

CASTLE A M & CO
Form 8-K
October 26, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) October 26, 2007

A. M. Castle & Co.
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction
of incorporation)

1-5415
(Commission
File Number)

36-0879160
(IRS Employer
Identification No.)

3400 N. Wolf Road, Franklin Park, Illinois
(Address of principal executive offices)

60131
(Zip Code)

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

(Former name or former address if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13 e-4(c) under the Exchange Act (17 CFR 240.13 e-4(c))

Item 2.02 Results of Operations and Financial Conditions.

On October 26, 2007, A. M. Castle & Co. issued a news release reporting its 2007 third quarter financial results. A copy of the news release is attached hereto as Exhibit 99.1 to this report and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits.

Exhibit

Number

Description

99.1 A. M. Castle & Co. Press Release Dated October 26, 2007

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

A. M. Castle & Co.

/s/ Sherry L. Holland

Sherry L. Holland

Vice President – General Counsel and Secretary

Date October 26, 2007

3400 North Wolf Road
Franklin Park, Illinois 60131
(847) 455-7111
847) 455-6930 (Fax)

A. M. CASTLE & CO.

For Further Information:

| AT THE COMPANY | AT ASHTON PARTNERS |
|--|---|
| Larry A. Boik Vice President-Finance & CFO (847) 349-2576 Email: lboik@amcastle.com | Analyst Contacts: Katie Pyra (312) 553-6717 Email:kpyra@ashtonpartners.com |

Traded: NYSE (CAS)
Member: S&P SmallCap 600 Index

**FOR IMMEDIATE RELEASE
FRIDAY, OCTOBER 26, 2007**

A. M. Castle & Co. Reports 2007 Third Quarter and Year-to-Date Results

FRANKLIN PARK, IL, OCTOBER 26th — **A. M. Castle & Co. (NYSE:CAS)**, global distributor of specialty metal and plastic products, value-added services and supply chain solutions, today reported its financial results for the third quarter and nine-months ended September 30, 2007.

For the third quarter, consolidated net sales were \$350.3 million, an increase of \$49.5 million, or 16.5%, from the third quarter of 2006. Net income applicable to common stock for the quarter was \$12.9 million, or \$0.57 per diluted share, as compared to \$15.3 million or \$0.82 per diluted share in the prior year.

Consolidated net sales for the nine-months ended September 30, 2007 were \$1,098.3 million, an increase of \$242.7 million, or 28.4% from 2006. Net income applicable to common stock was \$44.5 million, or \$2.14 per diluted share, as compared to \$45.2 million, or \$2.45 per diluted share, in the prior year.

“We continue to experience softer demand across our business in general,” stated Mike Goldberg, President and CEO of A.M. Castle. “This trend began during the second half of 2006 and it has continued through 2007 to date. The effect of this softer manufacturing demand cycle on our results has been somewhat mitigated through our acquisition of Transtar Metals in September of 2006 and higher pricing levels. Demand from our aerospace customers has also slowed, which we attribute to a build-up of inventory throughout the whole aerospace supply chain. Even in light of the current slowdown, we believe that our strategy to become the foremost provider of specialty metals and value-added services to targeted industries, including aerospace and energy has us well positioned for growth in the longer-term through the economic cycles,” Goldberg continued.

Metal segment sales were \$320.8 million in the third quarter, an increase of \$48.7 million, or 17.9%, versus the third quarter of 2006. The acquisition of Transtar Metals, contributed 17.1% of the 17.9% increase in sales. “Commodity metal prices declined during the quarter, but were still 14.4% higher than the third quarter of last year,” Goldberg added.

Metal segment sales for the first nine-months of the year were \$1,010.8 million, an increase of \$243.3 million, or 31.7%, from the same period in 2006. The Transtar acquisition accounted for 25.0% of the increase.

Plastic segment sales were \$29.5 million in the quarter, a \$0.8 million increase versus the third quarter of 2006.

Plastic segment sales for the nine-month period of 2007 were \$87.5 million, a decrease of \$0.6 million compared to last year.

The Company’s debt-to-capital ratio was reduced to 27% as of September 30, 2007 from 51% at the beginning of the year and 31% at June 30, 2007. “We’ve reduced our inventory from the peak levels we saw at the end of the second quarter and this reduction, coupled with our strong earnings performance, have allowed us to continue to pay down debt in the third quarter,” commented Larry Boik, Vice President and CFO of A.M. Castle.

“Our fourth quarter is typically our slowest due to fewer effective shipping days. In addition, softer market conditions will likely continue through at least the end of the year. Our focus will continue to be on managing inventory and margins for the balance of 2007 and remaining steadfast on the execution of our long-term strategy,” Goldberg concluded.

The Company announced a cash dividend of \$0.06 per share payable November 22, 2007 to shareholders of record at close of business on November 8, 2007.

The Company also announced on October 2, 2007 the sale of Metal Mart LLC doing business as Metal Express, a wholly owned subsidiary, to Metal Supermarkets (Chicago) Ltd., a unit of Metal Supermarkets Corp. for approximately \$6.7 million. The net proceeds from the sale were used to repay a portion of the Company’s outstanding debt.

Webcast Information

Management will hold a conference call at 11:00 a.m. ET today to review the Company's results for the three- and nine-month periods ended September 30, 2007. The call can be accessed via the Internet live or as a replay. Those who would like to listen to the call may access the webcast through <http://www.amcastle.com>.

An archived version of the conference call webcast will be accessible for replay on the above website until the next earnings conference call. A replay of the conference call will also be available for seven days by calling 303-590-3000 (international) or 800-405-2236 and citing code 11099524.

About A. M. Castle & Co.

Founded in 1890, A. M. Castle & Co. is a global distributor of specialty metal and plastic products, value-added services and supply chain solutions, principally serving the producer durable equipment sector of the economy. Its customer base includes many Fortune 500 companies as well as thousands of medium and smaller-sized firms spread across a variety of industries. Within its core metals business, it specializes in the distribution of alloy and stainless steels; nickel alloys; aluminum and carbon. Through its subsidiary, Total Plastics, Inc., the Company also distributes a broad range of value-added industrial plastics. Together, Castle operates over 50 locations throughout North America and Europe. Its common stock is traded on the New York Stock Exchange under the ticker symbol "CAS".

Safe Harbor Statement / Regulation G Disclosure

This release may contain forward-looking statements relating to future financial results. Actual results may differ materially as a result of factors over which the Company has no control. These risk factors and additional information are included in the Company's reports on file with the Securities Exchange Commission.

The financial statements included in this release contain a non-GAAP disclosure, EBITDA, which consists of income before provision for income taxes plus depreciation and amortization, and interest expense, less interest income. EBITDA is presented as a supplemental disclosure because this measure is widely used by the investment community for evaluation purposes and provides the reader with additional information in analyzing the Company's operating results. EBITDA should not be considered as an alternative to net income or any other item calculated in accordance with U.S. GAAP, or as an indicator of operating performance. Our definition of EBITDA used here may differ from that used by other companies. A reconciliation of EBITDA to net income is provided per U.S. Securities and Exchange Commission requirements.

CONSOLIDATED**STATEMENTS OF INCOME***(Dollars in thousands, except per share data)**Unaudited*

| | For the Three | | For the Nine | |
|---|---------------|------------|--------------|------------|
| | Months Ended | | Months Ended | |
| | 2007 | 2006 | 2007 | 2006 |
| Net sales | \$ 350,319 | \$ 300,809 | \$ 1,098,278 | \$ 855,610 |
| Costs and expenses: | | | | |
| Cost of materials (exclusive of depreciation) | 253,121 | 214,792 | 792,834 | 606,136 |
| Warehouse, processing and delivery expense | 35,136 | 30,117 | 104,999 | 88,720 |
| Sales, general, and administrative expense | 34,852 | 26,847 | 105,193 | 76,805 |
| Depreciation and amortization expense | 4,903 | 3,225 | 14,776 | 8,323 |
| Operating income | 22,307 | 25,828 | 80,476 | 75,626 |
| Interest expense, net | (2,746) | (1,903) | (11,170) | (3,949) |
| Income before income taxes and equity earnings of joint venture | 19,561 | 23,925 | 69,306 | 71,677 |
| Income taxes | (8,073) | (9,470) | (27,944) | (29,110) |
| Net income before equity in earnings of joint venture | 11,488 | 14,455 | 41,362 | 42,567 |
| Equity in earnings of joint venture | 1,422 | 1,037 | 3,745 | 3,332 |
| Net income | 12,910 | 15,492 | 45,107 | 45,899 |
| Preferred stock dividends | - | (235) | (593) | (720) |
| Net income applicable to common stock | \$ 12,910 | \$ 15,257 | \$ 44,514 | \$ 45,179 |
| Basic earnings per share | \$ 0.58 | \$ 0.82 | \$ 2.22 | \$ 2.46 |
| Diluted earnings per share | \$ 0.57 | \$ 0.82 | \$ 2.14 | \$ 2.45 |
| EBITDA * | \$ 28,632 | \$ 30,090 | \$ 98,997 | \$ 87,281 |

**Earnings before interest, taxes, and depreciation and amortization*

Reconciliation of EBITDA to net income:

| | For the Three | | For the Nine | |
|--|---------------|------|--------------|------|
| | Months Ended | | Months Ended | |
| | 2007 | 2006 | 2007 | 2006 |
| | | | | |

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| | | | | | | | | |
|---------------------------------------|----|--------|----|--------|----|--------|----|--------|
| Net income | \$ | 12,910 | \$ | 15,492 | \$ | 45,107 | \$ | 45,899 |
| Depreciation and amortization expense | | 4,903 | | 3,225 | | 14,776 | | 8,323 |
| Interest expense, net | | 2,746 | | 1,903 | | 11,170 | | 3,949 |
| Income taxes | | 8,073 | | 9,470 | | 27,944 | | 29,110 |
| EBITDA | \$ | 28,632 | \$ | 30,090 | \$ | 98,997 | \$ | 87,281 |

CONDENSED CONSOLIDATED BALANCE SHEETS*(Dollars in thousands, except share and per share data)**Unaudited*

| | As of | |
|---|-------------------|-------------------|
| | Sept 30, 2007 | Dec 31, 2006 |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 19,078 | \$ 9,526 |
| Accounts receivable, less allowances of \$3,324 at September 30, 2007 and \$3,112 at December 31, 2006 | 184,101 | 160,999 |
| Inventories (principally on last-in, first-out basis) (latest cost higher by \$146,787 at September 30, 2007 and \$128,404 at December 31, 2006) | 228,331 | 202,394 |
| Other current assets | 14,760 | 18,743 |
| Total current assets | 446,270 | 391,662 |
| Investment in joint venture | 16,278 | 13,577 |
| Goodwill | 100,904 | 101,783 |
| Intangible assets | 61,254 | 66,169 |
| Prepaid pension cost | 5,607 | 5,681 |
| Other assets | 6,274 | 5,850 |
| Property, plant and equipment, at cost | | |
| Land | 5,195 | 5,221 |
| Building | 48,660 | 49,017 |
| Machinery and equipment (includes construction in progress) | 153,037 | 141,090 |
| | 206,892 | 195,328 |
| Less - accumulated depreciation | (134,874) | (124,930) |
| | 72,018 | 70,398 |
| Total assets | \$ 708,605 | \$ 655,120 |
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | | |
| Current liabilities | | |
| Accounts payable | \$ 111,393 | \$ 117,561 |
| Accrued liabilities | 35,631 | 30,152 |
| Income taxes payable | 2,436 | 931 |
| Deferred income taxes - current | 13,576 | 16,339 |
| Short-term debt | 60,470 | 123,261 |
| Current portion of long-term debt | 6,823 | 12,834 |
| Total current liabilities | 230,329 | 301,078 |
| Long-term debt, less current portion | 67,164 | 90,051 |
| Deferred income taxes | 28,934 | 31,782 |
| Other non-current liabilities | 17,772 | 16,302 |
| Commitments and contingencies | | |
| Stockholders' equity | | |
| Preferred stock, \$0.01 par value - 10,000,000 shares authorized; no shares issued at September 30, 2007 and 12,000 shares issued and outstanding at December 31, 2006 | - | 11,239 |
| Common stock, \$0.01 par value - 30,000,000 shares authorized; 22,327,946 shares issued and 22,094,869 shares outstanding at September 30, 2007; and 17,447,205 shares issued and 17,085,091 outstanding at December 31, 2006 | 220 | 170 |
| Additional paid-in capital | 178,960 | 69,775 |
| Retained earnings | 201,761 | 160,625 |
| Accumulated other comprehensive loss | (11,962) | (18,504) |

| | | |
|---|------------|------------|
| Deferred unearned compensation | (1,086) | (1,392) |
| Treasury stock, at cost - 233,077 shares at September 30, 2007 and 362,114 shares at December 31, 2006 | (3,487) | (6,006) |
| Total stockholders' equity | 364,406 | 215,907 |
| Total liabilities and stockholders' equity | \$ 708,605 | \$ 655,120 |

CONSOLIDATED STATEMENTS OF CASH FLOWS*(Dollars in thousands)**Unaudited*

| | YTD Sep 2007 | YTD Sep 2006 |
|--|-----------------|------------------|
| Cash flows from operating activities: | | |
| Net income | \$ 45,107 | \$ 45,899 |
| Depreciation and amortization | 14,776 | 8,323 |
| Adjustments for other non-cash items | (3,174) | 3,771 |
| Cash flows from earnings | 56,709 | 57,993 |
| Change in working capital and other: | | |
| Accounts receivable | (20,830) | (40,380) |
| Inventories | (23,248) | (36,020) |
| Accounts payable and accruals | 1,378 | 24,272 |
| Income taxes payable | 2,096 | (9,946) |
| Other | 8,508 | (835) |
| Cash flows from changes in working capital | (32,096) | (62,909) |
| Cash flows from operating activities | 24,613 | (4,916) |
| Cash flows from investing activities: | | |
| Investments and acquisitions, net of cash acquired | (280) | (175,795) |
| Capital expenditures | (13,150) | (10,170) |
| Other | 23 | - |
| Cash used in investing activities | (13,407) | (185,965) |
| Cash flows from financing activities: | | |
| Funding from, payments of long/short term debt | (91,993) | 158,837 |
| Proceeds from issuance of common stock and other | 93,790 | 7,735 |
| Common and preferred stock dividends | (3,723) | (3,759) |
| Cash provided by financing activities | (1,926) | 162,813 |
| Effect of exchange rate changes on cash | 272 | 432 |
| Net increase in cash | 9,552 | (27,636) |
| Cash - beginning of year | \$ 9,526 | \$ 37,392 |
| Cash - end of period | \$ 19,078 | \$ 9,756 |
| Ending Debt, Net of Cash Position | \$ 115,379 | \$ 229,712 |
| Debt-to-Total Capital | 27.0% | 51.2% |