

WORTHINGTON INDUSTRIES INC

Form 10-Q

January 09, 2008

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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 November 30, 2007

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
(IRS 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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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.

As of January 4, 2008, 80,384,706 of the registrant's common shares, without par value, were outstanding.

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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). These forward-looking statements include, without limitation, statements relating to:

- *future or expected performance, sales, operating results and earnings per share;*
- *projected capacity and working capital needs;*
- *pricing trends for raw materials and finished goods;*
- *anticipated capital expenditures and asset sales;*
- *projected timing, results, costs, charges and expenditures related to acquisitions or to facility startups, dispositions, shutdowns and consolidations*
- *new products and markets;*
- *expectations for company and customer inventories, jobs and orders;*
- *expectations for the economy and markets;*
- *expected benefits from turnaround plans, cost reduction efforts and other new initiatives;*
- *expectations for improving margins and increasing 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.

- *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 consolidation and other changes within the steel, automotive, construction and related industries;*
- *failure to maintain appropriate levels of inventories;*
- *the ability to realize targeted expense reductions such as head count reductions, facility closures and other expense reductions;*
- *the ability to realize other cost savings and operational efficiencies on a timely basis;*
- *the overall success of, and ability to integrate, newly-acquired businesses and achieve synergies therefrom;*
- *capacity levels and efficiencies within facilities and within the industry as a whole;*
- *financial difficulties (including bankruptcy filings) of customers, suppliers, joint venture partners and others with whom we do business;*
- *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 disruptions 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 inventories, spending patterns, product choices, and supplier choices;*
- *risks associated with doing business internationally, including economic, political and social instability, and foreign currency exposures;*
- *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 liability, casualty events or other matters;*
- *deviation of actual results from estimates and/or assumptions we use in the application of significant accounting policies;*
- *level of imports and import prices in our markets;*
- *the impact of judicial rulings and governmental regulations, 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, 2007.*

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 forgoing 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 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****(Unaudited, in thousands)**

	November 30, 2007	May 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 39,554	\$ 38,277
Short-term investments	-	25,562
Receivables, less allowances of \$4,241 and \$3,641 at November 30, 2007 and May 31, 2007	370,031	400,916
Inventories:		
Raw materials	248,498	261,849
Work in process	84,896	97,633
Finished products	114,455	88,382
Total inventories	447,849	447,864
Income taxes receivable	8,851	-
Assets held for sale	4,546	4,600
Deferred income taxes	19,487	13,067
Prepaid expenses and other current assets	43,134	39,097
Total current assets	933,452	969,383
Investments in unconsolidated affiliates	106,832	57,540
Goodwill	181,903	179,441
Other assets	33,576	43,553
Property, plant & equipment, net	558,477	564,265
Total assets	\$ 1,814,240	\$ 1,814,182
Liabilities and shareholders equity		
Current liabilities:		
Accounts payable	\$ 266,007	\$ 263,665
Notes payable	93,200	31,650
Accrued compensation, contributions to employee benefit plans and related taxes	42,382	46,237
Dividends payable	13,869	14,440
Other accrued items	55,219	45,519
Income taxes payable	16,959	18,983
Total current liabilities	487,636	420,494
Other liabilities	73,543	57,383
Long-term debt	245,000	245,000
Deferred income taxes	90,324	105,983

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Total liabilities	896,503	828,860
Minority interest	45,075	49,321
Shareholders' equity	872,662	936,001
Total liabilities and shareholders' equity	\$ 1,814,240	\$ 1,814,182

See notes to consolidated financial statements.

Table of Contents**WORTHINGTON INDUSTRIES, INC.****CONSOLIDATED STATEMENTS OF EARNINGS****(Unaudited)****(In thousands, except per share)**

	Three Months Ended November 30,		Six Months Ended November 30,	
	2007	2006	2007	2006
Net sales	\$ 713,664	\$ 729,262	\$ 1,472,619	\$ 1,507,982
Cost of goods sold	643,654	645,164	1,323,824	1,302,533
Gross margin	70,010	84,098	148,795	205,449
Selling, general and administrative expense	55,051	53,531	110,000	120,157
Restructuring charges	3,478	-	7,310	-
Operating income	11,481	30,567	31,485	85,292
Other income (expense):				
Miscellaneous expense	(2,431)	(704)	(3,339)	(1,069)
Interest expense	(5,370)	(6,022)	(10,008)	(10,367)
Equity in net income of unconsolidated affiliates	14,927	14,802	29,912	33,081
Earnings before income taxes	18,607	38,643	48,050	106,937
Income tax expense	3,867	11,698	13,142	36,765
Net earnings	\$ 14,740	\$ 26,945	\$ 34,908	\$ 70,172
Average common shares outstanding - basic	81,366	87,234	82,722	88,004
Earnings per share - basic	\$ 0.18	\$ 0.31	\$ 0.42	\$ 0.80
Average common shares outstanding - diluted	82,358	87,611	83,717	88,555
Earnings per share - diluted	\$ 0.18	\$ 0.31	\$ 0.42	\$ 0.79
Common shares outstanding at end of period	81,567	85,203	81,567	85,203
Cash dividends declared per share	\$ 0.17	\$ 0.17	\$ 0.34	\$ 0.34

See notes to consolidated financial statements.

Table of Contents**WORTHINGTON INDUSTRIES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited, in thousands)

	Three Months Ended November 30,		Six Months Ended November 30,	
	2007	2006	2007	2006
Operating activities				
Net earnings	\$ 14,740	\$ 26,945	\$ 34,908	\$ 70,172
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:				
Depreciation and amortization	15,736	15,690	31,222	30,621
Restructuring charges, non-cash	2,730	-	2,730	-
Provision for deferred income taxes	4,729	(670)	6,476	174
Equity in net income of unconsolidated affiliates, net of distributions	(227)	10,123	(512)	(537)
Minority interest in net income of consolidated subsidiaries	1,989	965	3,987	2,581
Net loss (gain) on assets	550	(2,852)	2,942	(2,027)
Stock-based compensation	828	859	1,762	1,650
Excess tax benefits - stock-based compensation	(1,688)	-	(2,248)	(200)
Changes in assets and liabilities:				
Accounts receivable	12,201	24,223	25,564	32,793
Inventories	(2,066)	23,597	637	(63,938)
Prepaid expenses and other current assets	(1,846)	(865)	(128)	(3,246)
Other assets				