the call over to Mr. Tim Hassinger, President and Chief Executive Officer. Please go ahead.

Timothy L. Hassinger
President, CEO & Director

Good morning, and thank you for joining our call. With me on today's call is Brian Ketcham, our Chief Financial Officer. I feel it's prudent to mention that Brian and I are sitting together in a conference room more than 6 feet apart, adhering to social distancing guidelines.

This quarter, in the domestic irrigation business, we saw the resolution of various trade disputes that have been putting downward pressure on farmer sentiment. The market facilitation payments administered through the USDA did significantly contribute to farm income. However, commodity prices did not fundamentally change given the uncertainty that existed in China's expected commodity crop purchases. Until the recent COVID-19 impact, we had observed an incremental improvement in customer sentiment.

We continue to make progress on our innovation and collaboration strategies for FieldNET and FieldNET Advisor. Year-to-date, our penetration rates with our telemetry technology is up 50-plus percent versus the prior year. To enhance the opportunity for farmers to gain access to the Lindsay's telemetry technology and in this case, Pivot Watch, Lindsay will be offering this product on Amazon later this spring. Given the do-it-yourself nature of Pivot Watch, this option will enhance penetration with growers who want to go online to buy the product and install it themselves.

Also, in connection to our collaboration with Farmers Edge, they recently announced their 2020 smart water offering that includes access to FieldNET and FieldNET Advisor for their customer base. Early indications are positive based on their customer acceptance and feedback.

In the international irrigation business, the global project market remains active, but largely uncertain regarding timing. In Brazil, we continue to see growth, and we have made several investments to enhance our commercial capabilities.

For infrastructure, growth in the Road Zipper business continues to gain momentum. In this past quarter, we were awarded a contract from Highways England for supply of a movable barrier system for use in Kent, United Kingdom. Highways England plans for the entire system and related traffic management scheme to be fully operational by December 31, 2020. The total value of the contract as awarded is approximately \$28 million.

Also, we have secured another order from our partner in Japan, Nexco East, for a new reactive tension barrier to use with their existing Road Zipper systems. That order value is approximately \$10 million, and we will begin delivery in our fiscal third quarter. These are great examples that we are successfully addressing the need to grow this business and reduce the lumpiness.

Last quarter, I shared that our overall sales funnel projects based on a 50% probability of success is at the highest level it has ever been, along with the number of machines being leased on target to be at the highest level ever as well.

One additional point I'd like to share is that we now have potential projects in our sales funnel in more countries than ever before. We stated more than 2 years ago when we launched the Foundation for Growth initiative that for the Road Zipper business, we wanted to increase our leasing business, be active in more countries and increase the overall sales. We are achieving these 3 objectives, and this business is moving in a positive direction. Regarding our Foundation for Growth initiative, we continue to see that the margin improvement projects we implemented are delivering as expected.

Lastly, I'd like to address the impact COVID-19 had on our second quarter results and the associated forward view. In our second quarter, COVID-19 did have an impact on product flow in some cases related to scheduled shipments to and from the affected areas. In addition, our plant in China was temporarily shut down, aligned to the country mandate. At the end of the quarter, this plant resumed operations and is fully operational. Overall, the disruption in quarter 2 was not material to our overall results.

Looking forward, our primary focus is to ensure our employees are safe and to mitigate the various risks connected to the COVID-19 pandemic impacting our business. To the best of our knowledge, we have not had any confirmed cases of employees with COVID-19. We proactively put a number of measures in place to promote employee safety, including eliminating nonessential business travel, implementing return-to-work restrictions for employees returning from travel and evaluating whether meetings may be postponed or held virtually. Our company has moved to a work-from-home direction for roles that can be done at home, and for roles that require the employee to go to the site, we have implemented work restrictions aligned to CDC and Department of Health recommendations, including strict social distancing guidelines that are being deployed in all our sites.

Our businesses and products are generally considered business essentials, to support agriculture and critical infrastructure activities. So our plans will remain operational as long as we have demand for our products, are allowed to remain open by local governments and can provide for the safety of our employees. At the present time, we have temporarily ceased production in our South Africa irrigation facility for 3 weeks due to a government mandate. However, we remain open to support the service parts business.

In order to manage the ongoing challenges for [COVID-19], a rapid response team structure is in place across the company to address issues that arise and identify ways to mitigate potential risk to the business going forward. I would like to take this opportunity to thank our employees who -- to continue to keep our manufacturing facilities operational and allowing us to deliver on our commitments to our customers. I would also like to thank our employees who are working from home, supporting all the other functions of our company. I'd like now to turn the call over to Brian to review our second quarter results.

Brian L. Ketcham
Senior VP & CFO

Thank you, Tim, and good morning, everyone. My comments regarding second quarter comparisons will refer to adjusted results for the prior year, which omit the impact of Foundation for Growth costs that were incurred in that period. Adjusted results for the prior year are detailed in the Regulation G disclosure at the end of the press release. No adjustments were made to current period results.

Total revenues for the second quarter of fiscal 2020 were \$113.8 million compared to \$109.2 million in the same quarter last year. Net earnings for the quarter were \$5.5 million or \$0.51 per diluted share compared to net earnings of \$200,000 or \$0.02 per diluted share in the same quarter last year.

Irrigation segment revenues for the second quarter of fiscal 2020 were \$92.1 million compared to \$95.8 million in the same quarter last year. North America irrigation revenues of \$65.7 million increased \$8 million or 14% compared to \$57.7 million in the same quarter last year. The increase resulted primarily from higher sales of replacement parts, increased irrigation equipment unit volume and higher revenue from engineering project services. Average selling prices for irrigation equipment were slightly higher

compared to the second quarter last year. Higher sales of replacement parts were due to the timing of deliveries under our fall restocking program as we saw a shift in a portion of our sales from first quarter to second quarter.

In the international irrigation markets, revenues were \$26.4 million compared to \$38.1 million in the same quarter last year. The decrease resulted primarily from a large project sale in a developing market in the prior year that did not repeat. In addition, approximately \$1.1 million of the decrease resulted from differences in foreign currency translation rates.

As previously mentioned, current year project sales in developing markets have been impacted by delays in start dates and are now being further impacted by delivery constraints created by travel restrictions as well as border closings in some countries as part of efforts to contain the spread of the coronavirus.

Total irrigation segment operating income for the second quarter of \$9.6 million was \$2.1 million higher than the prior year, and operating margin improved to 10.4% compared to 7.9% in the prior year. Operating income and margin improvement resulted from higher North America sales and from improved cost and pricing performance. These improvements were partially offset by the impact of incremental costs of approximately \$1 million incurred during the quarter, including severance and commercial development expenses.

Infrastructure segment revenues for the second quarter of fiscal 2020 were \$21.7 million, an increase of \$8.3 million or 62% compared to the same quarter last year. The increase resulted from higher Road Zipper system sales and lease revenues and an increase in sales of road safety products compared to the prior year. Infrastructure segment operating income for the second quarter was \$6.4 million compared to an operating loss of \$400,000 in the prior year. Operating margin for the quarter was 29.3% of sales. Operating income and margin improvement resulted primarily from increased sales in higher-margin product lines and from improved cost and pricing performance. In addition, operating income for the quarter included a gain of \$1.2 million on the sale of a building that had been held for sale. Turning to the balance sheet and liquidity, Lindsay is well positioned with a strong balance sheet and sufficient liquidity as we face the uncertainty and challenges presented by the global coronavirus pandemic. Our total available liquidity at the end of the second quarter was \$170 million with \$120 million in cash, cash equivalents and marketable securities and \$50 million available under our revolving credit facility. Our total long-term debt was \$116.5 million at the end of the second quarter, and of that amount, \$115 million matures in 2030. At the end of the quarter, we were well within the financial covenants of our borrowing facilities, including a funded debt-to-EBITDA leverage ratio of 2.0 compared to a covenant limit of 3.5. At this time, I would like to turn the call over to the operator to take your questions.

Question and Answer

Operator

[Operator Instructions] First question comes from Brian Drab, William Blair. Mr. Drab, are you there? Is your line on mute?

We'll move to the next question. That comes from Mr. Nathan Jones of Stifel.

Nathan Hardie Jones

Stifel, Nicolaus & Company, Incorporated, Research Division

I guess I'll start with the question on everybody's mind, and that's the impact of coronavirus. I know you guys gave some updates on the impact in the second quarter, but things haven't really started to pick up at all then. Our checks of your -- yours at Lindsay, yours and Valmont's dealer network really shows that the dealers are not expecting, domestic irrigation dealers, are not expecting much of an impact from coronavirus on demand. Could you maybe talk a little bit about what you saw in March specifically, if there was a change in the demand patterns relative to what you'd expected or if there was a change in the demand patterns as we went through the month?

Timothy L. Hassinger

President, CEO & Director

Yes, Nathan, this is Tim, and this is an important question. So let's talk about it in a broader sense, and then we'll come to exactly what we're seeing relative to demand as a result of that. But we did move to a work-from-home direction, as I had mentioned, and then for the roles that are, with employees that need to go to the site, we are following the CDC and health official recommendations. The business impact that we had for second quarter, we put as less than \$1 million operating income. To your point, we were on the front edge of the COVID at that point in time. Currently, of our 9 manufacturing plants, 8 are still fully operational, and the one in South Africa, this plant is continuing to support replacement parts and service. Now when we evaluate whether to keep a plant running, we really look at 3 key questions: Is there -- is the -- what's the current demand level; is the business classified as business essential; and are the safety guidelines that are in place being followed? And then that determines whether we continue to operate that plant.

So in terms of what we're seeing from a demand standpoint, it speaks to what you're saying is, overall, I would describe the farm community hasn't felt the impact as what urban areas has from a reality and also from just a concern or perception standpoint. Right now, we would describe as, on the ag side, more concerning would be the lower commodity prices that are across most of the major ones.

Nathan Hardie Jones

Stifel, Nicolaus & Company, Incorporated, Research Division

And do you see any -- I mean, I guess, we'll do the whole portfolio. In March, did you see any deviations relative to what you'd expected to see specifically from COVID-19?

Timothy L. Hassinger

President, CEO & Director

Well, we would describe our demand pattern without going into forward-looking comments here, Nathan, as saying we've been encouraged by what we've seen so far.

Nathan Hardie Jones

Stifel, Nicolaus & Company, Incorporated, Research Division

Okay. I guess my next question is you and everybody else are starting to put practices into your facility, that are likely to create inefficiencies. I mean if you make people stay 6 feet away from each other and all those kinds of different things that you put in place within those facilities, I would imagine that, that causes some inefficiencies, reduces throughput, increases costs to some extent, I'm sure it varies by

different locations. But maybe you could talk about the impact that those things are having on your own operations?

Timothy L. Hassinger
President, CEO & Director

Well, first of all, the types of activities that we've implemented, what we refer to as strict social distancing, which leads to things like redesigning break rooms, doing staggered shifts, taking staggered breaks, those types of activities, definitely, that brings another level of complexity, and typically, complexity can bring some additional cost. But at this point in time, Nathan, I wouldn't describe it as meaningful in the cost side.

Operator

Next question comes from Mr. Brian Drab with William Blair.

Brian Paul Drab
William Blair & Company L.L.C., Research Division

All right. Can you hear me?

Timothy L. Hassinger
President, CEO & Director

Yes, Brian.

Brian Paul Drab
William Blair & Company L.L.C., Research Division

Okay. So sort of building on some of the COVID concerns. Is there any chance that the outbreak or social distancing will affect interactions between dealers and customers? Or is it -- I guess, Tim, you just mentioned kind of the perception and concern regarding COVID maybe in the more rural areas, where the deals are being done just it's not really hindering the interactions as much?

Timothy L. Hassinger
President, CEO & Director

Brian, I wouldn't say it's not having an impact on interactions because the social distancing obviously brings -- again, I'll use the word complexity, a level of that, to the interactions that are going on. But I think the key here is, will it impact demand, and at this point in time, I -- we don't have signs of saying that if a farmer wants to move forward with a purchasing decision, that the social distancing guidelines are getting in the way of that transaction occurring.

Brian Paul Drab
William Blair & Company L.L.C., Research Division

Okay. And I was thinking about this and I would imagine that, potentially, the outbreak has more of an effect on some of the smaller growers versus some of the corporate farms, like Frito-Lay, et cetera. Can you comment at all about what your exposure is to the larger corporate farms, whether that's a majority or minority of irrigation sales?

Brian L. Ketcham
Senior VP & CFO

Yes. Brian, this is Brian Ketcham. Yes. I think we have a large part of our business that is directed towards more of your large corporate growers. I think to your point, on companies like a Frito-Lay, it also speaks to the pressure that's being put on right now on commodity prices relating to potatoes, as an example, with restaurants and schools being closed. I think there's some downward pressure on potato prices. There's also some downward pressure on dairy. But I guess, given the time of year that we're in, a lot of the purchasing decisions for this year have already been made. I think the big unknown at this point is,

how long does the situation continue, and what is the impact on commodity prices as we get into next fall and post-harvest time.

Brian Paul Drab

William Blair & Company L.L.C., Research Division

Okay, okay. And then if I could just ask 2 questions on the infrastructure side. Can you give us any sense for the timing, the revenue and how much will come in each quarter from this U.K. Road Zipper project?

Timothy L. Hassinger

President, CEO & Director

Yes. So we will begin deliveries probably in April, picking up in May. Our expectation is that we will have this in place by the end of our first quarter next year. But if you -- there's some variables and assumptions in regard to people being able to work on the project and things like that, which, at this point, we feel comfortable with that situation. So I think it's -- if you divide that \$28 million over a 6-month period, that will give you a general flavor for how that would fall.

Brian Paul Drab

William Blair & Company L.L.C., Research Division

Okay. Is it fair to -- I think, I guess, see if I have the quarters right, because I mean you have a May quarter, right, June, July, August. So I guess in the May quarter, maybe 20%; August quarter, 40%; and then the November quarter, 40%. Is that a rough -- even in the ballpark of roughly how to think about the distribution?

Timothy L. Hassinger

President, CEO & Director

It's -- yes, I think it's in the ballpark. I think the May quarter would be probably a little less than that just because of where the startup will be later in April and then into May. So you'll probably look at it, maybe \$5 million or \$6 million in the quarter.

Brian Paul Drab

William Blair & Company L.L.C., Research Division

Okay. \$5 million or \$6 million in the May quarter, did you say \$5 million or \$6 million?

Timothy L. Hassinger

President, CEO & Director

Yes. Yes.

Brian Paul Drab

William Blair & Company L.L.C., Research Division

Okay. And then last question is, how excited are you about the prospects for a major infrastructure bill? How would that affect your business?

Timothy L. Hassinger

President, CEO & Director

So Brian, we definitely believe there is the potential of that. We're monitoring that closely. We do see that as a significant opportunity for our business. So there is a level of excitement here of what potential that could bring.

Operator

Next call is from Ryan Connors of Boenning and Scattergood.

Ryan Michael Connors

Boenning and Scattergood, Inc., Research Division

Guys, I wanted to just probe a little deeper on the issue of commodity prices. I mean I appreciate the optimism and the idea that maybe this could be just a transitory impact. But I know the USDA's been out there with some pretty aggressive forecasts on planted acreage for corn. As you alluded to, Tim, a lot of those decisions were made before this all came out, and they're saying that restaurant demand is down in terms of food and so forth. So you can paint a pretty dire picture as we get into the fall if the weather cooperates, and this is less than transitory on the demand side, you can paint a pretty dire picture of what commodities could look like 6, 9, 12 months down the road.

So I guess I'd frame it this way. I mean you talk about Foundation for Growth and your margin targets and that sort of thing. When you laid that out, you kind of said, "Look, that's with no help from the cycle", which is appropriate to manage the business independent of that. But if we've -- how do you frame those -- the Foundation for Growth, the margin targets, et cetera, in light of what could be, not only a lack of help from the cycle but some damage, so to speak, from the cycle?

Timothy L. Hassinger
President, CEO & Director

Yes. Ryan, this is Tim. We're going to continue with what we said at the very beginning as we were going to -- expectation and commitment that we could deliver 11% to 12% in a market similar to 2017. To your point, commodity prices have definitely seen downward pressure with what we're seeing in the near term here. Having said that, we feel very good about what we're delivering on Foundation for Growth. We're quite open about saying that we are -- delivered on the projects that we laid out. Example to highlight is in Road Zipper and the shift-left strategy. We feel excellent about what's happening. So we're going to stay with the positioning that we laid out a couple of years ago, but bring proof points of how we're doing along the way. And one of the things that you continue to hear us focus on is what we're doing on the shift-left strategy. We think this is really adding a lot of value to the company.

Ryan Michael Connors
Boenning and Scattergood, Inc., Research Division

Got it. Okay. And then one more, more specifically as it relates to Foundation for Growth initiatives and just restructuring the business in general. I mean I guess one of the benefits of having gone through that is that you enter a rougher patch maybe with a leaner shop. But I guess the flip side of that is maybe there's fewer levers to pull going forward. So if we look at some of the fixed lines and the model like G&A and things like that, I mean, have -- is there room there to make more moves if you have to, if the market heads south? Or do you risk kind of cutting into bone there?

Timothy L. Hassinger
President, CEO & Director

These products [continue] in what's -- I find very positive about our Foundation for Growth. It hasn't been a case of just the original projects and get their limitation. We're continuing to build a funnel of other ones coming forward. So this starts to become part of the culture. But Ryan, another thing I want to highlight, and I think that this is really critical, as we put 4 behaviors in place into our company 2 years ago and as [indiscernible] in this new environment, those new behaviors are really helping us manage the business in this rapidly changed environment. And it has helped us a lot in how we've communicated and how we've structured what we call our response management on that. So in total, we believe Foundation for Growth has helped us in this environment. And I wouldn't say that we're wrong because we're continuing to find new price to put into our funnel, going forward.

Operator

Next question is from Joseph Mondillo, Sidoti & Company.

Joseph Logan Mondillo
Sidoti & Company, LLC

I was wondering, I just sort of wanted to ask another question sort of related to commodity prices, just maybe in a different way. How much do you guys anticipate such as like corn demand there to be affected

by this downturn? I know ethanol is a big component of corn consumption, and then obviously, there's the food aspect of demand. And relative to what you just posted in the North America part of the irrigation segment, which was better than I was looking for, how much is that sort of just totally in the past and really, it looks good that things were trending in the positive, but things have changed so much since the February quarter? Could you maybe frame your answer sort of with that kind of a context?

Timothy L. Hassinger
President, CEO & Director

Yes. Joe, you asked on corn, so specifically address that crop. Right now, USDA laid it past, would say that we're going to have the most planted acres on corn since '20. So there's definitely a large interest gravitating towards that crop. A downward pressure on the corn is clearly ethanol. On the other side is the Phase 1 China trade deal. We have to [indiscernible] this is from China on corn, which is helping there. There's some optimism, could that thing, could Phase 1 also include ethanol? So key -- that is a key question here is, lift will come from the China Phase 1 trade deal. But definitely, there is downward pressure across the board on the key commodity crops.

Joseph Logan Mondillo
Sidoti & Company, LLC

All right. And then I guess I should ask, since no one did, I don't think it's probably going to be overly significant, but the South African plant closure, how significant is that to your overall business?

Timothy L. Hassinger
President, CEO & Director

Today, we are working with the assumption that it will be a 3-week temporary closing. And with that assumption, Joe, we would not call it meaningful with -- assuming that continues to play as we've described here.

Joseph Logan Mondillo
Sidoti & Company, LLC

All right. And a couple of questions on the infrastructure segment. First off, that Japan Road Zipper, \$10 million delivery that you're expecting in the third quarter, was that in the backlog? And then can you talk about how just the overall infrastructure segment sort of outlook is in a scenario of a severe just overall recession, what the challenges are, how effective that business would be or not be just to give us?

Brian L. Ketcham
Senior VP & CFO

Great, Joe. Yes, this is Brian. Both the U.K. project and the \$10 million Japan order were added to the backlog prior to the end of the quarter. So they are in the backlog. And I think in terms of the infrastructure business, what we're being told is, and especially with these 2 projects, they are definitely high priorities for Japan, and they expect to continue to go forward in spite of the coronavirus situation. When you look at the U.S. and the DOTs that we've talked to, they do their planning on a multiyear horizon. So they want to continue to move forward with the projects that they've got planned this year. If not, it causes a significant disruption in their entire planning process. So what we're being told today is the projects that we've got planned and are looking at for this year are going to continue to go forward.

Joseph Logan Mondillo
Sidoti & Company, LLC

All right. And then one last question. Just in terms of the -- actually, 2 questions. First off, CapEx was a little light in the second quarter. Are you still expecting that \$15 million to \$20 million like you were originally anticipating? And then number two, on the balance sheet, just given the strength of the balance sheet, I probably would assume that you're going to be a little conservative in the near term, but just sort of more thinking about long term with Foundation for Growth largely completed, how are you thinking about sort of utilizing the balance sheet? Is acquisitions part of your strategy going forward? Or just could you give us an update on that sort of long-term strategy with the balance sheet?

Timothy L. Hassinger
President, CEO & Director

Yes. First of all, in regard to CapEx, yes, through the first 6 months, we've only spent about \$5.3 million. We still -- and the reason for that being a little bit lower than expectation is that some of that CapEx activity was planned to build barrier and machines for the Road Zipper leased fleet. And that spending was temporarily diverted to building up inventory to supply the U.K. project as well as the Japan project. But in the second half of the year, we are still expecting we'll spend between \$10 million and \$15 million in the second half, which will get us into that \$15 million to \$20 million range for the year.

Just in general, regard to capital allocation, I would say the priorities remain the same. I think right now, given the current uncertain environment, liquidity and capital preservation is important. We -- at this point, would continue to probably be in a little bit of a holding pattern when it comes to share repurchase. In terms of acquisitions, we continue to have a number of discussions with potential targets. I think one thing we are seeing in that regard too is a little bit of a wait-and-see situation with some sellers right now.

Operator

Next question is from Jon Braatz, Kansas City Capital.

Jonathan Paul Braatz
Kansas City Capital Associates

On the international irrigation side of the business, obviously, the COVID-19 impact really began having a bigger impact, I should say, in March and in April. When you look at the international irrigation business, would you expect to see added pressure to that piece of the business and maybe even a more difficult second half than what we saw in the first half?

Timothy L. Hassinger
President, CEO & Director

Jon, the area in the international business that I would highlight to address that part of the question is the Middle East. We had started to ship a large project order into that market, and that order had been put on hold due to border closures, which was tied to COVID-19. We do expect the shipments to continue into late Q3 and into Q4, but that's assuming the border crossings are allowed. We see signs of good project demand that will be tendered later this year but not likely for fiscal year '20 delivery. That's where I would describe the biggest impact of COVID-19 at this point in time. The other area I would highlight is South Africa. Given the fact that our plant is, temporarily ceased production, that's due to an overall country mandate. So that's one area where we do activity will be slowed also due to this.

Jonathan Paul Braatz
Kansas City Capital Associates

Okay. Brian, one question. On the income statement, there was \$1 million other expense item in the quarter. What was that?

Brian L. Ketcham
Senior VP & CFO

Yes, Jon. In the -- it was in the irrigation and the primary drivers there was -- there were some severance costs, both in the U.S. and in the international business, due to workforce reductions. There's also commercial development activities in the U.S., some marketing initiatives around our technology products and then in Brazil, with some of the dealer development expenses with new dealers that were added during the quarter.

Jonathan Paul Braatz
Kansas City Capital Associates

Okay. Okay. Is the workforce at the level that you would like it to be? Or would we see -- would you anticipate any other workforce reductions?

Timothy L. Hassinger

President, CEO & Director

Yes, and I would describe that at this point in time, we feel good about where we're at, but we're still -- there's always a continuous improvement mentality. So I'm not going to say there won't be changes. But at this point, we feel good about where we're at, recognizing that there is more unknowns in this environment going forward due to COVID-19.

Operator

Next question comes from Chris Shaw of Monness, Crespi.

Christopher Lawrence Shaw

Monness, Crespi, Hardt & Co., Inc., Research Division

If I could ask on the irrigation, I guess sort of more broadly, if you go back and historically, you guys were very tied to corn prices it seemed like, going back a decade or so. I was just wondering, given that the -- when you've given the percentages of new irrigation systems versus parts and all that more recently, that's really gone down in terms of new irrigation systems. So just looking now, is the correlation between sort of corn prices maybe and your irrigation sales not as correlated, just because new systems is such a lower percent at this point and it's mostly replacement parts or other kinds of irrigation, maybe for other crops? And then actually, is corn that big -- is that really -- is that shrunk as an actual end market for you?

Brian L. Ketcham

Senior VP & CFO

Yes. Chris, this is Brian. Well, to your first question, I mean, just in the most recent quarter, new dry land irrigation or new irrigation for the first time was actually at 34% of the total sales. So it still remains within that range that we've talked about in the past of 1/3 in dry land conversion replacement, but we did see different parts of the country, where there's still new development going on in the U.S. To your question on corn, I think we definitely -- there's a strong -- corn drives a lot of irrigation, but there's other markets, what we've talked about, potato market, dairy market, other different types of crops in the Southeast and other areas but corn's still definitely a driver of the overall business.

Christopher Lawrence Shaw

Monness, Crespi, Hardt & Co., Inc., Research Division

Do you have a percentage of what the corn end market is for your overall irrigation sales in the U.S. at all? Or...

Brian L. Ketcham

Senior VP & CFO

No. We really don't. And part of the reason is even with potatoes and some of the other crops, corn is still a rotational crop. So it's still important in some of those markets as well. We don't -- it's not really clearly defined.

Christopher Lawrence Shaw

Monness, Crespi, Hardt & Co., Inc., Research Division

Right, that makes sense. And then just quickly on infrastructure. The U.K. project and Japan project, are both, those are both sales. There's no leasing involvement in either of those, is there?

Brian L. Ketcham

Senior VP & CFO

That's correct, yes. Both sales.

Operator

[Operator Instructions] Our next question is a follow-up from Nathan Jones of Stifel.

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Nathan Hardie Jones*Stifel, Nicolaus & Company, Incorporated, Research Division*

Just have a follow-up question on the part sales during the quarter. If I recall correctly, there was an absence of part sales in the first half of calendar 2020, with all the flooding that went on last year. And the anticipation was that some of it will be caught up last year and some of it would be caught up this year. So can you comment on -- was this a more normal level of part sales that you saw this year versus last year? Or are we at an elevated level of part sales catching up from some of the damage that was done in the flooding last year?

Brian L. Ketcham*Senior VP & CFO*

Yes, Nathan, this is Brian. The part sales in our first and second quarters are generally going to be more driven by the restocking program that we put in place post harvest. And as you recall, in our first quarter, we were down in part sales year-over-year, and we attributed that to timing of the deliveries this year. And so we saw that happen in our second quarter. So I would say, overall, year-to-date, our part sales are fairly similar to where we were a year ago. I think the flood impact is -- we're probably in that period of time now when these floods really started to impact and then into the summer when some of those machines never -- some of the farmers didn't plant and so the machines didn't run last year. But so far, year-to-date, I would say we're on par with where we were a year ago.

Nathan Hardie Jones*Stifel, Nicolaus & Company, Incorporated, Research Division*

Okay. So potentially some year-over-year increases in parts sales over the next couple of quarters. Just one more. On the infrastructure business, the Road Zipper business, you talked about having a funnel that was bigger than it has ever been last quarter and clearly converted a couple of big orders this quarter. So I'm sure it's smaller than it was a quarter ago. But can you talk about the pipeline of opportunities, how mature those things are, how much more cultivating they need and when you would think you might be able to turn some of those into more orders?

Timothy L. Hassinger*President, CEO & Director*

Yes. Nathan, this is Tim. Without giving numbers, what -- I'll describe that has been a part of the Foundation for Growth. We've got a lot more, I'll describe it as a sophisticated sales funnel at different stages, and we're tracking how long it takes to move to each age. What we're really excited about is that we're getting a higher percentage of our business as we continue to go forward into this shift-left category, and that is bringing an additional opportunity for demand that we hadn't had before.

So not only are you seeing better results immediate in terms of the sales that we're getting, but we're able to look back several -- years that we're able to look forward, I should say, several years into the future here, and we see good activity, and then we're tracking each of those stages, how long it takes for those projects to move forward. So that's why I'm able to say that we have the best sales funnel that we've ever had at this point in time. It isn't just because of the near term. It's in total.

Operator

At this time, there appear to be no more questions. Mr. Hassinger, I'll turn the call back to you for closing remarks.

Timothy L. Hassinger*President, CEO & Director*

This concludes our second quarter earnings call. Thank you for your interest and participation. Have a great day, and be safe.

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