

WORTHINGTON INDUSTRIES INC

Form 10-Q

April 07, 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 February 28, 2014

OR

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 001-08399

**WORTHINGTON INDUSTRIES, INC.**

(Exact name of registrant as specified in its charter)

Ohio  
(State or other jurisdiction of incorporation or organization)

31-1189815  
(I.R.S. Employer Identification No.)

200 Old Wilson Bridge Road, Columbus, Ohio  
(Address of principal executive offices)

43085  
(Zip Code)

(614) 438-3210  
(Registrant's telephone number, including area code)

Not applicable  
(Former name, former address and former fiscal year, if changed since last report)

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.

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YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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).

YES  NO

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

YES  NO

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date. On March 31, 2014, the number of Common Shares, without par value, issued and outstanding was 69,398,956.

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**SAFE HARBOR STATEMENT**

*Selected statements contained in this Quarterly Report on Form 10-Q, including, without limitation, in PART I Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, constitute forward-looking statements as that term is used in the Private Securities Litigation Reform Act of 1995 (the Act). Forward-looking statements reflect our current expectations, estimates or projections concerning future results or events. These statements are often identified by the use of forward-looking words or phrases such as believe, expect, anticipate, may, could, intend, estimate, plan, foresee, likely, will, should or other similar words or phrases. These forward-looking statements include, without limitation, statements relating to:*

*Outlook, strategy or business plans;  
future or expected growth, performance, sales, volumes, cash flows, earnings, balance sheet strengths, debt, financial condition or other financial measures;  
projected profitability potential, capacity, and working capital needs;  
demand trends for us or our markets;  
additions to product lines and opportunities to participate in new markets;  
pricing trends for raw materials and finished goods and the impact of pricing changes;  
anticipated capital expenditures and asset sales;  
anticipated improvements and efficiencies in costs, operations, sales, inventory management, sourcing or the supply chain and the results thereof;  
the ability to make acquisitions and the projected timing, results, benefits, costs, charges and expenditures related to acquisitions, newly-created joint ventures, headcount reductions and facility dispositions, shutdowns and consolidations;  
the alignment of operations with demand;  
the ability to operate profitably and generate cash in down markets;  
the ability to maintain margins and capture and maintain market share and to develop or take advantage of future opportunities, new products and new markets;  
expectations for Company and customer inventories, jobs and orders;  
expectations for the economy and markets or improvements therein;  
expected benefits from transformation plans, cost reduction efforts and other new initiatives;  
expectations for increasing volatility or improving and sustaining earnings, earnings potential, margins or shareholder value;  
effects of judicial rulings; and  
other non-historical matters.*

*Because they are based on beliefs, estimates and assumptions, forward-looking statements are inherently subject to risks and uncertainties that could cause actual results to differ materially from those projected. Any number of factors could affect actual results, including, without limitation, those that follow:*

*the effect of national, regional and worldwide economic conditions generally and within major product markets, including a prolonged or substantial economic downturn;  
the effect of legislation or regulations relating to the United States debt and budget, which may be adverse due to its impact on tax increases, governmental spending, customer confidence and spending, and the overall economy;  
the effect of conditions in national and worldwide financial markets;  
product demand and pricing;  
changes in product mix, product substitution and market acceptance of our products;  
fluctuations in the pricing, quality or availability of raw materials (particularly steel), supplies, transportation, utilities and other items required by operations;  
effects of facility closures and the consolidation of operations;  
the effect of financial difficulties, consolidation and other changes within the steel, automotive, construction and other industries in which we participate;  
failure to maintain appropriate levels of inventories;  
financial difficulties (including bankruptcy filings) of original equipment manufacturers, end-users and customers, suppliers, joint venture partners and others with whom we do business;  
the ability to realize targeted expense reductions from headcount reductions, facility closures and other cost reduction efforts;  
the ability to realize other cost savings and operational, sales and sourcing improvements and efficiencies, and other expected benefits from transformation initiatives, on a timely basis;*

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*the overall success of, and the ability to integrate, newly-acquired businesses and joint ventures, maintain and develop their customers, and achieve synergies and other expected benefits and cost savings therefrom;*  
*capacity levels and efficiencies, within facilities, within major product markets and within the industry as a whole;*  
*the effect of disruption in the business of suppliers, customers, facilities and shipping operations due to adverse weather, casualty events, equipment breakdowns, acts of war or terrorist activities or other causes;*  
*changes in customer demand, inventories, spending patterns, product choices, and supplier choices;*  
*risks associated with doing business internationally, including economic, political and social instability, foreign currency exposure and the lack of acceptance of our products;*  
*the ability to improve and maintain processes and business practices to keep pace with the economic, competitive and technological environment;*  
*the outcome of adverse claims experience with respect to workers' compensation, product recalls or product liability, casualty events or other matters;*  
*deviation of actual results from estimates and/or assumptions used by us in the application of our significant accounting policies;*  
*level of imports and import prices in our markets;*  
*the impact of the outcome of judicial and governmental agency rulings as well as the impact of governmental regulations, both in the United States and abroad, including those adopted by the United States Securities and Exchange Commission and other governmental agencies as contemplated by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010;*  
*the effect of changes to healthcare laws in the United States, which may increase our healthcare and other costs and negatively impact our financial results and operations; and*  
*other risks described from time to time in our filings with the United States Securities and Exchange Commission, including those described in PART I Item 1A. Risk Factors of our Annual Report on Form 10-K for the fiscal year ended May 31, 2013.*

*We note these factors for investors as contemplated by the Act. It is impossible to predict or identify all potential risk factors. Consequently, you should not consider the foregoing list to be a complete set of all potential risks and uncertainties. Any forward-looking statements in this Quarterly Report on Form 10-Q are based on current information as of the date of this Quarterly Report on Form 10-Q, and we assume no obligation to correct or update any such statements in the future, except as required by applicable law.*

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****WORTHINGTON INDUSTRIES, INC.****CONSOLIDATED BALANCE SHEETS****(In thousands)****(Unaudited)**

	<b>February 28, 2014</b>	<b>May 31, 2013</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 52,886	\$ 51,385
Receivables, less allowances of \$2,807 and \$3,408 at February 28, 2014 and May 31, 2013	467,927	394,327
Inventories:		
Raw materials	214,510	175,093
Work in process	123,011	103,861
Finished products	103,823	77,814
Total inventories	441,344	356,768
Income taxes receivable	9,346	724
Assets held for sale	2,435	3,040
Deferred income taxes	23,984	21,928
Prepaid expenses and other current assets	45,678	38,711
Total current assets	1,043,600	866,883
Investments in unconsolidated affiliates	175,454	246,125
Goodwill	237,553	213,858
Other intangible assets, net of accumulated amortization of \$32,667 and \$26,669 at February 28, 2014 and May 31, 2013	141,446	147,144
Other assets	16,876	17,417
Property, plant & equipment:		
Property, plant & equipment at cost	1,133,536	1,052,636
Less: accumulated depreciation	622,558	593,206
Property, plant and equipment, net	510,978	459,430
<b>Total assets</b>	<b>\$ 2,125,907</b>	<b>\$ 1,950,857</b>
<b>Liabilities and equity</b>		
Current liabilities:		
Accounts payable	\$ 379,230	\$ 222,696
Short-term borrowings	35,356	113,728
Accrued compensation, contributions to employee benefit plans and related taxes	78,944	68,043
Dividends payable	11,022	551
Other accrued items	38,552	36,536
Income taxes payable	4,879	6,268
Current maturities of long-term debt	101,114	1,092

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Total current liabilities	649,097	448,914
Other liabilities	73,467	70,882
Distributions in excess of investment in unconsolidated affiliate	62,387	63,187
Long-term debt	305,370	406,236
Deferred income taxes	77,673	89,401
Total liabilities	1,167,994	1,078,620
Shareholders' equity - controlling interest	861,020	830,822
Noncontrolling interest	96,893	41,415
Total equity	957,913	872,237
<b>Total liabilities and equity</b>	<b>\$ 2,125,907</b>	<b>\$ 1,950,857</b>

See notes to consolidated financial statements.

**Table of Contents****WORTHINGTON INDUSTRIES, INC.****CONSOLIDATED STATEMENTS OF EARNINGS****(In thousands, except per share amounts)****(Unaudited)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>February 28,</b>		<b>February 28,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net sales	\$ 773,230	\$ 619,527	\$ 2,235,421	\$ 1,908,184
Cost of goods sold	650,743	522,501	1,873,738	1,622,651
Gross margin	122,487	97,026	361,683	285,533
Selling, general and administrative expense	75,680	63,221	225,615	187,744
Impairment of long-lived assets	-	-	35,375	1,520
Restructuring and other expense (income)	1,398	146	(3,781)	1,811
Joint venture transactions	120	253	1,048	(1,188)
Operating income	45,289	33,406	103,426	95,646
Other income (expense):				
Miscellaneous income	488	596	13,897	1,064
Interest expense	(6,196)	(6,158)	(18,694)	(17,751)
Equity in net income of unconsolidated affiliates	21,186	25,716	69,223	73,580
Earnings before income taxes	60,767	53,560	167,852	152,539
Income tax expense	16,556	16,229	38,948	47,721
<b>Net earnings</b>	<b>44,211</b>	<b>37,331</b>	<b>128,904</b>	<b>104,818</b>
Net earnings attributable to noncontrolling interest	3,608			