RELIANCE STEEL & ALUMINUM CO
Form 10-Q
October 30, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2015

OR

o 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 þ No o

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 þ No o

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 þ Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

As of October 29, 2015, 71,641,148 shares of the registrant s common stock, $0.001 par value, were outstanding.

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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)

ASSETS

	September 30, 2015	December 31, 2014*
Current assets:		
Cash and cash equivalents	$ 94.1	$ 106.2
Accounts receivable, less allowance for doubtful accounts of $18.7 at September 30, 2015 and $18.3 at December 31, 2014	1,074.3	1,144.6
Inventories	1,587.3	1,752.1
Prepaid expenses and other current assets	49.3	71.8
Income taxes receivable	38.6	
Deferred income taxes	46.4	46.4
Total current assets	2,890.0	3,121.1
Property, plant and equipment:		
Land	196.6	197.5
Buildings	986.9	983.2
Machinery and equipment	1,553.8	1,479.8
Accumulated depreciation	(1,111.3)	(1,004.1)
	1,626.0	1,656.4
Goodwill	1,727.0	1,736.4
Intangible assets, net	1,140.7	1,227.4
Cash surrender value of life insurance policies, net	36.4	46.4
Other assets	35.5	34.7
Total assets	$ 7,455.6	$ 7,822.4
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 326.5	$ 286.5
Accrued expenses	99.9	98.2
Accrued compensation and retirement costs	119.2	128.4
Accrued insurance costs	43.1	46.6
Current maturities of long-term debt and short-term borrowings	109.4	93.9
Income taxes payable		9.2
Total current liabilities	698.1	662.8

Long-term debt		1,986.1		2,208.1
Long-term retirement costs		103.9		102.2
Other long-term liabilities		29.1		28.5
Deferred income taxes		687.9		692.9
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 72,400,959 at September 30, 2015 and 77,337,251 at December 31, 2014		532.0		819.4
Retained earnings		3,479.9		3,328.5
Accumulated other comprehensive loss		(92.1)		(48.9)
Total Reliance stockholders equity		3,919.8		4,099.0
Noncontrolling interests		30.7		28.9
Total equity		3,950.5		4,127.9
Total liabilities and equity	$	7,455.6	$	7,822.4

* 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 September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net sales	$ 2,286.2	$ 2,705.1	$ 7,324.3	$ 7,874.9
Costs and expenses:				
Cost of sales (exclusive of depreciation and amortization shown below)	1,647.9	2,026.9	5,359.4	5,876.2
Warehouse, delivery, selling, general and administrative	428.9	472.9	1,315.8	1,358.8
Depreciation and amortization	54.4	54.0	164.6	158.6
Impairment of long-lived assets	53.3		53.3	
	2,184.5	2,553.8	6,893.1	7,393.6
Operating income	101.7	151.3	431.2	481.3
Other expense:				
Interest	(21.2)	(20.8)	(63.3)	(61.2)
Other expense, net	(2.8)	(0.1)	(3.7)	(1.4)
Income before income taxes	77.7	130.4	364.2	418.7
Income tax provision	24.9	33.5	116.9	136.1
Net income	52.8	96.9	247.3	282.6
Less: Net income attributable to noncontrolling interests	1.4	1.4	4.4	3.4
Net income attributable to Reliance	$ 51.4	$ 95.5	$ 242.9	$ 279.2
Earnings per share attributable to Reliance stockholders:				
Diluted	$ 0.69	$ 1.21	$ 3.21	$ 3.55
Basic	$ 0.70	$ 1.23	$ 3.24	$ 3.59
Cash dividends per share	$ 0.40	$ 0.35	$ 1.20	$ 1.05

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,	
	2015	2014	2015	2014
Net income	$ 52.8	$ 96.9	$ 247.3	$ 282.6
Other comprehensive loss:				
Foreign currency translation loss	(25.8)	(17.1)	(42.8)	(11.8)
Unrealized gain (loss) on investments, net of tax		0.1	(0.4)	0.2
Total other comprehensive loss	(25.8)	(17.0)	(43.2)	(11.6)
Comprehensive income	27.0	79.9	204.1	271.0
Less: comprehensive income attributable to noncontrolling interests	1.4	1.4	4.4	3.4
Comprehensive income attributable to Reliance	$ 25.6	$ 78.5	$ 199.7	$ 267.6

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, 2015	Nine Months Ended September 30, 2014
Operating activities:		
Net income	$ 247.3	$ 282.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	164.6	158.6
Impairment of long-lived assets	53.3	
Deferred income tax benefit	(3.2)	(3.4)
Gain on sales of property, plant and equipment	(1.9)	(1.2)
Stock-based compensation expense	17.6	20.1
Other	7.7	6.0
Changes in operating assets and liabilities (excluding effect of businesses acquired):		
Accounts receivable	65.4	(213.9)
Inventories	156.8	(333.0)
Prepaid expenses and other assets	(16.1)	46.1
Accounts payable and other liabilities	24.8	200.9
Net cash provided by operating activities	716.3	162.8
Investing activities:		
Purchases of property, plant and equipment	(119.4)	(134.4)
Acquisitions, net of cash acquired		(145.0)
Proceeds from sale of business, net		26.2
Other	5.6	(8.0)
Net cash used in investing activities	(113.8)	(261.2)
Financing activities:		
Net short-term debt borrowings	9.9	4.3
Proceeds from long-term debt borrowings	510.0	535.7
Principal payments on long-term debt	(729.0)	(368.6)
Dividends and dividend equivalents paid	(90.7)	(81.7)
Exercise of stock options	11.0	27.9
Share repurchases	(313.9)	
Other	(5.5)	(2.1)
Net cash (used in) provided by financing activities	(608.2)	115.5
Effect of exchange rate changes on cash	(6.4)	
(Decrease) increase in cash and cash equivalents	(12.1)	17.1
Cash and cash equivalents at beginning of year	106.2	83.6
Cash and cash equivalents at end of period	$ 94.1	$ 100.7
Supplemental cash flow information:		
Interest paid during the period	$ 46.5	$ 46.4
Income taxes paid during the period, net	$ 168.3	$ 103.7
Non-cash investing and financing activities:		
Debt assumed in connection with acquisition	$	$ 41.7

See accompanying notes to unaudited consolidated financial statements.

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

1. Basis of Presentation

Principles of Consolidation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and with the instructions of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation with respect to the interim financial statements, have been included. The results of operations for the nine months ended September 30, 2015 are not necessarily indicative of the results for the full year ending December 31, 2015. These financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto for the year ended December 31, 2014, included in Reliance Steel & Aluminum Co. s (Reliance , the Company , we , our or us) Annual Report on Form 10-K.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in our consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

Our consolidated financial statements include the assets, liabilities and operating results of majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The ownership of the other interest holders of consolidated subsidiaries is reflected as noncontrolling interests. Our investments in unconsolidated subsidiaries are recorded under the equity method of accounting.

2. Impact of Recently Issued Accounting Guidance

Impact of Recently Issued Accounting Standards Adopted

Simplifying the Presentation of Debt Issuance Costs In April 2015, the Financial Accounting Standards Board (FASB) issued accounting changes, which simplify the presentation of debt issuance costs. The guidance requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with the presentation of debt discounts. The guidance is to be applied retrospectively to all prior periods presented in the financial statements. We adopted these accounting changes on April 1, 2015, which resulted in a $14.2 million reduction of our Intangible assets, net and Long-term debt at December 31, 2014.

Impact of Recently Issued Accounting Standards Not Yet Adopted

Simplifying the Measurement of Inventory In July 2015, the FASB issued accounting changes, which simplifies the subsequent measurement of inventory by requiring inventory to be measured at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The new guidance is not applicable for inventory measured under the LIFO method or the retail inventory method. The guidance will be effective for fiscal years beginning after December 15, 2016 with early adoption permitted. We do not expect this standard will have a material impact on our consolidated financial statements.

Revenue from Contracts with Customers In May 2014, the FASB issued accounting changes, which replace most of the detailed guidance on revenue recognition that currently exists under U.S. GAAP. Under the new guidance, an entity should recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance will be effective for fiscal years beginning after December 15, 2017. Early adoption is permitted for fiscal years beginning after December 15, 2016. We are evaluating the new standard, but do not expect this standard will have a material impact on our consolidated financial statements.

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

3. Acquisitions

2014 Acquisitions

On December 1, 2014, we acquired Fox Metals and Alloys, Inc. (Fox), a Houston, Texas-based steel distributor specializing in alloy, carbon and stainless steel bar and plate products, primarily servicing OEMs and machine shops that manufacture or support the manufacturing of equipment for the oil, gas and petrochemical industries. Fox s in-house processing services include saw cutting, plate burning and testing. Net sales of Fox for the nine months ended September 30, 2015 were $18.8 million.

On August 1, 2014, we acquired Aluminium Services UK Limited, the parent holding company of All Metal Services (AMS). AMS provides comprehensive materials management solutions to aerospace and defense OEMs and their subcontractors on a global basis, supporting customers in more than 40 countries worldwide. AMS offers a broad range of aerospace metals including aluminum, stainless, steel, titanium, nickel alloys and aluminum bronze, offering full or cut to size materials. AMS also offers in-house machining and water-jet cutting for more complex requirements. AMS has eight locations in four countries including China, France, Malaysia, and the United Kingdom. Net sales of AMS for the nine months ended September 30, 2015 were $196.5 million.

On August 1, 2014, we acquired Northern Illinois Steel Supply Co. (NIS), a value-added distributor and fabricator of a variety of steel and non-ferrous metal products, primarily structural steel components and parts, located in Channahon, Illinois. Net sales of NIS for the nine months ended September 30, 2015 were $14.5 million.

We funded these acquisitions with borrowings on our revolving credit facility and cash on hand.

The preliminary allocation of the total purchase price of our 2014 acquisitions to the fair values of the assets acquired and liabilities assumed was as follows:

		(in millions)
Cash	$	1.6
Accounts receivable		67.1
Inventories		89.2
Property, plant and equipment		23.4
Goodwill		51.3

Intangible assets subject to amortization		37.5
Intangible assets not subject to amortization		39.0
Other current and long-term assets		1.5
Total assets acquired		310.6
Deferred taxes		9.0
Current and long-term debt		39.2
Other current and long-term liabilities		53.1
Total liabilities assumed		101.3
Net assets acquired	$	209.3

Purchase price allocations

All of the acquisitions discussed in this note have been accounted for under the acquisition method of accounting and, accordingly, the respective purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of each acquisition. The accompanying consolidated statements of income include the revenues and expenses of each acquisition since its respective acquisition date. The consolidated balance sheets reflect the allocation of each acquisition s purchase price as of September 30, 2015 and December 31, 2014. The purchase price allocation for the 2014 acquisition of Fox is preliminary and is pending the completion of various pre-acquisition period income tax returns. The measurement periods for purchase price allocations do not exceed 12 months from the acquisition date.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

4. Goodwill

The change in the carrying amount of goodwill is as follows:

		(in millions)
Balance at January 1, 2015	$	1,736.4
Acquisitions		0.4
Purchase price allocation adjustment		(0.4)
Effect of foreign currency translation		(9.4)
Balance at September 30, 2015	$	1,727.0

We had no accumulated impairment losses related to goodwill at September 30, 2015.

5. Intangible Assets, net

Intangible assets, net consisted of the following:

		September 30, 2015		December 31, 2014	
	Weighted Average Amortizable Life in Years	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
		(in millions)			
Intangible assets subject to amortization:					
Covenants not to compete	4.4	$ 1.4	$ (1.0)	$ 2.3	$ (1.7)
Customer lists/relationships	14.2	685.8	(299.1)	694.7	(249.3)
Software internal use	10.0	8.1	(7.7)	8.1	(7.1)
Other	5.3	6.4	(4.7)	7.2	(4.5)
		701.7	(312.5)	712.3	(262.6)
Intangible assets not subject to amortization:					
Trade names		751.5		777.7	
		$ 1,453.2	$ (312.5)	$ 1,490.0	$ (262.6)

We recognized amortization expense for intangible assets of $41.0 million and $42.3 million for the nine months ended September 30, 2015 and 2014, respectively. Foreign currency translation losses related to intangible assets, net, were approximately $11.0 million during the nine months ended September 30, 2015. Impairment losses of $21.2 million related to five of our trade names and $14.4 million related to two of our customer relationships were recognized during the three months and nine months ended September 30, 2015. See Note 11 - Impairment of Long-Lived Assets for further discussion of our impairment losses. No impairment losses were recognized during the nine months ended September 30, 2014.

The following is a summary of estimated aggregate amortization expense for the remaining three months of 2015 and each of the succeeding five years:

	(in millions)
2015	$ 12.7
2016	49.5
2017	45.2
2018	40.9
2019	40.8
2020	40.8

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

6. Debt

Debt consisted of the following:

	September 30, 2015	December 31, 2014
	(in millions)	
Unsecured revolving credit facility due April 4, 2018	$ 489.0	$ 675.0
Unsecured term loan due from December 31, 2015 to April 4, 2018	411.3	442.5
Senior unsecured notes due November 15, 2016	350.0	350.0
Senior unsecured notes due April 15, 2023	500.0	500.0
Senior unsecured notes due November 15, 2036	250.0	250.0
Other notes and revolving credit facilities	109.5	101.6
Total	2,109.8	2,319.1
Less: unamortized discount and debt issuance costs	(14.3)	(17.1)
Less: amounts due within one year and short-term borrowings	(109.4)	(93.9)
Total long-term debt	$ 1,986.1	$ 2,208.1

Unsecured Credit Facility

On April 4, 2013, we entered into a syndicated Third Amended and Restated Credit Agreement with 26 banks as lenders (Credit Agreement). The Credit Agreement amended and restated our existing $1.5 billion unsecured revolving credit facility and provided for a $500.0 million term loan and an option to increase the revolving credit facility for up to $500.0 million at our request, subject to approval of the lenders and certain other conditions. The term loan due April 4, 2018 amortizes in quarterly installments, with an annual amortization of 10% until March 2018, with the balance to be paid at maturity. Interest on borrowings from the revolving credit facility and term loan during the three-month period ended September 30, 2015 was at variable rates based on LIBOR plus 1.25% or the bank prime rate plus 0.25% and included a commitment fee at an annual rate of 0.20% on the unused portion of the revolving credit facility. The applicable margins over LIBOR rate and base rate borrowings, along with commitment fees, are subject to adjustment every quarter based on our leverage ratio, as defined in the Credit Agreement.

Weighted average interest rates on borrowings outstanding on the revolving credit facility and term loan were 1.44% and 1.42% as of September 30, 2015 and December 31, 2014, respectively. As of September 30, 2015, we had $489.0 million of outstanding borrowings, $58.8 million of letters of credit issued and $952.2 million available on the revolving credit facility.

Senior Unsecured Notes

On November 20, 2006, we entered into an indenture (the 2006 Indenture), for the issuance of $600.0 million of unsecured debt securities. The total debt issued was comprised of two tranches, (a) $350.0 million aggregate principal amount of senior unsecured notes bearing interest at the rate of 6.20% per annum, maturing on November 15, 2016 and (b) $250.0 million aggregate principal amount of senior unsecured notes bearing interest at the rate of 6.85% per annum, maturing on November 15, 2036.

On April 12, 2013, we entered into an indenture (the 2013 Indenture and, together with the 2006 Indenture, the Indentures), for the issuance of $500.0 million aggregate principal amount of senior unsecured notes at the rate of 4.50% per annum, maturing on April 15, 2023. The net proceeds from the issuance of these notes were used to partially fund the acquisition of Metals USA Holdings Corp. (Metals USA).

Under the Indentures, the notes are senior unsecured obligations and rank equally in right of payment with all of our existing and future unsecured and unsubordinated obligations. The notes are guaranteed by certain of our 100%-owned domestic subsidiaries that guarantee our revolving credit facility. The senior unsecured notes include provisions that require us to make an offer to repurchase the notes at a price equal to 101% of their principal amount plus accrued and unpaid interest in the event of both a change in control and a downgrade of our credit rating.

RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

Other Notes and Revolving Credit Facilities

Other revolving credit facilities with a combined credit limit of approximately $77.9 million are in place for operations in Asia and Europe with combined outstanding balances of $57.5 million and $48.3 million as of September 30, 2015 and December 31, 2014, respectively.

In connection with our acquisition of Metals USA, we assumed industrial revenue bonds with combined outstanding balances of $11.2 million and $11.5 million as of September 30, 2015 and December 31, 2014, respectively, and maturities through 2027. Additionally, we assumed mortgage obligations pursuant to our acquisition of a portfolio of real estate properties that we were leasing, which have outstanding balances of $40.8 million and $41.8 million as of September 30, 2015 and December 31, 2014, respectively. The mortgages, which are secured by the underlying properties, have a fixed interest rate of 6.40% and scheduled amortization payments with a lump sum payment of $39.2 million due October 2016.

Covenants

The Credit Agreement requires us to maintain an interest coverage ratio and a maximum leverage ratio, among other things.

Our obligations under the Credit Agreement and Indentures are required to be guaranteed by certain of our 100%-owned domestic subsidiaries. The subsidiary guarantors, together with Reliance, are required to collectively account for at least 80% of our consolidated EBITDA and 80% of consolidated tangible assets.

We were in compliance with all material covenants in our debt agreements at September 30, 2015.

7. Income Taxes

Our effective income tax rates for the three-month periods ended September 30, 2015 and 2014 were 32.1% and 25.7%, respectively. Our effective income tax rates for the nine-month periods ended September 30, 2015 and 2014 were 32.1% and 32.5%, respectively. Our 2014 three-month period effective income tax rate was favorably impacted by the resolution of certain tax matters. Permanent items that lowered our effective income tax rates from the federal statutory rate were not materially different during both years and relate mainly to company-owned life insurance policies, domestic production activities deductions and foreign income levels that are taxed at rates lower than the U.S. statutory rate of 35%.

8. Equity

Reincorporation

During the second quarter of 2015, the Company s shareholders approved the reincorporation of the Company from California to Delaware by means of a merger with and into a wholly-owned Delaware subsidiary. The reincorporation did not result in any change in the Company s business, physical location, management, assets, liabilities, net worth or number of authorized shares. In the reincorporation, the Company s Restated Certificate of Incorporation established par value of the Company s common stock and unissued preferred stock of $0.001 per share.

Common Stock and Share Repurchase Plan

We repurchase shares of our common stock through open market purchases under a plan complying with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the Exchange Act). Since initiating the share repurchase plan in 1994 we have purchased approximately 22.1 million shares at an average cost of $30.93 per share. On October 20, 2015, our Board of Directors amended our share repurchase plan increasing the authorized number of shares available to be repurchased by 7.5 million and extending the program through December 31, 2018. As of October 30, 2015, we had authorization to purchase a total of 8.4 million shares under our existing share repurchase plan. Repurchased and subsequently retired shares are restored to the status of authorized but unissued shares.

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

Common stock and additional paid-in capital activity included the following:

	Three Months Ended September 30, 2015			Nine Months Ended September 30, 2015		
	Shares	**Amount**	**Weighted Average Exercise/(Purchase) Price**	**Shares**	**Amount**	**Weighted Average Exercise/(Purchase) Price**
	(in millions, except share and per share amounts)					
Stock-based compensation		$ 5.2		271,438	$ 17.6	
Stock options exercised	9,512	0.4	$ 42.87	218,524	11.0	$ 52.00
Share repurchases(1)	(2,514,654)	(142.3)	$ (56.60)	(5,953,054)	(342.3)	$ (57.50)
Total	(2,505,142)	$ (136.7)		(5,463,092)	$ (313.7)	

(1) Includes 526,800 shares for $28.4 million pending settlement at September 30, 2015, but does not reflect 241,511 additional shares purchased in October 2015.

Dividends

On October 20, 2015, our Board of Directors declared the 2015 fourth quarter cash dividend of $0.40 per share. The dividend is payable on December 18, 2015 to stockholders of record as of November 20, 2015.

During the three months ended September 30, 2015, we declared and paid a quarterly dividend of $0.40 per share, or $29.3 million in total, compared to a quarterly dividend of $0.35 per share, or $27.3 million in total, for the same period in 2014. During the nine months ended September 30, 2015, we declared and paid quarterly dividends of $1.20 per share, or $89.7 million in total, compared to quarterly dividends of $1.05 per share, or $81.7 million in total, for the same period in 2014. During the nine months ended September 30, 2015, we also paid $1.0 million in dividend equivalents with respect to vested RSUs.

Stock-Based Compensation

We annually grant time-based and performance-based RSUs, which have both service and performance goal criteria, to officers and key employees that generally have 3-year vesting periods. Additionally, we grant restricted stock to the non-employee members of the Board of

Directors. The fair value of the RSUs and restricted stock is determined based on the closing stock price of our common stock on the grant date.

A summary of the status of our unvested restricted stock grants and time-based and performance-based RSUs as of September 30, 2015 and changes during the nine-month period then ended is as follows:

Unvested RSUs and Restricted Stock	**Shares**	**Weighted Average Grant Date Fair Value**
Unvested at January 1, 2015	846,760	$ 65.10
Granted(1)	570,479	59.42
Vested	(105,119)	59.46
Canceled	(99,630)	58.56
Unvested at September 30, 2015	1,212,490	$ 63.90
Shares reserved for future grants (all plans)	2,096,472	

(1) 557,760 RSUs, including 225,450 performance-based RSUs, and 12,719 restricted stock grants.

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss included the following:

	Foreign Currency Translation Loss	Unrealized Gain (Loss) on Investments, Net of Tax	Pension and Postretirement Benefit Adjustments, Net of Tax	Accumulated Other Comprehensive Loss
		(in millions)		
Balance as of January 1, 2015	$ (23.2)	$ 0.4	$ (26.1)	$ (48.9)
Current-period change	(42.8)	(0.4)		(43.2)
Balance as of September 30, 2015	$ (66.0)	$	$ (26.1)	$ (92.1)

Foreign currency translation adjustments are not generally adjusted for income taxes as they relate to indefinite investments in foreign subsidiaries. Pension and postretirement benefit adjustments are net of taxes of $15.6 million as of September 30, 2015 and December 31, 2014.

9. Commitments and Contingencies

Environmental Contingencies

We are currently involved with certain environmental remediation projects related to activities at former manufacturing operations of Earle M. Jorgensen Company (EMJ), our 100%-owned subsidiary, that were sold many years prior to Reliance s acquisition of EMJ in 2006. Although the potential cleanup costs could be significant, EMJ had insurance policies in place at the time they owned the manufacturing operations that have covered costs incurred to-date, and are expected to continue to cover the majority of the remaining costs. We do not expect that these obligations will have a material adverse impact on our consolidated financial position, results of operations or cash flows.

Legal Matters

From time to time, we are named as a defendant in legal actions. Generally, these actions arise out of our normal course of business. We are not a party to any pending legal proceedings other than routine litigation incidental to the business. We expect that these matters will be resolved without a material adverse effect on our results of operations, financial condition or cash flows. We maintain liability insurance against risks arising out of our ordinary course of business.

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

10. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions, except share and per share amounts)			
Numerator:				
Net income attributable to Reliance	$ 51.4	$ 95.5	$ 242.9	$ 279.2
Denominator:				
Weighted average shares outstanding	73,316,356	77,945,375	74,903,472	77,730,965
Dilutive effect of stock-based awards	819,837	938,806	770,124	943,894
Weighted average diluted shares outstanding	74,136,193	78,884,181	75,673,596	78,674,859
Earnings per share attributable to Reliance stockholders:				
Diluted	$ 0.69	$ 1.21	$ 3.21	$ 3.55
Basic	$ 0.70	$ 1.23	$ 3.24	$ 3.59

Potentially dilutive securities whose effect would have been antidilutive were not significant for the three-month and nine-month periods ended September 30, 2015 and 2014.

11. Impairment of Long-Lived Assets

In the three months and nine months ended September 30, 2015, we recorded a $53.3 million impairment charge of long-lived assets primarily related to certain of our energy-related businesses as a result of the impact to our businesses from continued low crude oil prices and the resulting decline in the demand for the products we sell to the energy market (oil and gas). This included a charge of $17.7 million for property, plant, and equipment directly related to the planned closure of certain of our energy-related businesses where we anticipate losses on the disposition of certain assets and an impairment charge of $35.6 million related to our intangible assets, net due to the loss of customers and lowered expectations of future profitability. The measurement of these assets at fair value was determined using a combination of discounted cash flow techniques for intangible assets and the market approach for property, plant, and equipment.

12. Condensed Consolidating Financial Statements

In November 2006 and April 2013, we issued senior unsecured notes in the aggregate principal amount of $1.1 billion, at fixed interest rates that are guaranteed by certain of our 100%-owned domestic subsidiaries that also guarantee borrowings under the Credit Agreement. The accompanying consolidating financial information has been prepared and presented pursuant to Rule 3-10 of Regulation S-X *Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered.* The guarantees are full and unconditional and joint and several obligations of each of the guarantor subsidiaries. There are no significant restrictions on our ability to obtain funds from any of the guarantor subsidiaries by dividends or loans. The supplemental consolidating financial information has been presented in lieu of separate financial statements of the guarantors as such separate financial statements are not considered meaningful.

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

Condensed Unaudited Consolidating Balance Sheet

As of September 30, 2015

(in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets					
Cash and cash equivalents	$ 13.6	$ (7.1)	$ 87.6	$	$ 94.1
Accounts receivable, net	78.4	850.2	164.9	(19.2)	1,074.3
Inventories	46.3	1,293.2	247.8		1,587.3
Income taxes receivable	82.2			(43.6)	38.6
Other current assets	121.9	37.3	15.2	(78.7)	95.7
Total current assets	342.4	2,173.6	515.5	(141.5)	2,890.0
Investments in subsidiaries	5,011.9	286.0		(5,297.9)	
Property, plant and equipment, net	107.9	1,309.2	208.9		1,626.0
Goodwill	23.8	1,571.1	132.1		1,727.0
Intangible assets, net	14.6	987.9	138.2		1,140.7
Intercompany receivables	820.9	41.1	26.3	(888.3)	
Other assets	24.3	41.9	5.7		71.9
Total assets	$ 6,345.8	$ 6,410.8	$ 1,026.7	$ (6,327.7)	$ 7,455.6
Liabilities & Equity					
Accounts payable	$ 32.4	$ 234.4	$ 78.9	$ (19.2)	$ 326.5
Accrued compensation and retirement costs	22.2	86.3	10.7		119.2
Other current liabilities	71.2	60.4	57.9	(46.5)	143.0
Deferred income taxes		75.2	0.6	(75.8)	
Current maturities of long-term debt and short-term borrowings	50.0		59.4		109.4
Total current liabilities	175.8	456.3	207.5	(141.5)	698.1
Long-term debt	1,935.9	5.7	44.5		1,986.1
Intercompany borrowings		733.2	155.1	(888.3)	
Other long-term liabilities	314.3	455.5	51.1		820.9
Total Reliance stockholders equity	3,919.8	4,753.6	544.3	(5,297.9)	3,919.8
Noncontrolling interests		6.5	24.2		30.7
Total equity	3,919.8	4,760.1	568.5	(5,297.9)	3,950.5
Total liabilities and equity	$ 6,345.8	$ 6,410.8	$ 1,026.7	$ (6,327.7)	$ 7,455.6

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

Condensed Unaudited Consolidating Balance Sheet

As of December 31, 2014

(in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets					
Cash and cash equivalents	$ 41.9	$ (8.3)	$ 72.6	$	$ 106.2
Accounts receivable, net	72.7	923.1	164.8	(16.0)	1,144.6
Inventories	57.6	1,454.2	240.3		1,752.1
Other current assets	139.3	38.5	16.1	(75.7)	118.2
Total current assets	311.5	2,407.5	493.8	(91.7)	3,121.1
Investments in subsidiaries	4,891.8	299.9		(5,191.7)	
Property, plant and equipment, net	103.8	1,333.7	218.9		1,656.4
Goodwill	23.8	1,571.0	141.6		1,736.4
Intangible assets, net	16.1	1,056.7	154.6		1,227.4
Intercompany receivables	1,361.7	26.1	18.2	(1,406.0)	
Other assets	22.7	52.5	5.9		81.1
Total assets	$ 6,731.4	$ 6,747.4	$ 1,033.0	$ (6,689.4)	$ 7,822.4
Liabilities & Equity					
Accounts payable	$ 29.2	$ 212.3	$ 60.6	$ (15.6)	$ 286.5
Accrued compensation and retirement costs	23.9	89.9	14.6		128.4
Other current liabilities	65.2	26.1	62.6	0.1	154.0
Deferred income taxes		75.1	0.6	(75.7)	
Current maturities of long-term debt and short-term borrowings	43.8		50.1		93.9
Total current liabilities	162.1	403.4	188.5	(91.2)	662.8
Long-term debt	2,156.6	5.7	45.8		2,208.1
Intercompany borrowings		1,242.5	163.5	(1,406.0)	
Other long-term liabilities	313.7	456.2	54.1	(0.4)	823.6
Total Reliance stockholders equity	4,099.0	4,633.4	558.4	(5,191.8)	4,099.0
Noncontrolling interests		6.2	22.7		28.9
Total equity	4,099.0	4,639.6	581.1	(5,191.8)	4,127.9
Total liabilities and equity	$ 6,731.4	$ 6,747.4	$ 1,033.0	$ (6,689.4)	$ 7,822.4

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

Condensed Unaudited Consolidating Statement of Comprehensive Income

For the Three Months Ended September 30, 2015
(in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ 175.1	$ 1,936.9	$ 222.2	$ (48.0)	$ 2,286.2