

Metals USA Holdings Corp.
Form 10-Q
November 02, 2009
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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 September 30, 2009

Commission File Number 333-146181

METALS USA HOLDINGS CORP.

(Exact name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction)

of incorporation or organization)

20-3779274
(I.R.S. Employer

Identification Number)

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One Riverway, Suite 1100

Houston, Texas
(Address of Principal Executive Offices)

77056
(Zip Code)

Registrants telephone number, including area code: (713) 965-0990

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 submitted electronically and posted on its corporate Website, 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 definitions of accelerated filer, large 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 Exchange Act). Yes No

Number of shares of common stock outstanding at November 2, 2009 of Metals USA Holdings Corp.: 14,077,500

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains statements reflecting assumptions, expectations, projections, intentions or beliefs about future events that are intended as forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements included or incorporated by reference in this Quarterly Report, other than statements of historical fact, that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. These statements appear in a number of places, including Management's Discussion and Analysis of Financial Condition and Results of Operations. These statements represent our reasonable judgment on the future based on various factors and using numerous assumptions and are subject to known and unknown risks, uncertainties and other factors that could cause our actual results and financial position to differ materially from those contemplated by the statements. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as anticipate, believe, estimate, expect, forecast, may, should, plan, project and other words of similar meaning. In particular, these include, but are not limited to, statements relating to the following:

projected operating or financial results, including anticipated cash flows from operations and asset sale proceeds;

expectations regarding capital expenditures, interest expense and other payments;

our beliefs and assumptions relating to our liquidity position, including our ability to adapt to changing market conditions; and

our ability to compete effectively for market share with industry participants.

Any or all of our forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and other factors including, among others:

supply, demand, prices and other market conditions for steel and other commodities;

the timing and extent of changes in commodity prices;

the effects of competition in our business lines;

the condition of the steel and metal markets generally, which will be affected by interest rates, foreign currency fluctuations and general economic conditions;

the ability of our counterparties to satisfy their financial commitments;

tariffs and other government regulations relating to our products and services;

adverse developments in our relationship with both our key employees and unionized employees;

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operational factors affecting the ongoing commercial operations of our facilities, including catastrophic weather-related damage, regulatory approvals, permit issues, unscheduled blackouts, outages or repairs, unanticipated changes in fuel costs or availability of fuel emission credits or workforce issues;

our ability to operate our businesses efficiently, manage capital expenditures and costs (including general and administrative expenses) and generate earnings and cash flow;

our substantial indebtedness;

restrictive covenants in our indebtedness that may adversely affect our operational flexibility;

general political conditions and developments in the United States and in foreign countries whose affairs affect supply, demand and markets for steel, other metals and metal products;

our ability to retain key employees; and

our expectations with respect to our acquisition activity.

In addition, there may be other factors that could cause our actual results to be materially different from the results referenced in the forward-looking statements, some of which are included elsewhere in this Form 10-Q, including Management's Discussion and Analysis of Financial Condition and Results of Operations. Many of these factors will be important in determining our actual future results. Consequently, no forward-looking statement can be guaranteed. Our actual future results may vary materially from those expressed or implied in any forward-looking statements. All forward-looking statements contained in this Form 10-Q are qualified in their entirety by this cautionary statement. Forward-looking statements speak only as of the date they are made, and we disclaim any obligation to update any forward-looking statements to reflect events or circumstances after the date of this Form 10-Q, except as otherwise required by applicable law.

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**METALS USA HOLDINGS CORP. AND
SUBSIDIARIES**

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METALS USA HOLDINGS CORP. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except share amounts)

	September 30, 2009	December 31, 2008
Assets		
Current Assets:		
Cash	\$ 20.1	\$ 166.7
Accounts receivable, net of allowance of \$8.9 and \$8.8, respectively	127.5	189.3
Inventories	226.0	422.6
Deferred income tax asset	22.6	23.6
Prepayments and other	3.4	6.5
Total current assets	399.6	808.7
Property and equipment, net	187.0	190.1
Assets held for sale, net		1.8
Intangible assets, net	9.6	13.6
Goodwill	49.0	49.9
Other assets	17.3	24.1
Total assets	\$ 662.5	\$ 1,088.2
Liabilities and Stockholders Deficit		
Current liabilities:		
Accounts payable	\$ 45.5	\$ 47.2
Accrued liabilities	50.1	60.9
Current portion of long-term debt	0.1	1.6
Total current liabilities	95.7	109.7
Long-term debt, less current portion	501.0	942.6
Deferred income tax liability	84.7	62.2
Other long-term liabilities	22.0	24.7
Total liabilities	703.4	1,139.2
Commitments and contingencies		
Stockholders Deficit:		
Common stock, \$.01 par value, 30,000,000 shares authorized, 14,077,500 issued and outstanding at September 30, 2009 and December 31, 2008	0.1	0.1
Additional paid-in capital	6.7	6.4
Retained deficit	(46.6)	(54.5)
Accumulated other comprehensive loss	(1.1)	(3.0)
Total stockholders deficit	(40.9)	(51.0)
Total liabilities and stockholders deficit	\$ 662.5	\$ 1,088.2

See notes to unaudited condensed consolidated financial statements.

Table of Contents**METALS USA HOLDINGS CORP. AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net Sales	\$ 255.4	\$ 617.7	\$ 853.4	\$ 1,699.8
Operating costs and expenses:				
Cost of sales (exclusive of operating and delivery, and depreciation and amortization shown below)	185.9	446.4	702.4	1,245.9
Operating and delivery	31.6	48.6	97.5	144.6
Selling, general and administrative	20.5	33.9	66.6	96.5
Depreciation and amortization	4.7	5.3	14.2	16.2
Gain on sale of property and equipment		(0.9)		(2.4)
Operating income (loss)	12.7	84.4	(27.3)	199.0
Other (income) expense:				
Interest expense	14.0	20.4	50.5	65.4
Gain on extinguishment of debt	(0.7)		(89.1)	
Other (income) expense, net		0.2	(0.3)	0.2
Income (loss) before income taxes	(0.6)	63.8	11.6	133.4
Provision for income taxes	1.2	27.8	3.7	53.8
Net income (loss)	\$ (1.8)	\$ 36.0	\$ 7.9	\$ 79.6

See notes to unaudited condensed consolidated financial statements.

Table of Contents**METALS USA HOLDINGS CORP. AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in millions)

	Nine Months Ended September 30,	
	2009	2008
Cash flows from operating activities:		
Net income	\$ 7.9	\$ 79.6
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Gain on sale of property and equipment		(2.4)
Provision for bad debts	2.7	2.3
Depreciation and amortization	15.9	18.2
Gain on extinguishment of debt	(89.1)	
Amortization of debt issuance costs and discounts on long-term debt	4.1	4.4
Deferred income taxes	22.5	(1.9)
Stock-based compensation	0.3	0.8
Non-cash interest on PIK option	17.6	
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	59.1	(81.8)
Inventories	196.6	(152.7)
Prepayments and other	3.1	(0.6)
Accounts payable and accrued liabilities	(11.0)	26.9
Other	(1.3)	9.5
Net cash provided by (used in) operating activities	228.4	(97.7)
Cash flows from investing activities:		
Sales of assets	0.2	9.5
Purchases of assets	(3.6)	(8.9)
Acquisition costs, net of cash acquired	(4.2)	
Net cash (used in) provided by investing activities	(7.6)	0.6
Cash flows from financing activities:		
Borrowings on credit facility	79.0	959.5
Repayments on credit facility	(357.0)	(698.0)
Repayments of long-term debt	(89.4)	(2.3)
Deferred financing costs		(2.6)
Net cash (used in) provided by financing activities	(367.4)	256.6
Net (decrease) increase in cash and cash equivalents	(146.6)	159.5
Cash and cash equivalents, beginning of period	166.7	13.6
Cash and cash equivalents, end of period	\$ 20.1	\$ 173.1
Supplemental Cash Flow Information:		
Cash paid for interest	\$ 25.8	\$ 58.1