

IMCO RECYCLING INC
Form 10-Q
August 14, 2003

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 June 30, 2003

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File No. 1-7170

IMCO Recycling Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

75-2008280

(I.R.S. Employer Identification No.)

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5215 North O Connor Blvd., Suite 1500

Central Tower at Williams Square

Irving, Texas 75039

(Address of principal executive offices) (Zip Code)

(972) 401-7200

(Registrant's telephone number, including area code)

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 is an accelerated filer (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 the close of business on July 31, 2003.

Common Stock, \$0.10 par value, 15,394,524

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

IMCO RECYCLING INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	June 30, 2003 <u>(unaudited)</u>	December 31, 2002 <u></u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 24,331	\$ 6,875
Accounts receivable (net of allowance of \$1,308 and \$1,205 at June 30, 2003 and December 31, 2002, respectively)	67,472	24,501
Inventories	67,451	42,730
Deferred income taxes	3,773	3,355
Other current assets	11,671	13,210
	<u>174,698</u>	<u>90,671</u>
Total Current Assets	174,698	90,671
Property and equipment, net	215,788	187,451
Goodwill	67,763	51,118
Investments in joint ventures	1,109	17,467
Other assets, net	7,251	4,703
	<u>\$ 466,609</u>	<u>\$ 351,410</u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Accounts payable	\$ 100,327	\$ 77,682
Accrued liabilities	27,511	18,589
Notes payable	8,460	7,420
Current maturities of long-term debt	105,618	94,075
	<u>241,916</u>	<u>197,766</u>
Total Current Liabilities	241,916	197,766
Long-term debt	56,591	14,550
Deferred income taxes	16,385	10,883
Other long-term liabilities	26,676	11,347
STOCKHOLDERS EQUITY		
Preferred stock; par value \$.10; 8,000,000 shares authorized; none issued		
Common stock; par value \$.10; 40,000,000 shares authorized; 17,147,450 issued at June 30, 2003; 17,142,404 issued at December 31, 2002	1,715	1,714
Additional paid-in capital	102,905	103,958
Deferred stock compensation	(4,316)	(3,099)
Retained earnings	50,004	46,218
	<u>(5,435)</u>	<u>(9,830)</u>

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Accumulated other comprehensive loss from foreign currency translation adjustments and deferred hedging gains/losses		
Treasury stock, at cost; 1,859,170 shares at June 30, 2003; 2,049,941 shares at December 31, 2002	(19,832)	(22,097)
	<u> </u>	<u> </u>
Total Stockholders' Equity	125,041	116,864
	<u> </u>	<u> </u>
	\$ 466,609	\$ 351,410
	<u> </u>	<u> </u>

See Notes to Consolidated Financial Statements.

IMCO RECYCLING INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share data)

	For the three months		For the six months	
	ended June 30,		ended June 30,	
	2003	2002	2003	2002
Revenues	\$ 238,726	\$ 180,509	\$ 433,809	\$ 338,410
Cost of sales	221,613	166,537	404,789	315,849
Gross profits	17,113	13,972	29,020	22,561
Selling, general and administrative expense	8,726	7,092	16,731	12,759
Interest expense	3,704	2,504	6,053	4,755
Fees on receivables sale	291	432	581	851
Interest and other income	(45)	(190)	22	(292)
Equity in net earnings of affiliates	14	(372)	(911)	(644)
Earnings before provision for income taxes and minority interest	4,423	4,506	6,544	5,132
Provision for income taxes	1,847	1,789	2,493	1,983
Earnings before minority interests	2,576	2,717	4,051	3,149
Minority interests, net of provision for income taxes	113	183	265	233
Earnings before accounting change	2,463	2,534	3,786	2,916
Cumulative effect of accounting change (net of tax) for goodwill impairment				(58,730)
Net earnings (loss)	\$ 2,463	\$ 2,534	\$ 3,786	\$ (55,814)
Net earnings (loss) per common share:				
Basic before accounting change	\$ 0.17	\$ 0.17	\$ 0.26	\$ 0.20
Cumulative effect of accounting change				(4.02)
Basic earnings (loss) per share	0.17	0.17	0.26	(3.82)
Diluted before accounting change	0.17	0.17	0.26	0.20
Cumulative effect of accounting change				(3.99)
Diluted earnings (loss) per share	0.17	0.17	0.26	(3.79)
Weighted average shares outstanding:				
Basic	14,457	14,552	14,480	14,601
Diluted	14,519	14,702	14,533	14,732

See Notes to Consolidated Financial Statements.

IMCO RECYCLING INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)

(in thousands)

	For the six months ended June 30,	
	2003	2002
OPERATING ACTIVITIES		
Earnings before accounting change	\$ 3,786	\$ 2,916
Depreciation	13,291	11,568
Provision for (benefit from) deferred income taxes	682	(136)
Equity in earnings of affiliates	(911)	(644)
Other non-cash charges	2,518	1,032
Changes in operating assets and liabilities:		
Accounts receivable	(1,460)	(16,563)
Accounts receivable sold	(5,000)	1,100
Inventories	(3,737)	(3,993)
Other current assets	2,309	(3,457)
Accounts payable and accrued liabilities	(5,227)	23,212
Net cash from operating activities	6,251	15,035
INVESTING ACTIVITIES		
Payments for property and equipment	(7,723)	(4,846)
Redemption of shares by VAW-IMCO, net of cash acquired	15,669	
Other	486	2,846
Net cash from (used by) investing activities	8,432	(2,000)
FINANCING ACTIVITIES		
Net (payments of) proceeds from long-term revolving credit facility	4,000	(8,500)
Net (payments of) proceeds of long-term debt	(694)	1,296
Debt issuance costs	(757)	(953)
Other	(371)	681
Net cash from (used by) financing activities	2,178	(7,476)
Effect of exchange rate differences on cash and cash equivalents	595	60
Net increase in cash and cash equivalents	17,456	5,619
Cash and cash equivalents at January 1	6,875	3,301
Cash and cash equivalents at June 30	\$ 24,331	\$ 8,920
SUPPLEMENTARY INFORMATION		
Cash payments for interest	\$ 4,388	\$ 3,754
Cash payments for income taxes, net of refunds	\$ 1,508	