

CASTLE A M & CO
Form 10-Q
November 02, 2012
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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 Quarterly Period Ended September 30, 2012 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 1-5415

A. M. Castle & Co.

(Exact name of registrant as specified in its charter)

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Maryland
(State or Other Jurisdiction of

36-0879160
(I.R.S. Employer

incorporation of organization)

Identification No.)

1420 Kensington Road, Suite 220, Oak Brook, Illinois
(Address of Principal Executive Offices)

60523
(Zip Code)

Registrant's telephone, including area code 847/455-7111

None

(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. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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. (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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 29, 2012
Common Stock, \$0.01 Par Value	23,098,184 shares

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A. M. CASTLE & CO.

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Table of Contents**Part I. FINANCIAL INFORMATION****Item 1. Financial Statements (unaudited)***Amounts in thousands, except par value and per share data***CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2012	As of December 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	\$ 19,988	\$ 30,524
Accounts receivable, less allowances of \$4,768 and \$3,584	171,253	181,036
Inventories, principally on last-in, first-out basis (replacement cost higher by \$140,544 and \$138,882)	357,382	272,039
Prepaid expenses and other current assets	16,629	10,382
Income tax receivable	6,041	8,287
Total current assets	571,293	502,268
Investment in joint venture	40,731	36,460
Goodwill	70,516	69,901
Intangible assets	85,709	93,813
Prepaid pension cost	16,773	15,956
Other assets	20,321	21,784
Property, plant and equipment		
Land	5,196	5,194
Building	52,838	52,434
Machinery and equipment	177,627	172,833
Property, plant and equipment, at cost	235,661	230,461
Less - accumulated depreciation	(155,839)	(148,320)
Property, plant and equipment, net	79,822	82,141
Total assets	\$ 885,165	\$ 822,323
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 133,723	\$ 116,874
Accrued liabilities	48,542	33,828
Income taxes payable	1,357	1,884
Current portion of long-term debt	309	192
Short-term debt	1,000	500
Total current liabilities	184,931	153,278
Long-term debt, less current portion	302,283	314,240
Deferred income taxes	33,995	25,650
Other non-current liabilities	6,191	7,252
Pension and post retirement benefit obligations	9,913	9,624
Commitments and contingencies		
Stockholders' equity		

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Preferred stock, \$0.01 par value - 9,988 shares authorized (including 400 Series B Junior Preferred \$0.00 par value shares); no shares issued and outstanding at September 30, 2012 and December 31, 2011

Common stock, \$0.01 par value - 60,000 shares authorized and 23,211 shares issued and 23,092 outstanding at September 30, 2012; 30,000 shares authorized and 23,159 shares issued and 23,010 outstanding at December 31, 2011

	232	232
Additional paid-in capital	221,297	184,596
Retained earnings	144,882	148,987
Accumulated other comprehensive loss	(17,134)	(19,824)
Treasury stock, at cost - 119 shares at September 30, 2012 and 149 shares at December 31, 2011	(1,425)	(1,712)
 Total stockholders' equity	 347,852	 312,279
 Total liabilities and stockholders' equity	 \$ 885,165	 \$ 822,323

The accompanying notes are an integral part of these statements.

Table of Contents**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND****COMPREHENSIVE INCOME (LOSS)**

	For the Three Months Ended		For the Nine Months	
	September 30,		Ended	
	2012	2011	2012	2011
Net sales	\$ 304,039	\$ 294,860	\$ 996,347	\$ 850,216
Costs and expenses:				
Cost of materials (exclusive of depreciation and amortization)	218,015	221,690	722,663	631,588
Warehouse, processing and delivery expense	36,894	35,076	113,894	102,092
Sales, general, and administrative expense	30,319	30,060	100,425	92,045
Depreciation and amortization expense	6,263	4,861	19,350	14,919
Operating income	12,548	3,173	40,015	9,572
Interest expense, net	(10,280)	(1,221)	(30,437)	(3,327)
Interest expense - unrealized loss on debt conversion option			(15,597)	
Income (loss) before income taxes and equity in earnings of joint venture	2,268	1,952	(6,019)	6,245
Income taxes	(453)	(1,266)	(4,185)	(5,000)
Income (loss) before equity in earnings of joint venture	1,815	686	(10,204)	1,245
Equity in earnings of joint venture	1,358	3,117	6,099	8,958
Net income (loss)	3,173	3,803	(4,105)	10,203
Basic income (loss) per share	\$ 0.14	\$ 0.17	\$ (0.18)	\$ 0.45
Diluted income (loss) per share	\$ 0.13	\$ 0.16	\$ (0.18)	\$ 0.44
Dividends per common share	\$	\$	\$	\$
Comprehensive income (loss)	\$ 6,123	\$ (385)	\$ (1,415)	\$ 8,212

The accompanying notes are an integral part of these statements.

Table of Contents**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Nine Months Ended September 30, 2012 2011	
Operating activities:		
Net (loss) income	\$ (4,105)	\$ 10,203
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	19,350	14,919
Amortization of deferred gain	133	(356)
Amortization of deferred financing costs and debt discount	4,621	508
Loss on sale of fixed assets	409	111
Unrealized loss on debt conversion option	15,597	
Unrealized (gains) losses on commodity hedges	(192)	1,571
Equity in earnings of joint venture	(6,099)	(8,958)
Dividends from joint venture	1,828	2,245
Deferred tax benefit	542	(2,294)
Share-based compensation expense	3,061	3,047
Excess tax benefits from share-based payment arrangements	(63)	(145)
Increase (decrease) from changes in, net of acquisition:		
Accounts receivable	11,877	(41,366)
Inventories	(82,616)	(58,323)
Prepaid expenses and other current assets	(6,047)	(2,458)
Other assets	(2,293)	(508)
Prepaid pension costs	(1,357)	(1,381)
Accounts payable	16,943	42,367
Income taxes payable and receivable	1,798	7,771
Accrued liabilities	13,852	(4,133)
Postretirement benefit obligations and other liabilities	(168)	(404)
Net cash used in operating activities	(12,929)	(37,584)
Investing activities:		
Capital expenditures	(8,991)	(8,236)
Proceeds from sale of fixed assets	22	