

RELIANCE STEEL & ALUMINUM CO
Form 10-Q
October 31, 2016
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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 September 30, 2016

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)

Delaware

95-1142616

(State or other jurisdiction of
incorporation or organization)

(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 October 26, 2016, 72,564,093 shares of the registrant's common stock, \$0.001 par value, were outstanding.

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RELIANCE STEEL & ALUMINUM CO.

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PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements

RELIANCE STEEL & ALUMINUM CO.

UNAUDITED CONSOLIDATED BALANCE SHEETS

(in millions, except share amounts)

	September 30, 2016	December 31, 2015*
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 143.3	\$ 104.3
Accounts receivable, less allowance for doubtful accounts of \$17.2 at September 30, 2016 and \$16.3 at December 31, 2015	1,042.9	916.6
Inventories	1,600.1	1,436.0
Prepaid expenses and other current assets	57.5	60.8
Income taxes receivable	5.1	36.5
Total current assets	2,848.9	2,554.2
Property, plant and equipment:		
Land	226.8	196.2
Buildings	1,045.7	1,006.3
Machinery and equipment	1,643.4	1,569.8
Accumulated depreciation	(1,250.5)	(1,136.8)
	1,665.4	1,635.5
Goodwill	1,828.9	1,724.8
Intangible assets, net	1,166.2	1,125.4
Cash surrender value of life insurance policies, net	36.8	45.8
Other assets	38.7	35.9
Total assets	\$ 7,584.9	\$ 7,121.6
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 312.2	\$ 247.0
Accrued expenses	101.8	83.0
Accrued compensation and retirement costs	120.0	118.7
Accrued insurance costs	43.5	40.2
Current maturities of long-term debt and short-term borrowings	426.2	500.8
Total current liabilities	1,003.7	989.7

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Long-term debt	1,679.7	1,427.9
Long-term retirement costs	105.9	103.8
Other long-term liabilities	14.8	30.4
Deferred income taxes	627.6	627.1
Commitments and contingencies		
Equity:		
Preferred stock, \$0.001 par value:		
Authorized shares — 5,000,000		
None issued or outstanding	—	—
Common stock and additional paid-in capital, \$0.001 par value:		
Authorized shares — 200,000,000		
Issued and outstanding shares – 72,563,344 at September 30, 2016 and 71,739,072 at December 31, 2015	582.2	533.8
Retained earnings	3,633.2	3,480.0
Accumulated other comprehensive loss	(92.0)	(99.7)
Total Reliance stockholders' equity	4,123.4	3,914.1
Noncontrolling interests	29.8	28.6
Total equity	4,153.2	3,942.7
Total liabilities and equity	\$ 7,584.9	\$ 7,121.6

* Amounts were derived from audited financial statements.

See accompanying notes to unaudited consolidated financial statements.

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RELIANCE STEEL & ALUMINUM CO.

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net sales	\$ 2,185.2	\$ 2,286.2	\$ 6,551.8	\$ 7,324.3
Costs and expenses:				
Cost of sales (exclusive of depreciation and amortization shown below)	1,530.6	1,647.9	4,575.4	5,359.4
Warehouse, delivery, selling, general and administrative	454.3	428.9	1,361.6	1,315.8
Depreciation and amortization	55.1	54.4	166.7	164.6
Impairment of long-lived assets	51.7	53.3	51.7	53.3
	2,091.7	2,184.5	6,155.4	6,893.1
Operating income	93.5	101.7	396.4	431.2
Other income (expense):				
Interest	(22.2)	(21.2)	(65.6)	(63.3)
Other (expense) income, net	(0.8)	(2.8)	0.5	(3.7)
Income before income taxes	70.5	77.7	331.3	364.2
Income tax provision	19.9	24.9	85.1	116.9
Net income	50.6	52.8	246.2	247.3
Less: Net income attributable to noncontrolling interests	1.1	1.4	3.6	4.4
Net income attributable to Reliance	\$ 49.5	\$ 51.4	\$ 242.6	\$ 242.9
Earnings per share attributable to Reliance stockholders:				
Diluted	\$ 0.68	\$ 0.69	\$ 3.32	\$ 3.21
Basic	\$ 0.68	\$ 0.70	\$ 3.36	\$ 3.24
Cash dividends per share	\$ 0.425	\$ 0.400	\$ 1.225	\$ 1.200

See accompanying notes to unaudited consolidated financial statements.

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RELIANCE STEEL & ALUMINUM CO.

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	\$ 50.6	\$ 52.8	\$ 246.2	\$ 247.3
Other comprehensive income (loss)				
Foreign currency translation (loss) gain	(3.2)	(25.8)	7.7	(42.8)
Unrealized loss on investments, net of tax	—	—	—	(0.4)
Total other comprehensive (loss) income	(3.2)	(25.8)	7.7	(43.2)
Comprehensive income	47.4	27.0	253.9	204.1
Less: comprehensive income attributable to noncontrolling interests	1.1	1.4	3.6	4.4
Comprehensive income attributable to Reliance	\$ 46.3	\$ 25.6	\$ 250.3	\$ 199.7

See accompanying notes to unaudited consolidated financial statements.

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RELIANCE STEEL & ALUMINUM CO.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Nine Months Ended September 30,	
	2016	2015
Operating activities:		
Net income	\$ 246.2	\$ 247.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	166.7	164.6
Impairment of long-lived assets	51.7	53.3
Deferred income tax provision (benefit)	0.5	(3.2)
Gain on sales of property, plant and equipment	(1.1)	(1.9)
Stock-based compensation expense	17.8	17.6
Other	5.9	7.7
Changes in operating assets and liabilities (excluding effect of businesses acquired):		
Accounts receivable	(112.0)	65.4
Inventories	(95.5)	156.8
Prepaid expenses and other assets	35.2	(16.1)
Accounts payable and other liabilities	72.2	24.8
Net cash provided by operating activities	387.6	716.3
Investing activities:		
Purchases of property, plant and equipment	(110.6)	(119.4)
Acquisitions, net of cash acquired	(349.0)	—
Other	1.6	5.6
Net cash used in investing activities	(458.0)	(113.8)
Financing activities:		