

RELIANCE STEEL & ALUMINUM CO
Form 10-Q
July 31, 2014
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 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: 001-13122

RELIANCE STEEL & ALUMINUM CO.

(Exact name of registrant as specified in its charter)

California

(State or other jurisdiction of
incorporation or organization)

95-1142616

(I.R.S. Employer
Identification No.)

350 South Grand Avenue, Suite 5100

Los Angeles, California 90071

(213) 687-7700

(Address of principal executive offices and telephone number)

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:

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

As of July 28, 2014, 77,967,476 shares of the registrant's common stock, no par value, were outstanding.

Table of Contents

RELIANCE STEEL & ALUMINUM CO.

TABLE OF CONTENTS

<u>PART I -- FINANCIAL INFORMATION</u>		1
<u>Item 1.</u>	<u>Financial Statements</u>	
	<u>Unaudited Consolidated Balance Sheets at June 30, 2014 and December 31, 2013</u>	1
	<u>Unaudited Consolidated Statements of Income for the Three Months and Six Months Ended June 30, 2014 and 2013</u>	2
	<u>Unaudited Consolidated Statements of Comprehensive Income for the Three Months and Six Months Ended June 30, 2014 and 2013</u>	3
	<u>Unaudited Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2014 and 2013</u>	4
	<u>Notes to Unaudited Consolidated Financial Statements</u>	5
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	30
<u>Item 4.</u>	<u>Controls and Procedures</u>	30
<u>PART II -- OTHER INFORMATION</u>		30
<u>Item 1.</u>	<u>Legal Proceedings</u>	30
<u>Item 1A.</u>	<u>Risk Factors</u>	30
<u>Item 6.</u>	<u>Exhibits</u>	31
<u>SIGNATURES</u>		32
<u>EXHIBIT INDEX</u>		33

Table of Contents**PART I -- FINANCIAL INFORMATION****Item 1. Financial Statements****RELIANCE STEEL & ALUMINUM CO.****UNAUDITED CONSOLIDATED BALANCE SHEETS**

(in millions, except share amounts)

ASSETS

	June 30, 2014	December 31, 2013*
Current assets:		
Cash and cash equivalents	\$ 113.5	\$ 83.6
Accounts receivable, less allowance for doubtful accounts of \$20.6 at June 30, 2014 and \$18.9 at December 31, 2013	1,169.2	983.5
Inventories	1,769.9	1,540.0
Prepaid expenses and other current assets	63.9	59.0
Income taxes receivable		33.9
Deferred income taxes	38.9	38.9
Total current assets	3,155.4	2,738.9
Property, plant and equipment:		
Land	192.5	191.7
Buildings	951.7	934.6
Machinery and equipment	1,406.3	1,350.3
Accumulated depreciation	(942.7)	(872.7)
	1,607.8	1,603.9
Goodwill	1,676.3	1,691.6
Intangible assets, net	1,186.2	1,213.8
Cash surrender value of life insurance policies, net	40.5	45.4
Investments in unconsolidated entities	15.1	14.1
Other assets	33.4	33.3
Total assets	\$ 7,714.7	\$ 7,341.0

LIABILITIES AND EQUITY

Current liabilities:		
Accounts payable	\$ 457.8	\$ 280.3
Accrued expenses	108.1	91.1
Accrued compensation and retirement costs	105.0	119.5
Accrued insurance costs	45.7	46.0
Current maturities of long-term debt and short-term borrowings	39.2	36.5
Income taxes payable	6.7	
Total current liabilities	762.5	573.4
Long-term debt	2,093.2	2,072.5
Long-term retirement costs	84.7	84.0
Other long-term liabilities	30.7	35.9

Edgar Filing: RELIANCE STEEL & ALUMINUM CO - Form 10-Q

Deferred income taxes	689.4	690.8
Commitments and contingencies		
Equity:		
Preferred stock, no par value:		
Authorized shares 5,000,000		
None issued or outstanding		
Common stock, no par value:		
Issued and outstanding shares 77,941,158 at June 30, 2014 and 77,492,017 at December 31, 2013, stated capital	852.5	818.3
Retained earnings	3,193.1	3,063.0
Accumulated other comprehensive loss	(1.3)	(6.7)
Total Reliance shareholders equity	4,044.3	3,874.6
Noncontrolling interests	9.9	9.8
Total equity	4,054.2	3,884.4
Total liabilities and equity	\$ 7,714.7	\$ 7,341.0

* Amounts were derived from audited financial statements.

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**RELIANCE STEEL & ALUMINUM CO.****UNAUDITED CONSOLIDATED STATEMENTS OF INCOME****(in millions, except per share amounts)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net sales	\$ 2,616.8	\$ 2,448.3	\$ 5,169.8	\$ 4,473.6
Costs and expenses:				
Cost of sales (exclusive of depreciation and amortization shown below)	1,943.5	1,826.7	3,849.3	3,323.2
Warehouse, delivery, selling, general and administrative	444.9	426.0	885.9	783.7
Depreciation and amortization	52.7	50.1	104.6	91.2
	2,441.1	2,302.8	4,839.8	4,198.1
Operating income	175.7	145.5	330.0	275.5
Other income (expense):				
Interest	(20.2)	(22.1)	(40.4)	(35.2)
Other (expense) income, net	(1.3)	(0.6)	(1.3)	2.3
Income before income taxes	154.2	122.8	288.3	242.6
Income tax provision	56.4	40.9	102.6	76.2
Net income	97.8	81.9	185.7	166.4
Less: Net income attributable to noncontrolling interests	1.3	0.9	2.0	1.7
Net income attributable to Reliance	\$ 96.5	\$ 81.0	\$ 183.7	\$ 164.7
Earnings per share:				
Diluted earnings per common share attributable to Reliance shareholders	\$ 1.22	\$ 1.05	\$ 2.34	\$ 2.13
Basic earnings per common share attributable to Reliance shareholders	\$ 1.24	\$ 1.06	\$ 2.37	\$ 2.15
Cash dividends per share	\$ 0.35	\$ 0.30	\$ 0.70	\$ 0.60

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

RELIANCE STEEL & ALUMINUM CO.

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income	\$ 97.8	\$ 81.9	\$ 185.7	\$ 166.4
Other comprehensive income (loss):				
Foreign currency translation gain (loss)	14.2	(9.8)	5.3	(19.9)
Unrealized gain on investments, net of tax			0.1	0.2
Total other comprehensive income (loss)	14.2	(9.8)	5.4	(19.7)
Comprehensive income	112.0	72.1	191.1	146.7
Less: comprehensive income attributable to noncontrolling interests	1.3	0.9	2.0	1.7
Comprehensive income attributable to Reliance	\$ 110.7	\$ 71.2	\$ 189.1	\$ 145.0

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**RELIANCE STEEL & ALUMINUM CO.****UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in millions)**

	Six Months Ended June 30,	
	2014	2013
Operating activities:		
Net income	\$ 185.7	\$ 166.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	104.6	91.2
Deferred income tax (benefit) provision	(1.5)	0.6
(Gain) loss on sales of property, plant and equipment	(1.0)	1.0
Equity in earnings of unconsolidated entities	(1.4)	(0.9)
Dividends received from unconsolidated entity	0.4	0.4
Share-based compensation expense	12.9	14.5
Other	4.4	(0.5)
Changes in operating assets and liabilities:		
Accounts receivable	(188.0)	(133.2)
Inventories	(230.4)	62.8
Prepaid expenses and other assets	37.2	11.3
Accounts payable and other liabilities	186.6	70.3
Net cash provided by operating activities	109.5	283.9