

NORTH AMERICAN GALVANIZING & COATINGS INC
Form 10-Q
October 28, 2009

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 September 30, 2009

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 No. 1-3920

NORTH AMERICAN GALVANIZING & COATINGS, INC.
(Exact name of the registrant as specified in its charter)

Delaware
(State of Incorporation)

71-0268502
(I.R.S. Employer Identification No.)

5314 S. Yale Avenue, Suite 1000, Tulsa, Oklahoma 74135
(Address of principal executive offices)

(918) 494-0964
(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 and 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 (§ 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 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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of September 30, 2009:

Common Stock \$.10 Par Value 16,567,061

NORTH AMERICAN GALVANIZING & COATINGS, INC.

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Forward Looking Statements or Information

Certain statements in this Form 10-Q, including information set forth under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, constitute “Forward-Looking Statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are typically punctuated by words or phrases such as “anticipates,” “estimate,” “should,” “may,” “management believes,” and words or phrases of similar import. The Company cautions investors that such forward-looking statements included in this Form 10-Q, or hereafter included in other publicly available documents filed with the Securities and Exchange Commission, reports to the Company’s stockholders and other publicly available statements issued or released by the Company involve significant risks, uncertainties, and other factors which could cause the Company’s actual results, performance (financial or operating) or achievements to differ materially from the future results, performance (financial or operating) or achievements expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences could include, but are not limited to, changes in demand, prices, the raw materials cost of zinc and the cost of natural gas; changes in economic conditions of the various markets the Company serves, as well as the other risks detailed herein and in the Company’s Form 10-K filed on February 20, 2009 with the Securities and Exchange Commission.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
North American Galvanizing & Coatings, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of North American Galvanizing & Coatings, Inc. and subsidiary (the "Company") as of September 30, 2009, and the related condensed consolidated statements of income for the three- and nine-month periods ended September 30, 2009 and 2008, cash flows for the nine-month periods ended September 30, 2009 and 2008 and stockholders' equity for the nine-month period ended September 30, 2009. These interim financial statements are the responsibility of the Company's management

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of North American Galvanizing & Coatings, Inc. and subsidiary as of December 31, 2008, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated February 20, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2008 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/Deloitte & Touche LLP

Tulsa, Oklahoma
October 28, 2009

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NORTH AMERICAN GALVANIZING & COATINGS, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
 (In thousands, except share amounts)

| | September 30, 2009 | December 31, 2008 |
|---|-----------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$19,593 | \$9,322 |
| Trade receivables—less allowances of \$119 for 2009 and \$102 for 2008 | 11,162 | 10,880 |
| Raw materials inventories | 7,015 | 5,839 |
| Deferred tax asset—net | 1,705 | 1,048 |
| Income taxes receivable | 875 | — |
| Prepaid expenses and other assets | 249 | 478 |
| Total current assets | 40,599 | 27,567 |
| PROPERTY, PLANT AND EQUIPMENT | | |
| Land | 2,167 | 2,167 |
| Galvanizing plants and equipment | 45,687 | 40,135 |
| | 47,854 | 42,302 |
| Less—accumulated depreciation | (25,089) | (22,481) |
| Construction in progress | 4,670 | 2,379 |
| Total property, plant and equipment—net | 27,435 | 22,200 |
| GOODWILL—Net | 3,448 | 3,448 |
| OTHER ASSETS | 981 | 1,557 |
| TOTAL ASSETS | \$72,463 | \$54,772 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Trade accounts payable | \$5,188 | \$4,088 |
| Accrued payroll and employee benefits | 2,022 | 1,853 |
| Accrued taxes | 403 | 607 |
| Customer deposits | — | 538 |
| Other accrued liabilities | 2,231 | 2,792 |
| Total current liabilities | 9,844 | 9,878 |
| SUBORDINATED NOTES PAYABLE | 4,270 | — |
| DEFERRED TAX LIABILITY—Net | 1,291 | 504 |
| Total liabilities | 15,405 | 10,382 |
| COMMITMENTS AND CONTINGENCIES (NOTE 5) | | |
| STOCKHOLDERS' EQUITY | | |
| Common stock—\$.10 par value, 50,000,000 and 18,000,000 shares authorized in 2009 and 2008: | | |
| Issued—16,567,061 shares in 2009 and 16,507,813 shares 2008 | 1,657 | 1,651 |

| | | |
|----------------------------|--------|--------|
| Additional paid-in capital | 14,965 | 12,281 |
|----------------------------|--------|--------|