

WORTHINGTON INDUSTRIES INC

Form 10-Q

April 09, 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 the quarterly period ended February 29, 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 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.

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 (§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 30, 2012, the number of Common Shares issued and outstanding was 69,939,095.

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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:*

*business plans or 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;*  
*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 and 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 and governmental agency 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 conditions in national and worldwide financial markets;*  
*product demand and pricing;*  
*adverse impacts associated with the recent voluntary recall of our MAP-PRO<sup>®</sup>, propylene and MAAP<sup>®</sup> cylinders, including recall costs, legal and notification expenses, lost sales and potential negative customer perceptions of certain pressure cylinder products;*  
*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;*  
*the overall success of, and the ability to integrate, newly-acquired businesses and achieve synergies and other expected benefits therefrom;*

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*the overall success of newly-created joint ventures, including the demand for their products, and the ability to achieve the anticipated benefits 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 acceptance of our products in new markets;*  
*the ability to improve and maintain processes and business practices to keep pace with the economic, competitive and technological environment;*  
*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, 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, both in the United States and abroad; and*  
*other risks described from time to time in our filings with the 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, 2011.*

*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)**

	<b>February 29, 2012</b>	<b>May 31, 2011</b>
	<b>(Unaudited)</b>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 35,266	\$ 56,167
Receivables, less allowances of \$3,432 and \$4,150 at February 29, 2012 and May 31, 2011, respectively	373,487	388,550
Inventories:		
Raw materials	188,288	189,450
Work in process	112,640	98,940
Finished products	94,189	82,440
Total inventories	395,117	370,830
Income taxes receivable	4,290	1,356
Assets held for sale	19,707	9,681
Deferred income taxes	24,297	28,297
Prepaid expenses and other current assets	36,465	36,754
Total current assets	888,629	891,635
Investments in unconsolidated affiliates	237,968	232,149
Goodwill	154,895	93,633
Other intangible assets, net of accumulated amortization of \$14,307 and \$12,688 at February 29, 2012 and May 31, 2011, respectively	99,519	19,958
Other assets	23,229	24,540
Property, plant and equipment, net	455,130	405,334
<b>Total assets</b>	<b>\$ 1,859,370</b>	<b>\$ 1,667,249</b>
<b>Liabilities and equity</b>		
Current liabilities:		
Accounts payable	\$ 264,273	\$ 253,404
Short-term borrowings	285,756	132,956
Accrued compensation, contributions to employee benefit plans and related taxes	51,629	72,312
Dividends payable	8,506	7,175
Other accrued items	46,161	52,023
Income taxes payable	102	7,132
Current maturities of long-term debt	598	-
Total current liabilities	657,025	525,002
Other liabilities	58,589	56,594
Distributions in excess of investment in unconsolidated affiliates	64,263	10,715
Long-term debt	252,541	250,254

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Deferred income taxes	89,265	83,981
<b>Total liabilities</b>	<b>1,121,683</b>	<b>926,546</b>
Shareholders' equity - controlling interest	690,833	689,910
Noncontrolling interest	46,854	50,793
Total equity	737,687	740,703
<b>Total liabilities and equity</b>	<b>\$ 1,859,370</b>	<b>\$ 1,667,249</b>

See notes to consolidated financial statements.

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	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>February 29, 2012</b>	<b>February 28, 2011</b>	<b>February 29, 2012</b>	<b>February 28, 2011</b>
Net sales	\$ 611,255	\$ 569,439	\$ 1,779,294	\$ 1,766,931
Cost of goods sold	527,923	481,185	1,567,894	1,529,944
Gross margin	83,332	88,254	211,400	236,987
Selling, general and administrative expense	62,489	59,769	160,751	173,518
Restructuring and other expense	956	464	4,707	1,452
Joint venture transactions	1,812	-	3,835	-
Operating income	18,075	28,021	42,107	62,017
Other income (expense):				
Miscellaneous income (expense)	728	(219)	1,408	(356)
Interest expense	(5,073)	(4,533)	(14,517)	(14,079)
Equity in net income of unconsolidated affiliates	24,005	16,958	70,614	51,470
Earnings before income taxes	37,735	40,227	99,612	99,052
Income tax expense	9,337	11,893	28,673	29,582
<b>Net earnings</b>	<b>28,398</b>	<b>28,334</b>	<b>70,939</b>	<b>69,470</b>
Net earnings attributable to noncontrolling interest	2,518	2,008	7,422	6,321
<b>Net earnings attributable to controlling interest</b>	<b>\$ 25,880</b>	<b>\$ 26,326</b>		