

WORTHINGTON INDUSTRIES INC

Form 10-Q

April 11, 2011

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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, 2011

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
(I.R.S. 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

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

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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 (Do not check if a smaller reporting company)

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

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. On March 31, 2011, the number of Common Shares issued and outstanding was 74,268,614.

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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). Forward-looking statements reflect our current expectations, estimates or projections concerning future results or events. These statements are often identified by the use of forward-looking words or phrases such as believe, expect, anticipate, may, could, intend, estimate, plan, foresee, likely, will, should or other similar words or phrases. These forward-looking statements include, without limitation, statements relating to:

business plans or future or expected growth, performance, sales, volumes, cash flows, earnings, balance sheet strengths, debt, financial condition or other financial measures;
projected profitability potential, capacity, and working capital needs;
demand trends for us or our markets;
pricing trends for raw materials and finished goods and the impact of pricing changes;
anticipated capital expenditures and asset sales;
anticipated improvements and efficiencies in costs, operations, sales, inventory management, sourcing and the supply chain and the results thereof;
the ability to make acquisitions and projected timing, results, benefits, costs, charges and expenditures related to acquisitions, newly-created joint ventures, headcount reductions and facility dispositions, shutdowns and consolidations;
the alignment of operations with demand;
the ability to operate profitably and generate cash in down markets;
the ability to capture and maintain margins and market share and to develop or take advantage of future opportunities, new products and new markets;
expectations for Company and customer inventories, jobs and orders;
expectations for the economy and markets or improvements therein;
expected benefits from transformation plans, cost reduction efforts and other new initiatives;
expectations for increasing volatility or improving and sustaining earnings, earnings potential, margins or shareholder value;
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, those that follow:

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 conditions in national and worldwide financial markets;
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 financial difficulties, consolidation and other changes within the steel, automotive, construction and other industries in which we participate;
failure to maintain appropriate levels of inventories;
financial difficulties (including bankruptcy filings) of original equipment manufacturers, end-users and customers, suppliers, joint venture partners and others with whom we do business;
the ability to realize targeted expense reductions from headcount reductions, facility closures and other cost reduction efforts;
the ability to realize other cost savings and operational, sales and sourcing improvements and efficiencies, and other expected benefits from transformation initiatives, on a timely basis;
the overall success of, and the ability to integrate, newly-acquired businesses and achieve synergies and other expected benefits therefrom;
the overall success of newly-created joint ventures, including the demand for their products, and the ability to achieve the anticipated benefits therefrom;
capacity levels and efficiencies, within facilities and within the industry as a whole;

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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 demand, inventories, spending patterns, product choices, and supplier choices;
risks associated with doing business internationally, including economic, political and social instability, foreign currency exposure and the acceptance of our products in new markets;
the ability to improve and maintain processes and business practices to keep pace with the economic, competitive and technological environment;
adverse claims experience with respect to worker's compensation, product recalls or product 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;
level of imports and import prices in our markets;
the impact of judicial rulings and governmental regulations, including those adopted by the United States Securities and Exchange Commission and other governmental agencies as contemplated by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, both in the United States and abroad; and
other risks described from time to time in our filings with the 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, 2010.

We note these factors for investors as contemplated by the Act. It is impossible to predict or identify all potential risk factors. Consequently, you should not consider the foregoing list to be a complete set of all potential risks and uncertainties. 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**

(in thousands)

	February 28, 2011 (unaudited)	May 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 49,726	\$ 59,016
Receivables, less allowances of \$6,182 and \$5,752 at February 28, 2011 and May 31, 2010, respectively	345,209	301,455
Inventories:		
Raw materials	177,201	177,819
Work in process	104,762	106,261
Finished products	90,608	80,251
Total inventories	372,571	364,331
Income taxes receivable	9,713	1,443
Assets held for sale	-	2,637
Deferred income taxes	23,927	21,964
Prepaid expenses and other current assets	35,397	31,439
Total current assets	836,543	782,285
Investments in unconsolidated affiliates	125,069	113,001
Goodwill	93,943	79,543
Other intangible assets, net of accumulated amortization of \$19,469 and \$17,768 at February 28, 2011 and May 31, 2010, respectively	25,269	23,964
Other assets	16,591	15,391
Property, plant and equipment, net	495,628	506,163
Total assets	\$ 1,593,043	\$ 1,520,347
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 265,803	\$ 258,730
Short-term borrowings	80,778	-
Accrued compensation, contributions to employee benefit plans and related taxes	52,023	62,413
Dividends payable	7,424	7,932
Other accrued items	44,175	41,635
Income taxes payable	-	9,092
Total current liabilities	450,203	379,802
Other liabilities	69,851	68,380
Long-term debt	250,250	250,238
Deferred income taxes	77,463	71,893

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Total liabilities	847,767	770,313
Shareholders' equity - controlling interest	695,250	711,413
Noncontrolling interest	50,026	38,621
Total equity	745,276	750,034
Total liabilities and equity	\$ 1,593,043	\$ 1,520,347

See notes to consolidated financial statements.

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	Three Months Ended		Nine Months Ended	
	February 28,		February 28,	
	2011	2010	2011	2010
Net sales	\$ 569,439	\$ 451,113	\$ 1,766,931	\$ 1,316,621
Cost of goods sold	481,185	393,399	1,529,944	1,142,474
Gross margin	88,254	57,714	236,987	174,147
Selling, general and administrative expense	59,769	57,519	173,518	155,642
Impairment of long-lived assets	-	32,706	-	35,409
Restructuring and other expense	464	2,775	1,452	3,740
Operating income (loss)	28,021	(35,286)	62,017	(20,644)
Other income (expense):				
Miscellaneous income (expense)	(219)	(134)	(356)	1,236
Interest expense	(4,533)	(1,889)	(14,079)	(6,448)
Equity in net income of unconsolidated affiliates	16,958	14,560	51,470	45,842
Earnings (loss) before income taxes	40,227	(22,749)	99,052	19,986
Income tax expense (benefit)	11,893	(6,650)	29,582	3,872
Net earnings (loss)	28,334	(16,099)	69,470	16,114
Net earnings attributable to noncontrolling interest	2,008	1,641	6,321	3,930
Net earnings (loss) attributable to controlling interest	\$ 26,326	\$ (17,740)	\$ 63,149	\$ 12,184
Basic				
Average common shares outstanding	74,171	79,146	75,306	79,102
Earnings (loss) per share attributable to controlling interest	\$ 0.35	\$ (0.22)		