

NCI BUILDING SYSTEMS INC
Form 10-Q
June 11, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended May 4, 2014

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: 1-14315

NCI BUILDING SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware 76-0127701
**(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)**

10943 N. Sam Houston 77064
Parkway W. Houston, TX
(Address of principal executive offices) (Zip Code)

(281) 897-7788

(Registrant's telephone number, including area code)

(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). x Yes " 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 " Accelerated filer x
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.

Common Stock, \$.01 par value - 73,541,377 shares as of June 6, 2014.

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PART I — FINANCIAL INFORMATION**Item 1. Unaudited Consolidated Financial Statements.****NCI BUILDING SYSTEMS, INC.****CONSOLIDATED BALANCE SHEETS****(In thousands, except share data)**

	May 4, 2014 (Unaudited)	November 3, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,468	\$ 77,436
Accounts receivable, net	109,651	135,368
Inventories, net	136,245	122,105
Deferred income taxes	33,619	27,736
Income tax receivable	1,114	1,112
Prepaid expenses and other	20,986	19,300
Investments in debt and equity securities, at market	5,249	4,892
Assets held for sale	5,408	2,879
Total current assets	324,740	390,828
Property, plant and equipment, net	252,966	260,918
Goodwill	75,226	75,226
Intangible assets, net	46,949	48,975
Deferred financing costs, net	3,799	4,316
Total assets	\$ 703,680	\$ 780,263
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 2,384	\$ 2,384
Note payable	1,461	613
Accounts payable	100,949	144,553
Accrued compensation and benefits	41,128	40,954
Accrued interest	1,731	1,844
Other accrued expenses	56,012	61,266
Total current liabilities	203,665	251,614

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Long-term debt, net	234,195	235,391
Deferred income taxes	31,425	32,185
Other long-term liabilities	8,267	8,315
Total long-term liabilities	273,887	275,891
Stockholders' equity:		
Common stock, \$.01 par value, 100,000,000 shares authorized; 73,775,019 and 74,793,249 shares issued at May 4, 2014 and November 3, 2013, respectively; 73,539,239 and 74,785,726 shares outstanding at May 4, 2014 and November 3, 2013, respectively	1,460	1,471
Additional paid-in capital	625,370	638,574
Accumulated deficit	(391,898)	(382,735)
Accumulated other comprehensive loss	(4,657)	(4,436)
Treasury stock, at cost (235,780 and 7,523 shares at May 4, 2014 and November 3, 2013, respectively)	(4,147)	(116)
Total stockholders' equity	226,128	252,758
Total liabilities and stockholders' equity	\$ 703,680	\$ 780,263

See accompanying notes to consolidated financial statements.

NCI BUILDING SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Fiscal Three Months Ended		Fiscal Six Months Ended	
	May 4, 2014	April 28, 2013	May 4, 2014	April 28, 2013
Sales	\$ 305,800	\$ 293,399	\$ 616,466	\$ 590,983
Cost of sales, excluding gain on insurance recovery	246,527	232,562	498,955	469,277
Gain on insurance recovery	(324)	—	(1,311)	—
Gross profit	59,597	60,837	118,822	121,706
Engineering, selling, general and administrative expenses	65,110	62,782	127,503	123,253
Loss from operations	(5,513)	(1,945)	(8,681)	(1,547)
Interest income	24	42	50	72
Interest expense	(3,059)	(6,191)	(6,185)	(12,465)
Other income, net	586	246	90	640
Loss before income taxes	(7,962)	(7,848)	(14,726)	(13,300)
Benefit from income taxes	(3,057)	(2,506)	(5,563)	(4,331)
Net loss	\$ (4,905)	\$ (5,342)	\$ (9,163)	\$ (8,969)
Loss per common share:				
Basic	\$ (0.07)	\$ (0.28)	\$ (0.13)	\$ (0.46)
Diluted	\$ (0.07)	\$ (0.28)	\$ (0.13)	\$ (0.46)
Weighted average number of common shares outstanding:				
Basic	72,838	19,416	73,177	19,326
Diluted	72,838	19,416	73,177	19,326

See accompanying notes to consolidated financial statements.

NCI BUILDING SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

(Unaudited)

	Fiscal Three Months Ended		Fiscal Six Months Ended	
	May 4, 2014	April 28, 2013	May 4, 2014	April 28, 2013
Comprehensive loss:				
Net loss	\$ (4,905)	\$ (5,342)	\$ (9,163)	\$ (8,969)
Other comprehensive income (loss), net of tax:				
Foreign exchange translation gains (losses) and other, net of taxes ⁽¹⁾	44	(21)	(221)	(45)
Other comprehensive income (loss)	44	(21)	(221)	(45)
Comprehensive loss	\$ (4,861)	\$ (5,363)	\$ (9,384)	\$ (9,014)

(1) Foreign exchange translation gains (losses) and other are presented net of taxes of \$0 in both of the three months ended May 4, 2014 and April 28, 2013 and \$0 in both the six months ended May 4, 2014 and April 28, 2013.

See accompanying notes to the consolidated financial statements.

NCI BUILDING SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share data)

(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Treasury Stock Shares	Treasury Stock Amount	Stockholders' Equity
Balance, November 3, 2013	74,793,249	\$ 1,471	\$ 638,574	\$(382,735)	\$ (4,436)	(7,523)	\$(116)	\$ 252,758
Treasury stock purchases	—	—	—	—	—	(1,378,257)	(23,748)	(23,748)
Retirement of treasury shares	(1,150,000)	(12)	(19,705)	—	—	1,150,000	19,717	—
Issuance of restricted stock	131,770	1	(1)	—	—	—	—	—
Excess tax benefits from share-based compensation arrangements	—	—	760	—	—	—	—	760
Foreign exchange translation gain (loss) and other	—	—	—	—	(221)	—	—	(221)
Share-based compensation	—	—	5,742	—	—	—	—	5,742
Net loss	—	—	—	(9,163)	—	—	—	(9,163)
Balance, May 4, 2014	73,775,019	\$ 1,460	\$ 625,370	\$(391,898)	\$ (4,657)	(235,780)	\$(4,147)	\$ 226,128

See accompanying notes to the consolidated financial statements.

NCI BUILDING SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Fiscal Six Months Ended	
	May 4, 2014	April 28, 2013
Cash flows from operating activities:		
Net loss	\$ (9,163)	\$ (8,969)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	17,708	17,932
Deferred financing cost amortization	592	2,171
Share-based compensation expense	5,742	6,887
Gain on insurance recovery	(1,311)	—
Provision for doubtful accounts	585	1,100
Benefit from deferred income taxes	(5,884)	(4,772)
Excess tax benefits from share-based compensation arrangements	(760)	—
Changes in operating assets and liabilities:		
Accounts receivable	25,132	19,812
Inventories	(14,140)	(19,764)
Income tax receivable	(2)	(381)
Prepaid expenses and other	862	286
Accounts payable	(43,610)	(15,425)
Accrued expenses	(6,473)	(2,389)
Other, net	214	(278)
Net cash used in operating activities	(30,508)	(3,790)
Cash flows from investing activities:		
Capital expenditures	(10,004)	(12,715)
Proceeds from insurance	1,311	—
Net cash used in investing activities	(8,693)	(12,715)
Cash flows from financing activities:		
Proceeds from stock options exercised	—	674
Increase in restricted cash	—	1,375
Payments on term loan	(1,196)	(10,375)
Payments on note payable	(547)	(593)
Proceeds from Amended ABL Facility	47,000	17,000
Payments on Amended ABL Facility	(47,745)	(17,633)
Payment of financing costs	(75)	(97)

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Excess tax benefits from share-based compensation arrangements	760	948
Purchase of treasury stock	(23,743)	(2,369)
Net cash used in financing activities	(25,546)	(11,070)
Effect of exchange rate changes on cash and cash equivalents	(221)	(45)
Net decrease in cash and cash equivalents	(64,968)	(27,620)