

CASTLE A M & CO

FORM 8-K

(Current report filing)

Filed 04/29/08 for the Period Ending 04/29/08

| | |
|-------------|---|
| Address | 3400 N WOLF RD FRANKLIN PARK, IL 60131 |
| Telephone | 7084557111 |
| CIK | 0000018172 |
| Symbol | CAS |
| SIC Code | 5051 - Metals Service Centers and Offices |
| Industry | Misc. Fabricated Products |
| Sector | Technology |
| Fiscal Year | 12/31 |

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) April 29, 2008

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

| | | |
|--|--|---|
| <u>Maryland</u> (State or other jurisdiction of incorporation) | <u>1-5415</u> (Commission File Number) | <u>36-0879160</u> (IRS Employer Identification No.) |
|--|--|---|

| | |
|---|----------------------------|
| <u>3400 N. Wolf Road, Franklin Park, Illinois</u> (Address of principal executive offices) | <u>60131</u> (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))
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Item 2.02 Results of Operations and Financial Conditions.

On April 29, 2009, A. M. Castle & Co. issued a news release reporting its 2008 first quarter and year-end annual 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 April 29, 2008 |

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 April 29, 2008



A. M. CASTLE & CO.

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For Further Information:

AT THE COMPANY

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

AT ASHTON PARTNERS

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FOR IMMEDIATE RELEASE
TUESDAY, APRIL 29, 2008

A. M. Castle & Co. Reports 2008 First Quarter Results

FRANKLIN PARK, IL, APRIL 29th – A. M. Castle & Co. (NYSE: CAS) , a global distributor of specialty metal and plastic products, value-added services and supply chain solutions, today reported financial results for the first quarter ended March 31, 2008.

For the first quarter, consolidated net sales were a record \$393.5 million, an increase of \$18.1 million, or 4.8% from the first quarter of 2007. Net income for the quarter was \$13.8 million or \$0.62 per diluted share as compared to \$15.6 million, or \$0.81 per diluted share in the prior year.

In May 2007, the Company completed a secondary equity offering of five million shares, which had a \$0.08 dilutive impact on first quarter 2008 earnings per share.

“Overall end-market activity in the first three months of 2008 remained healthy,” stated Michael Goldberg, President and CEO of A.M. Castle. “Demand in the oil and gas markets, and in

our plate products which serves the heavy equipment and infrastructure markets, were especially strong in the first quarter. Given our focus on strategic end markets that exhibit favorable demand drivers on a global scale, we have not seen any significant recessionary impact in our business to date and material prices remain at favorably high levels,” added Goldberg.

Metal segment sales were \$362.3 million in the first quarter of 2008, which was \$15.7 million or 4.5% higher than the first quarter of 2007. The Metals UK Group acquired, on January 3, 2008, contributed to the sales increase. Excluding Metals UK Group activity, average tons sold per day in the Metal business increased 1.4% as compared to the first quarter of 2007, recovering from the lower levels the Company experienced in the second half of 2007. Metal prices also increased 3.1% versus the first quarter of last year.

Plastic segment sales were \$31.2 million in the quarter, an increase of \$2.5 million or 8.5% from the first quarter of last year.

“Margin rates in our aerospace business were comparable to the fourth quarter of 2007, reflecting the continuing oversupply of aluminum plate throughout the industry supply chain. Although our own inventory levels have improved, we do not expect a better overall market balance of supply to demand for this product until the latter half of 2008. Margin performance in the balance of our Metals business improved slightly during the first quarter, in part due to a tightening of supply in certain grades of carbon plate. Mill production of plate products is being consumed by manufacturers that support the Mine Resistant Ambush Protected (“MRAP”) programs, leading to tighter product availability, which has enhanced price and margins,” commented Goldberg. “Additionally, our Plastics business also enjoyed a strong quarter on the strength of some of their program customer business,” stated Goldberg.

The Company’s debt to capital ratio was 24.1% as of March 31, 2008, including the funding of the Metals UK Group acquisition. Inventory DSI (days sales in inventory) were 112 days at the end of the first quarter 2008 as compared to an average of 132 days in 2007.

“We are pleased with our profitability and strong inventory performance to start 2008. Additionally, we believe that the underlying economics of our business experienced in the first quarter of 2008, will remain healthy over the next few months as we are not directly impacted by any of the consumer driven markets such as automotive or residential construction,” stated Goldberg.

“On a final note, in early April we were successful in completing our first implementation phase of the Oracle ERP system in our Metals business. Both the system and the locations where it was installed are fully operational,” concluded Goldberg.

The Company also announced a cash dividend of \$0.06 per share payable May 22, 2008 to shareholders of record at close of business on May 8, 2008.

Webcast Information

Management will hold a conference call at 11:00 a.m. ET today to review the Company's results for the three month period ended March 31, 2008. 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 11112864.

About A. M. Castle & Co.

Founded in 1890, A.M. Castle & Co. is a global distributor of specialty metal and plastic products and supply chain services, 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 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 65 locations throughout North America, Europe and Asia. 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 Months Ended March 31, | |
|---|--|------------------|
| | 2008 | 2007 |
| Net sales | \$ 393,479 | \$ 375,351 |
| Costs and expenses: | | |
| Cost of materials (exclusive of depreciation and amortization) | 291,344 | 269,450 |
| Warehouse, processing and delivery expense | 38,525 | 35,570 |
| Sales, general, and administrative expense | 35,482 | 36,394 |
| Depreciation and amortization expense | 5,811 | 4,896 |
| Operating income | <u>22,317</u> | <u>29,041</u> |
| Interest expense, net | (2,046) | (4,261) |
| Income before income taxes and equity in earnings of joint venture | 20,271 | 24,780 |
| Income taxes | <u>(8,350)</u> | <u>(9,877)</u> |
| Income before equity in earnings of joint venture | 11,921 | 14,903 |
| Equity in earnings of joint venture | <u>1,893</u> | <u>932</u> |
| Net income | <u>13,814</u> | <u>15,835</u> |
| Preferred stock dividends | - | (243) |
| Net income applicable to common stock | <u>\$ 13,814</u> | <u>\$ 15,592</u> |
| Basic earnings per share | <u>\$ 0.62</u> | <u>\$ 0.84</u> |
| Diluted earnings per share | <u>\$ 0.62</u> | <u>\$ 0.81</u> |
| EBITDA * | <u>\$ 30,021</u> | <u>\$ 34,869</u> |

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

Reconciliation of EBITDA to net income:

| | For the Three Months Ended March 31, | |
|---------------------------------------|--|------------------|
| | 2008 | 2007 |
| Net income | \$ 13,814 | \$ 15,835 |
| Depreciation and amortization expense | 5,811 | 4,896 |
| Interest expense, net | 2,046 | 4,261 |
| Income taxes | 8,350 | 9,877 |
| EBITDA | <u>\$ 30,021</u> | <u>\$ 34,869</u> |

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

| | As of | |
|--|-------------------|----------------------|
| | March 31, 2008 | December 31, 2007 |
| Current assets | | |
| Cash and cash equivalents | \$ 31,427 | \$ 22,970 |
| Accounts receivable, less allowances of \$3,560 at March 31, 2008 and \$3,220 at December 31, 2007 | 205,106 | 146,675 |
| Inventories, principally on last-in, first-out basis (replacement cost higher by \$145,086 at December 31, 2007 and \$142,118 at December 31, 2007) | 220,392 | 207,284 |
| Other current assets | 13,605 | 13,462 |
| Total current assets | 470,530 | 390,391 |
| Investment in joint venture | 18,810 | 17,419 |
| Goodwill | 114,207 | 101,540 |
| Intangible assets | 63,039 | 59,602 |
| Prepaid pension cost | 27,758 | 25,426 |
| Other assets | 5,062 | 7,516 |
| Property, plant and equipment, at cost | | |
| Land | 5,193 | 5,196 |
| Building | 48,995 | 48,727 |
| Machinery and equipment (includes construction in progress) | 162,902 | 155,950 |
| | 217,090 | 209,873 |
| Less - accumulated depreciation | (136,597) | (134,763) |
| | 80,493 | 75,110 |
| Total assets | <u>\$ 779,899</u> | <u>\$ 677,004</u> |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|---|-------------------|-------------------|
| Current liabilities | | |
| Accounts payable | \$ 154,799 | \$ 109,055 |
| Accrued liabilities | 35,069 | 33,143 |
| Income taxes payable | 6,049 | 2,497 |
| Deferred income taxes - current | 6,656 | 7,298 |
| Current portion of long-term debt | 7,599 | 7,037 |
| Short-term debt | 24,824 | 18,739 |
| Total current liabilities | 234,996 | 177,769 |
| Long-term debt, less current portion | 92,815 | 60,712 |
| Deferred income taxes | 39,853 | 37,760 |
| Other non-current liabilities | 17,182 | 15,688 |
| Commitments and contingencies | | |
| Stockholders' equity | | |
| Common stock, \$0.01 par value - 30,000,000 shares authorized; 22,814,440 shares issued and 22,585,861 outstanding at March 31, 2008 and 22,330,946 shares issued and 22,097,869 outstanding at December 31, 2007 | 228 | 223 |
| Additional paid-in capital | 177,109 | 179,707 |
| Retained earnings | 219,622 | 207,134 |
| Accumulated other comprehensive income (loss) | 1,493 | 1,498 |
| Treasury stock, at cost - 228,579 shares at March 31, 2008 and 233,077 shares at December 31, 2007 | (3,399) | (3,487) |
| Total stockholders' equity | 395,053 | 385,075 |
| Total liabilities and stockholders' equity | <u>\$ 779,899</u> | <u>\$ 677,004</u> |

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

| For the Three Months Ended March 31, | |
|---|------|
| 2008 | 2007 |

Operating activities:

| | | |
|--|--------------|--------------|
| Net income | \$ 13,814 | \$ 15,835 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation and amortization | 5,811 | 4,896 |
| Amortization of deferred gain | (223) | (223) |
| Loss on disposal of fixed assets | 11 | 1,340 |
| Equity in earnings of joint venture | (1,893) | (932) |
| Dividends from joint venture | 503 | 358 |
| Deferred tax provision (benefit) | 745 | 1,649 |
| Share-based compensation expense | 831 | 1,454 |
| Excess tax benefits from share-based payment arrangements | (2,665) | - |
| Increase (decrease) from changes, net of acquisitions, in: | | |
| Accounts receivable | (44,092) | (28,859) |
| Inventories | (2,255) | (35,012) |
| Other current assets | (997) | 2,216 |
| Other assets | (110) | (67) |
| Prepaid pension costs | (518) | 827 |
| Accounts payable | 35,627 | 32,325 |
| Accrued liabilities | (1,538) | 694 |
| Income taxes payable | 6,866 | 8,055 |
| Postretirement benefit obligations and other liabilities | (165) | 288 |
| Net cash from operating activities | <u>9,752</u> | <u>4,844</u> |

Investing activities:

| | | |
|--|-----------------|----------------|
| Cash paid for acquisitions, net of cash acquired | (26,876) | - |
| Capital expenditures | (5,377) | (2,179) |
| Proceeds from sale of fixed assets | 29 | 9 |
| Net cash used in investing activities | <u>(32,224)</u> | <u>(2,170)</u> |

Financing activities:

| | | |
|--|---------------|--------------|
| Short-term borrowings, net | 5,827 | 2,500 |
| Proceeds from issuance of long-term debt | 30,377 | - |
| Repayments of long-term debt | (67) | (1,703) |
| Payment of debt issuance fees | - | (21) |
| Preferred stock dividend | - | (243) |
| Common stock dividends | (1,326) | (1,023) |
| Excess tax benefits from share-based payment arrangements | 2,665 | - |
| Payment of withholding taxes from share-based incentive issuance | (6,000) | - |
| Net cash from (used in) financing activities | <u>31,476</u> | <u>(490)</u> |

| | | |
|--|--------------|--------------|
| Effect of exchange rate changes on cash and cash equivalents | <u>(547)</u> | <u>(257)</u> |
|--|--------------|--------------|

| | | |
|---|------------------|------------------|
| Net increase in cash and cash equivalents | <u>8,457</u> | <u>1,927</u> |
| Cash and cash equivalents - beginning of year | <u>22,970</u> | <u>9,526</u> |
| Cash and cash equivalents - end of period | <u>\$ 31,427</u> | <u>\$ 11,453</u> |