

WORTHINGTON INDUSTRIES INC

Form 10-Q

April 09, 2007

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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 February 28, 2007

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 001-08399

WORTHINGTON INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of incorporation or organization)

31-1189815
(IRS Employer Identification No.)

200 Old Wilson Bridge Road, Columbus, Ohio
(Address of principal executive offices)

43085
(Zip Code)

(614) 438-3210
(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

YES NO

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of March 30, 2007, 84,459,454 of the registrant's common shares, without par value, were outstanding.

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SAFE HARBOR STATEMENT

Selected statements contained in this Quarterly Report on Form 10-Q, including, without limitation, in PART I Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, constitute forward-looking statements as that term is used in the Private Securities Litigation Reform Act of 1995 (the Act). These forward-looking statements include, without limitation, statements relating to:

*future or expected performance, sales, operating results and earnings per share;
projected capacity and working capital needs;
pricing trends for raw materials and finished goods;
anticipated capital expenditures and asset sales;
projected timing, results, costs, charges and expenditures related to acquisitions or to facility dispositions, shutdowns and consolidations;
new products and markets;
expectations for company and customer inventories, jobs and orders;
expectations for the economy and markets;
expected benefits from new initiatives, such as the Enterprise Resource Planning System;
effects of judicial rulings; and
other non-historical matters.*

Because they are based on beliefs, estimates and assumptions, forward-looking statements are inherently subject to risks and uncertainties that could cause actual results to differ materially from those projected. Any number of factors could affect actual results, including, without limitation:

*product demand and pricing;
changes in product mix, product substitution and market acceptance of our products;
fluctuations in pricing, quality or availability of raw materials (particularly steel), supplies, transportation, utilities and other items required by operations;
effects of facility closures and the consolidation of operations;
the effect of consolidation and other changes within the steel, automotive, construction and related industries;
failure to maintain appropriate levels of inventories;
the ability to realize cost savings and operational efficiencies on a timely basis;
the overall success of, and our ability to integrate, newly-acquired businesses and achieve synergies therefrom;
capacity levels and efficiencies within facilities and within the industry as a whole;
financial difficulties (including bankruptcy filings) of customers, suppliers, joint venture partners and others with whom we do business;
the effect of national, regional and worldwide economic conditions generally and within major product markets, including a prolonged or substantial economic downturn;
the effect of disruption in the business of suppliers, customers, facilities and shipping operations due to adverse weather, casualty events, equipment breakdowns, acts of war or terrorist activities or other causes;
changes in customer inventories, spending patterns, product choices, and supplier choices;
risks associated with doing business internationally, including economic, political and social instability, and foreign currency exposures;
the ability to improve and maintain processes and business practices to keep pace with the economic, competitive and technological environment;
adverse or favorable claims experience with respect to workers' compensation, product recalls or liability, casualty events or other matters;
deviation of actual results from estimates and/or assumptions used by us in the application of our significant accounting policies;
the impact of judicial rulings and governmental regulations, both in the United States and abroad; and
other risks described from time to time in our filings with the United States Securities and Exchange Commission, including those described in PART I Item 1A. Risk Factors of our Annual Report on Form 10-K for the fiscal year ended May 31, 2006.*

Any forward-looking statements in this Quarterly Report on Form 10-Q are based on current information as of the date of this Quarterly Report on Form 10-Q, and we assume no obligation to correct or update any such statements in the future, except as required by applicable law.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. - Financial Statements****WORTHINGTON INDUSTRIES, INC.****CONSOLIDATED BALANCE SHEETS****(Unaudited, in thousands)**

	February 28, 2007	May 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 38,968	\$ 56,216
Short-term investments	-	2,173
Receivables, less allowances of \$4,809 and \$4,964 at February 28, 2007 and May 31, 2006	371,360	404,553
Inventories:		
Raw materials	285,299	266,818
Work in process	95,012	104,244
Finished products	102,916	88,295
Total inventories	483,227	459,357
Assets held for sale	5,193	23,535
Deferred income taxes	16,550	15,854
Prepaid expenses and other current assets	39,680	34,553
Total current assets	954,978	996,241
Investments in unconsolidated affiliates	85,356	123,748
Goodwill	178,556	177,771
Other assets	44,307	55,733
Property, plant and equipment, net	565,265	546,904
Total assets	\$ 1,828,462	\$ 1,900,397
Liabilities and shareholders equity		
Current liabilities:		
Accounts payable	\$ 256,880	\$ 362,883
Notes payable	119,564	7,684
Accrued compensation, contributions to employee benefit plans and related taxes	38,635	49,784
Dividends payable	14,357	15,078
Other accrued items	29,853	36,483
Income taxes payable	8,553	18,874
Total current liabilities	467,842	490,786
Other liabilities	57,214	55,249
Long-term debt	245,000	245,000
Deferred income taxes	111,100	114,610

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Total liabilities	881,156	905,645
Minority interest	48,707	49,446
Shareholders' equity	898,599	945,306
Total liabilities and shareholders' equity	\$ 1,828,462	\$ 1,900,397

See notes to consolidated financial statements.

Table of Contents**WORTHINGTON INDUSTRIES, INC.****CONSOLIDATED STATEMENTS OF EARNINGS****(Unaudited)****(in thousands, except per share data)**

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2007	2006	2007	2006
Net sales	\$ 677,250	\$ 681,548	\$ 2,185,232	\$ 2,075,211
Cost of goods sold	620,931	602,646	1,923,464	1,817,549
Gross margin	56,319	78,902	261,768	257,662
Selling, general and administrative expense	54,159	53,345	174,316	154,899
Operating income	2,160	25,557	87,452	102,763
Other income (expense):				
Miscellaneous expense	(847)	(255)	(1,916)	(60)
Interest expense	(6,636)	(6,875)	(17,003)	(20,157)
Equity in net income of unconsolidated affiliates	13,463	8,178	46,544	35,565
Earnings before income taxes	8,140	26,605	115,077	118,111
Income tax expense	2,630	7,448	39,395	31,519
Net earnings	\$ 5,510	\$ 19,157	\$ 75,682	\$ 86,592
Average common shares outstanding - basic	84,733	88,361	86,918	88,174
Earnings per share - basic	\$ 0.07	\$ 0.22	\$ 0.87	\$ 0.98
Average common shares outstanding - diluted	85,309	89,152	87,473	88,870
Earnings per share - diluted	\$ 0.06	\$ 0.21	\$ 0.87	\$ 0.97
Common shares outstanding at end of period	84,430	88,523	84,430	88,523
Cash dividends declared per share	\$ 0.17	\$ 0.17	\$ 0.51	\$ 0.51

See notes to consolidated financial statements.

Table of Contents**WORTHINGTON INDUSTRIES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited, in thousands)

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2007	2006	2007	2006
Operating activities				
Net earnings	\$ 5,510	\$ 19,157	\$ 75,682	\$ 86,592
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:				
Depreciation and amortization	15,251	14,024	45,872	44,133
Provision for deferred income taxes	(1,000)	(2,984)	(826)	(8,186)
Equity in net income of unconsolidated affiliates, net of distributions	40,958	2,423	40,421	(6,397)
Minority interest in net income of consolidated affiliates	980	1,645	3,561	4,179
Other adjustments	2,473	256	1,896	2,593
Changes in assets and liabilities:				
Accounts receivable	3,923	(13,427)	36,716	46,487
Inventories	48,164	(56,289)	(15,774)	(20,070)
Prepaid expenses and other current assets	(724)	(2,033)	(3,970)	(9,227)
Other assets	(668)	238	3,320	(392)
Accounts payable and accrued expenses	26,953	(10,684)	(139,622)	22,011
Other liabilities	(642)	3,715	1,123	193
Net cash provided (used) by operating activities	141,178	(43,959)	48,399	161,916