

UNIVERSAL STAINLESS & ALLOY PRODUCTS INC
Form 10-Q
August 08, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 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, 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 000-25032

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

25-1724540
(IRS Employer
Identification No.)

600 Mayer Street
Bridgeville, PA 15017

(Address of principal executive offices, including zip code)

(412) 257-7600

(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 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

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 definition 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

As of July 31, 2011, there were 6,830,803 shares of the Registrant's Common Stock outstanding.

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Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Quarterly Report on Form 10-Q contain forward-looking statements that reflect the current views of Universal Stainless & Alloy Products, Inc. (the Company) with respect to future events and financial performance. Statements looking forward in time, including statements regarding future growth, cost savings, expanded production capacity, broader product lines, greater capacity to meet customer quality reliability, price and delivery needs, enhanced competitive posture, effect of new accounting pronouncements and no material financial impact from litigation or contingencies are included in this Quarterly Report on Form 10-Q pursuant to the "safe harbor" provision of the Private Securities Litigation Reform Act of 1995.

The Company's actual results may be affected by a wide range of factors including future compliance with Section 404 of the Sarbanes-Oxley Act of 2002; the concentrated nature of the Company's customer base to date and the Company's dependence on its significant customers; the receipt, pricing and timing of future customer orders; changes in product mix; the limited number of raw material and energy suppliers and significant fluctuations that may occur in raw material and energy prices; risks related to property, plant and equipment, including the Company's reliance on the continuing operation of critical manufacturing equipment; risks associated with labor matters; the Company's ongoing requirement for continued compliance with laws and regulations, including applicable safety and environmental regulations; the ultimate outcome of the Company's current and future litigation matters; risks related to acquisitions that the Company may make; and the impact of various economic, credit and market risk uncertainties. Many of these factors are not within the Company's control and involve known and unknown risks and uncertainties that may cause the Company's actual results in future periods to be materially different from any future performance suggested herein. Any unfavorable change in the foregoing or other factors could have a material adverse effect on the Company's business, financial condition and results of operations. Further, the Company operates in an industry sector where securities values may be volatile and may be influenced by economic and other factors beyond the Company's control.

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(Dollars in Thousands, Except Per Share Information)

(Unaudited)

	Three-month period ended		Six-month period ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Net sales	\$ 63,318	\$ 51,291	\$ 123,129	\$ 85,970
Cost of products sold	51,146	41,594	100,159	71,354
Selling and administrative expenses	3,697	3,291	7,527	5,951
Operating income	8,475	6,406	15,443	8,665
Interest expense	(118)	(112)	(243)	(208)
Other income	143	1	143	1
Income before income taxes	8,500	6,295	15,343	8,458
Income tax provision	2,975	2,140	5,370	2,876
Net income	\$ 5,525	\$ 4,155	\$ 9,973	\$ 5,582
Earnings per common share Basic	\$ 0.81	\$ 0.61	\$ 1.46	\$ 0.82
Earnings per common share Diluted	\$ 0.79	\$ 0.61	\$ 1.43	\$ 0.82
Weighted average shares of Common Stock outstanding				
Basic	6,821,567	6,774,653	6,817,317	6,773,995
Diluted	6,995,361	6,853,372	6,973,785	6,847,078

The accompanying notes are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in Thousands)

(Unaudited)

	Three-month period		Six-month period	
	ended		ended	
	June 30,		June 30,	
	2011	2010	2011	2010

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Net income	\$ 5,525	\$ 4,155	\$ 9,973	\$ 5,582
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on interest rate swap, net of tax	(7)	(59)	26	(108)
Unrealized loss on nickel hedge contracts, net of tax		(35)		(60)
Other comprehensive income (loss), net of tax	(7)	(94)	26	(168)
Comprehensive income	\$ 5,518	\$ 4,061	\$ 9,999	\$ 5,414

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollars in Thousands)

	June 30, 2011	December 31, 2010
	(Unaudited)	(Derived from audited statements)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 28,034	\$ 34,400
Accounts receivable (less allowance for doubtful accounts of \$1,975 and \$2,134, respectively)	32,966	29,273
Inventory, net	83,118	69,710
Other current assets	7,571	5,661
Total current assets	151,689	139,044
Property, plant and equipment, net	73,275	71,581
Other assets	1,457	1,499
Total assets	\$ 226,421	\$ 212,124
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	\$ 23,014	\$ 20,022
Accrued employment costs	4,870	5,488
Current portion of long-term debt	2,694	2,833
Accrued income tax	616	47
Other current liabilities	990	558
Total current liabilities	32,184	28,948
Long-term debt	6,713	7,990
Deferred taxes	16,387	15,276
Other long-term liabilities	246	287
Total liabilities	55,530	52,501
Commitments and contingencies		
Stockholders equity		
Senior Preferred Stock, par value \$0.001 per share; 1,980,000 shares authorized; 0 shares issued and outstanding		
Common Stock, par value \$0.001 per share; 10,000,000 shares authorized; 7,113,653 and 7,094,314 shares issued, respectively	7	7
Additional paid-in capital	42,610	41,341
Retained earnings	130,349	120,376
Treasury Stock at cost; 282,850 common shares held	(1,919)	(1,919)
Accumulated other comprehensive loss	(156)	(182)
Total stockholders equity	170,891	159,623

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Total liabilities and stockholders' equity	\$ 226,421	\$ 212,124
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The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW**

(Dollars in Thousands)

(Unaudited)

	Six-month period ended	
	June 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 9,973	\$ 5,582
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	2,931	2,666
Deferred income tax	(211)	171
Stock-based compensation expense, net	745	561
Changes in assets and liabilities:		
Accounts receivable, net	(3,693)	(13,365)
Inventory, net	(13,408)	(14,326)
Accounts payable	2,992	6,624
Accrued employment costs	(618)	3,363
Income taxes	743	5,211
Other, net	(252)	(92)
Net cash used in operating activities	(798)	(3,605)
Cash flow from investing activities:		
Capital expenditures	(4,616)	(3,421)
Proceeds from sale of fixed assets		17
Net cash used in investing activities	(4,616)	(3,404)
Cash flows from financing activities:		
Long-term debt repayments	(1,416)	(808)
Proceeds from the issuance of Common Stock	404	70
State grant funding the purchase of new equipment		