

RELIANCE STEEL & ALUMINUM CO  
Form 10-Q  
May 04, 2012  
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**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 March 31, 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: 001-13122

**RELIANCE STEEL & ALUMINUM CO.**

(Exact name of registrant as specified in its charter)

**California**  
(State or other jurisdiction of  
incorporation or organization)

**95-1142616**  
(I.R.S. Employer  
Identification No.)

**350 South Grand Avenue, Suite 5100**

**Los Angeles, California 90071**

**(213) 687-7700**

(Address of principal executive offices and telephone number)

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 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 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

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of April 30, 2012, 75,135,657 shares of the registrant's common stock, no par value, were outstanding.

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RELIANCE STEEL & ALUMINUM CO.

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(in millions, except share amounts)

	March 31, 2012	December 31, 2011*
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 70.0	\$ 84.6
Accounts receivable, less allowance for doubtful accounts of \$23.3 at March 31, 2012 and \$22.2 at December 31, 2011	1,044.2	896.2
Inventories	1,399.4	1,212.8
Prepaid expenses and other current assets	38.9	47.8
Deferred income taxes	33.4	33.3
Total current assets	2,585.9	2,274.7
Property, plant and equipment:		
Land	147.5	145.8
Buildings	660.9	656.8
Machinery and equipment	1,013.9	982.9
Accumulated depreciation	(701.7)	(680.0)
	1,120.6	1,105.5
Goodwill	1,249.6	1,244.3
Intangible assets, net	890.9	895.9
Cash surrender value of life insurance policies, net	40.3	41.9
Investments in unconsolidated entities	16.4	16.2
Other assets	28.1	27.4
Total assets	\$ 5,931.8	\$ 5,605.9
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 433.7	\$ 335.2
Accrued expenses	62.6	54.0
Accrued compensation and retirement costs	73.6	111.0
Accrued insurance costs	44.1	42.1
Current maturities of long-term debt and short-term borrowings	12.1	12.2
Income taxes payable	49.6	21.9
Total current liabilities	675.7	576.4
Long-term debt	1,419.0	1,319.0
Long-term retirement costs	91.5	88.6
Other long-term liabilities	29.0	30.1
Deferred income taxes	442.1	439.8
Commitments and contingencies		
Equity:		
Preferred stock, no par value:		
Authorized shares 5,000,000 None issued or outstanding	—	—

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Common stock, no par value:

Authorized shares 100,000,000 Issued and outstanding shares  
75,122,110 at March 31, 2012 and 75,007,694 at December 31,

2011, stated capital	666.6	657.1
Retained earnings	2,599.8	2,495.6
Accumulated other comprehensive loss	(1.0)	(8.8)
Total Reliance shareholders' equity	3,265.4	3,143.9
Noncontrolling interests	9.1	8.1
Total equity	3,274.5	3,152.0
Total liabilities and equity	\$ 5,931.8	\$ 5,605.9

\* Amounts were derived from audited financial statements.

*See accompanying notes to unaudited consolidated financial statements.*

Table of Contents**RELIANCE STEEL & ALUMINUM CO.****UNAUDITED CONSOLIDATED STATEMENTS OF INCOME****(in millions, except per share amounts)**

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Net sales	\$ 2,288.3	\$ 1,912.7
Costs and expenses:		
Cost of sales (exclusive of depreciation and amortization shown below)	1,710.5	1,406.4
Warehouse, delivery, selling, general and administrative	357.7	318.5
Depreciation and amortization	35.5	33.0
	2,103.7	1,757.9
Operating income	184.6	154.8
Other income (expense):		
Interest	(14.5)	(14.6)
Other income, net	6.5	0.2
Income before income taxes	176.6	140.4
Income tax provision	58.7	46.8
Net income	117.9	93.6
Less: Net income attributable to noncontrolling interests	1.7	1.3
Net income attributable to Reliance	\$ 116.2	\$ 92.3
Earnings per share:		
Diluted earnings per common share attributable to Reliance shareholders	\$ 1.54	\$ 1.23
Basic earnings per common share attributable to Reliance shareholders	\$ 1.55	\$ 1.24
Cash dividends per share	\$ 0.15	\$ 0.12

*See accompanying notes to unaudited consolidated financial statements.*

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**RELIANCE STEEL & ALUMINUM CO.**

**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(in millions)

		<b>Three Months Ended March 31,</b>		
	<b>2012</b>		<b>2011</b>	
Net income	\$	117.9	\$	93.6
<b>Other comprehensive income:</b>				
Foreign currency translation gain		7.6		6.6
Unrealized gain on investments, net of tax		0.2		0.1
Total other comprehensive income		7.8		6.7
Comprehensive income		125.7		100.3
Less: comprehensive income attributable to noncontrolling interests		(1.7)		(1.3)
Comprehensive income attributable to Reliance	\$	124.0	\$	99.0

*See accompanying notes to unaudited consolidated financial statements.*

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## RELIANCE STEEL &amp; ALUMINUM CO.

## UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Three Months Ended March 31,	
	2012	2011
<b>Operating activities:</b>		
Net income	\$ 117.9	\$ 93.6
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization expense	35.5	33.0
Deferred income tax benefit	(1.2)	(1.2)
Gain on sales of property, plant and equipment	(0.1)	—
Equity in earnings of unconsolidated entities	(0.5)	(0.7)
Dividends received from unconsolidated entities	0.3	0.3
Share-based compensation expense	4.9	4.8
Tax deficit from share-based compensation	0.1	—
Net (gain) loss from life insurance policies	(1.2)	1.6
Changes in operating assets and liabilities (excluding effect of business acquired):		
Accounts receivable	(143.6)	(215.1)
Inventories	(182.2)	(228.2)
Prepaid expenses and other assets	9.0	34.6
Accounts payable and other liabilities	97.9	175.9
Net cash used in operating activities	(63.2)	(101.4)
<b>Investing activities:</b>		
Purchases of property, plant and equipment	(34.6)	(35.8)
Acquisition of a metals service center, net of cash acquired	(10.0)	—
Proceeds from sales of property, plant and equipment	0.2	0.9
Net proceeds from redemption of life insurance policies	2.8	0.1
Net cash used in investing activities	(41.6)	(34.8)
<b>Financing activities:</b>		
Net short-term debt repayments	(0.4)	—
Proceeds from long-term debt borrowings	221.0	197.0
Principal payments on long-term debt	(122.2)	(52.0)
Payments to noncontrolling interest holders	(0.7)	(0.8)
Dividends paid	(11.2)	(9.0)
Tax deficit from share-based compensation	(0.1)	—
Exercise of stock options	4.6	3.9
Net cash provided by financing activities	91.0	139.1
Effect of exchange rate changes on cash	(0.8)	1.0
(Decrease) increase in cash and cash equivalents	(14.6)	3.9
Cash and cash equivalents at beginning of year	84.6	72.9
Cash and cash equivalents at end of period	\$ 70.0	\$ 76.8
<b>Supplemental cash flow information:</b>		
Interest paid during the period	\$ 5.2	\$ 2.9
Income taxes paid during the period	\$ 32.6	\$ 4.2



*See accompanying notes to unaudited consolidated financial statements.*

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**RELIANCE STEEL & ALUMINUM CO.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED)

**1. Basis of Presentation**

*Principles of Consolidation*

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation with respect to the interim financial statements, have been included. The results of operations for the three months ended March 31, 2012 are not necessarily indicative of the results for the full year ending December 31, 2012. For further information, refer to the consolidated financial statements and footnotes thereto for the year ended December 31, 2011, included in Reliance Steel & Aluminum Co. s ( We , Reliance or the Company ) Annual Report on Form 10-K.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in our consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

Our consolidated financial statements include the assets, liabilities and operating res