WORTHINGTON INDUSTRIES INC
Form 10-Q
January 09, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended November 30, 2012

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 x 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 x NO ¨

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 x	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 x

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 December 31, 2012, the number of Common Shares issued and outstanding was 70,518,207.

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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;*
- *additions to product lines and opportunities to participate in new 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 the 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 maintain margins and capture and maintain 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;*
- *adverse impacts associated with the recent voluntary recall of our MAP-PRO®, propylene and MAAP® cylinders, including recall costs, legal and notification expenses, lost sales and potential negative customer perceptions of certain pressure cylinder products;*
- *changes in product mix, product substitution and market acceptance of our products;*
- *fluctuations in the 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 joint ventures, including maintaining and developing their customers, and achieving synergies and other expected benefits and cost savings therefrom;
capacity levels and efficiencies within facilities, within major product markets and within the industry as a whole;
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;
the outcome of 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 the outcome of judicial and governmental agency rulings as well as the impact of governmental regulations, both in the United States and abroad, 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;
the effect of changes to healthcare laws in the United States, which may increase our healthcare and other costs and negatively impact our financial results and operations; 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, 2012 and in Part II Item 1A. Risk Factors of this Quarterly Report on Form 10-Q.

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.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

WORTHINGTON INDUSTRIES, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands)

	November 30, 2012 (Unaudited)	May 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 32,889	$ 41,028
Receivables, less allowances of $4,139 and $3,329 at November 30, 2012 and May 31, 2012	334,912	400,869
Inventories:		
Raw materials	180,690	211,543
Work in process	89,766	115,510
Finished products	87,768	74,887
Total inventories	358,224	401,940
Income taxes receivable	6,869	892
Assets held for sale	3,697	7,202
Deferred income taxes	19,963	20,906
Prepaid expenses and other current assets	38,560	41,402
Total current assets	795,114	914,239
Investments in unconsolidated affiliates	252,347	240,882
Goodwill	179,837	156,681
Other intangible assets, net of accumulated amortization of $20,546 and $16,103 at November 30, 2012 and May 31, 2012	114,807	100,333
Other assets	18,649	22,585
Property, plant and equipment, net	460,081	443,077
Total assets	$ 1,820,835	$ 1,877,797
Liabilities and equity		
Current liabilities:		
Accounts payable	$ 218,971	$ 252,334
Short-term borrowings	43,978	274,923
Accrued compensation, contributions to employee benefit plans and related taxes	52,903	71,271
Dividends payable	9,541	8,478
Other accrued items	34,446	38,231
Income taxes payable	1,802	11,697
Current maturities of long-term debt	1,183	1,329
Total current liabilities	362,824	658,263
Other liabilities	72,994	72,371
Distributions in excess of investment in unconsolidated affiliate	64,966	69,165
Long-term debt	406,811	257,462

Deferred income taxes	90,764	73,099
Total liabilities	998,359	1,130,360
Shareholders equity controlling interest	776,146	697,174
Noncontrolling interest	46,330	50,263
Total equity	822,476	747,437
Total liabilities and equity	$ 1,820,835	$ 1,877,797

See notes to consolidated financial statements.

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WORTHINGTON INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

(In thousands, except per share)

	Three Months Ended November 30,		Six Months Ended November 30,	
	2012	**2011**	**2012**	**2011**
Net sales	$ 622,622	$ 565,652	$ 1,288,657	$ 1,168,039
Cost of goods sold	527,766	509,046	1,100,150	1,039,971
Gross margin	94,856	56,606	188,507	128,068
Selling, general and administrative expense	65,101	52,901	124,523	98,262
Impairment of long-lived assets	(50)	-	1,520	-
Restructuring and other expense	1,262	2,048	1,665	3,751
Joint venture transactions	(279)	(1,192)	(1,441)	2,023
Operating income	28,822	2,849	62,240	24,032
Other income (expense):				
Miscellaneous income	303	279	468	680
Interest expense	(6,334)	(4,756)	(11,593)	(9,444)
Equity in net income of unconsolidated affiliates	25,221	21,912	47,864	46,609
Earnings before income taxes	48,012	20,284	98,979	61,877
Income tax expense	15,390	6,083	31,492	19,336
Net earnings	32,622	14,201	67,487	42,541
Net earnings attributable to noncontrolling interest	796	2,216	1,699	4,904