

VALMONT INDUSTRIES INC

Form 10-Q

October 30, 2015

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

---

Form 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended September 26, 2015

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 1-31429

---

Valmont Industries, Inc.

(Exact name of registrant as specified in its charter)

|   |   |
|---|---|
| Delaware  | 47-0351813                              |
| (State or Other Jurisdiction of<br>Incorporation or Organization) | (I.R.S. Employer<br>Identification No.) |

|  |            |
|--|------------|
| One Valmont Plaza,<br>Omaha, Nebraska    | 68154-5215 |
| (Address of Principal Executive Offices) | (Zip Code) |

(402) 963-1000

(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 Sections 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 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   
(Do not check if a 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

23,038,856

Outstanding shares of common stock as of October 19, 2015

---

---

VALMONT INDUSTRIES, INC.

INDEX TO FORM 10-Q

|   | Page No. |
|---|----------|
| PART I. FINANCIAL INFORMATION   |          |
| <u>Item 1.</u> <u>Financial Statements:</u>   |          |
| <u>Condensed Consolidated Statements of Earnings for the thirteen</u> and thirty-nine weeks ended September 26, 2015 and September 27, 2014             | 3        |
| <u>Condensed Consolidated Statements of Comprehensive Income for the thirteen</u> and thirty-nine weeks ended September 26, 2015 and September 27, 2014 | 4        |
| Condensed Consolidated Balance Sheets as of September 26, 2015 and December 27, 2014  | 5        |
| Condensed Consolidated Statements of Cash Flows for the thirty-nine weeks ended September 26, 2015 and September 27, 2014                               | 6        |
| Condensed Consolidated Statements of Shareholders' Equity for the thirty-nine weeks ended September 26, 2015 and September 27, 2014                     | 7        |
| <u>Notes to Condensed Consolidated Financial Statements</u>   | 8        |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>  | 35       |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>   | 45       |
| Item 4. <u>Controls and Procedures</u>  | 45       |
| PART II. OTHER INFORMATION  |          |
| Item 2.     Unregistered Sales of Equity Securities and Use of Proceeds   | 46       |
| Item 6. <u>Exhibits</u>   | 46       |
| <u>Signatures</u>   | 47       |

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES  
PART I. FINANCIAL INFORMATION  
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS  
(Dollars in thousands, except per share amounts)  
(Unaudited)

|   | Thirteen Weeks Ended |               | Thirty-nine Weeks Ended |               |
|---|----------------------|---------------|-------------------------|---------------|
|   | September 26,        | September 27, | September 26,           | September 27, |
|   | 2015                 | 2014          | 2015                    | 2014          |
| Product sales   | \$560,518            | \$686,508     | \$1,776,194             | \$2,134,395   |
| Services sales  | 72,057               | 79,160        | 208,902                 | 225,612       |
| Net sales   | 632,575              | 765,668       | 1,985,096               | 2,360,007     |
| Product cost of sales   | 427,688              | 515,217       | 1,348,402               | 1,586,127     |
| Services cost of sales  | 48,136               | 50,951        | 144,941                 | 146,921       |
| Total cost of sales   | 475,824              | 566,168       | 1,493,343               | 1,733,048     |
| Gross profit  | 156,751              | 199,500       | 491,753                 | 626,959       |
| Selling, general and administrative expenses  | 104,539              | 111,697       | 327,858                 | 335,532       |
| Impairment of goodwill and intangible assets  | 15,200               | —             | 15,200                  | —             |
| Operating income  | 37,012               | 87,803        | 148,695                 | 291,427       |
| Other income (expenses):  |                      |               |                         |               |
| Interest expense  | (11,120)             | (8,716)       | (33,480)                | (25,217)      |
| Interest income   | 905                  | 1,477         | 2,395                   | 4,793         |
| Costs associated with refinancing of debt   | —                    | (38,705)      | —                       | (38,705)      |
| Other   | (1,230)              | (2,344)       | (242)                   | (6,253)       |
|   | (11,445)             | (48,288)      | (31,327)                | (65,382)      |
| Earnings before income taxes  | 25,567               | 39,515        | 117,368                 | 226,045       |
| Income tax expense (benefit):   |                      |               |                         |               |
| Current   | 6,746                | 23,290        | 37,656                  | 82,345        |
| Deferred  | 5,272                | (9,064)       | 5,217                   | (4,034)       |
|   | 12,018               | 14,226        | 42,873                  | 78,311        |
| Earnings before equity in earnings of nonconsolidated subsidiaries                    | 13,549               | 25,289        | 74,495                  | 147,734       |
| Equity in earnings of nonconsolidated subsidiaries                                    | —                    | (4)           | —                       | (34)          |
| Net earnings  | 13,549               | 25,285        | 74,495                  | 147,700       |
| Less: Earnings attributable to noncontrolling interests                               | (1,483)              | (1,726)       | (3,817)                 | (4,185)       |
| Net earnings attributable to Valmont Industries, Inc.                                 | \$12,066             | \$23,559      | \$70,678                | \$143,515     |
| Earnings per share:   |                      |               |                         |               |
| Basic   | \$0.52               | \$0.93        | \$3.02                  | \$5.48        |
| Diluted   | \$0.52               | \$0.92        | \$3.00                  | \$5.43        |
| Cash dividends declared per share   | \$0.375              | \$0.375       | \$1.125                 | \$1.000       |
| Weighted average number of shares of common stock outstanding - Basic (000 omitted)   | 23,057               | 25,287        | 23,420                  | 26,208        |
| Weighted average number of shares of common stock outstanding - Diluted (000 omitted) | 23,170               | 25,513        | 23,534                  | 26,439        |

See accompanying notes to condensed consolidated financial statements.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

(Unaudited)

|  | Thirteen Weeks Ended |               | Thirty-nine Weeks Ended |               |
|--|----------------------|---------------|-------------------------|---------------|
|  | September 26,        | September 27, | September 26,           | September 27, |
|  | 2015                 | 2014          | 2015                    | 2014          |
| Net earnings   | \$13,549             | \$25,285      | \$74,495                | \$147,700     |
| Other comprehensive income (loss), net of tax:                       |                      |               |                         |               |
| Foreign currency translation adjustments:                            |                      |               |                         |               |
| Unrealized translation gain (loss)                                   | (53,518 )            | (59,001 )     | (93,368 )               | (33,495 )     |
| Unrealized gain/(loss) on cash flow hedge:                           |                      |               |                         |               |
| Amortization cost included in interest expense                       | 18                   | 383           | 55                      | 450           |
| Realized (gain) loss included in net earnings during the period      | (439 )               | 983           | (439 )                  | 983           |
| Gain on cash flow hedges   | 110                  | 4,837         | 1,155                   | 4,837         |
| Actuarial gain (loss) in defined benefit pension plan                | —                    | 1,116         | —                       | 269           |
| Other comprehensive income (loss)                                    | (53,829 )            | (51,682 )     | (92,597 )               | (26,956 )     |
| Comprehensive income (loss)  | (40,280 )            | (26,397 )     | (18,102 )               | 120,744       |
| Comprehensive loss (income) attributable to noncontrolling interests | 847                  | 89            | 206                     | (1,615 )      |
| Comprehensive income (loss) attributable to Valmont Industries, Inc. | \$(39,433 )          | \$(26,308 )   | \$(17,896 )             | \$119,129     |

See accompanying notes to condensed consolidated financial statements.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Dollars in thousands, except shares and per share amounts)  
 (Unaudited)

|  | September 26,<br>2015 | December 27,<br>2014 |
|--|-----------------------|----------------------|
| <b>ASSETS</b>  |                       |                      |
| Current assets:  |                       |                      |
| Cash and cash equivalents  | \$312,851             | \$371,579            |
| Receivables, net   | 501,403               | 536,918              |
| Inventories  | 368,290               | 359,522              |
| Prepaid expenses   | 52,208                | 56,912               |
| Refundable and deferred income taxes   | 44,736                | 68,010               |
| Total current assets   | 1,279,488             | 1,392,941            |
| Property, plant and equipment, at cost   | 1,083,211             | 1,139,569            |
| Less accumulated depreciation and amortization                                     | 539,976               | 533,116              |
| Net property, plant and equipment  | 543,235               | 606,453              |
| Goodwill   | 362,683               | 385,111              |
| Other intangible assets, net   | 175,157               | 202,004              |
| Other assets   | 129,138               | 143,159              |
| Total assets   | \$2,489,701           | \$2,729,668          |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                       |                      |
| Current liabilities:   |                       |                      |
| Current installments of long-term debt   | \$1,099               | \$1,181              |
| Notes payable to banks   | 1,496                 | 13,952               |
| Accounts payable   | 186,581               | 196,565              |
| Accrued employee compensation and benefits   | 70,249                | 87,950               |
| Accrued expenses   | 104,779               | 88,480               |
| Dividends payable  | 8,649                 | 9,086                |
| Total current liabilities  | 372,853               | 397,214              |
| Deferred income taxes  | 66,200                | 71,797               |
| Long-term debt, excluding current installments                                     | 764,823               | 766,654              |
| Defined benefit pension liability  | 129,600               | 150,124              |
| Deferred compensation  | 48,637                | 47,932               |
| Other noncurrent liabilities   | 41,811                | 45,542               |
| Shareholders' equity:  |                       |                      |
| Preferred stock of \$1 par value -<br>Authorized 500,000 shares; none issued       | —                     | —                    |
| Common stock of \$1 par value -<br>Authorized 75,000,000 shares; 27,900,000 issued | 27,900                | 27,900               |
| Retained earnings  | 1,767,621             | 1,718,662            |
| Accumulated other comprehensive income (loss)                                      | (223,007 )            | (134,433 )           |
| Treasury stock   | (552,780 )            | (410,296 )           |
| Total Valmont Industries, Inc. shareholders' equity                                | 1,019,734             | 1,201,833            |
| Noncontrolling interest in consolidated subsidiaries                               | 46,043                | 48,572               |
| Total shareholders' equity   | 1,065,777             | 1,250,405            |
| Total liabilities and shareholders' equity   | \$2,489,701           | \$2,729,668          |
| See accompanying notes to condensed consolidated financial statements.             |                       |                      |



VALMONT INDUSTRIES, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Dollars in thousands)  
 (Unaudited)

|  | Thirty-nine Weeks Ended |                       |
|--|-------------------------|-----------------------|
|  | September 26,<br>2015   | September 27,<br>2014 |
| Cash flows from operating activities:                                    |                         |                       |
| Net earnings   | \$74,495                | \$147,700             |
| Adjustments to reconcile net earnings to net cash flows from operations: |                         |                       |
| Depreciation and amortization  | 70,859                  | 64,460                |
| Noncash loss on trading securities                                       | 5,020                   | 4,859                 |
| Impairment of assets - restructuring activities                          | 12,659                  | —                     |
| Impairment of goodwill & intangible assets                               | 15,200                  | —                     |
| Non-cash debt refinancing costs  | —                       | (2,478)               |
| Stock-based compensation   | 5,667                   | 5,444                 |
| Change in fair value of contingent consideration                         | —                       | 4,300                 |
| Defined benefit pension plan expense (benefit)                           | (460)                   | ) 2,003               |
| Contribution to defined benefit pension plan                             | (15,735)                | ) (18,245)            |
| Gain on sale of property, plant and equipment                            | 1,263                   | 58                    |
| Equity in earnings in nonconsolidated subsidiaries                       | —                       | 34                    |
| Deferred income taxes  | 5,217                   | (4,034)               |
| Changes in assets and liabilities (net of acquisitions):                 |                         |                       |
| Receivables  | 5,551                   | (19,951)              |
| Inventories  | (25,447)                | ) (4,152)             |
| Prepaid expenses   | 5,275                   | (19,182)              |
| Accounts payable   | 832                     | (21,082)              |
| Accrued expenses   | 7,368                   | (27,926)              |
| Other noncurrent liabilities   | 887                     | (6,409)               |
| Income taxes refundable  | 14,171                  | (22,702)              |
| Net cash flows from operating activities                                 | 182,822                 | 82,697                |
| Cash flows from investing activities:                                    |                         |                       |
| Purchase of property, plant and equipment                                | (34,447)                | ) (63,412)            |
| Proceeds from sale of assets   | 3,256                   | 2,107                 |
| Acquisitions, net of cash acquired                                       | —                       | (137,438)             |
| Other, net   | 5,980                   | 2,992                 |
| Net cash flows from investing activities                                 | (25,211)                | ) (195,751)           |
| Cash flows from financing activities:                                    |                         |                       |
| Net borrowings under short-term agreements                               | (12,322)                | ) (1,065)             |
| Proceeds from long-term borrowings                                       | 37,000                  | 652,540               |
| Principal payments on long-term borrowings                               | (37,878)                | ) (357,059)           |
| Settlement of financial derivatives                                      | —                       | 4,837                 |
| Dividends paid   | (26,708)                | ) (23,357)            |
| Dividends to noncontrolling interest                                     | (2,323)                 | ) (1,340)             |
| Debt issuance costs  | —                       | (5,464)               |
| Purchase of treasury shares  | (148,220)               | ) (316,296)           |
| Proceeds from exercises under stock plans                                | 10,902                  | 12,824                |
| Excess tax benefits from stock option exercises                          | 1,458                   | 3,916                 |
| Purchase of common treasury shares—stock plan exercises                  | (12,135)                | ) (12,739)            |



Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

|  |           |            |   |
|--|-----------|------------|---|
| Net cash flows from financing activities                               | (190,226  | ) (43,203  | ) |
| Effect of exchange rate changes on cash and cash equivalents           | (26,113   | ) (5,231   | ) |
| Net change in cash and cash equivalents                                | (58,728   | ) (161,488 | ) |
| Cash and cash equivalents—beginning of year                            | 371,579   | 613,706    |   |
| Cash and cash equivalents—end of period                                | \$312,851 | \$452,218  |   |
| See accompanying notes to condensed consolidated financial statements. |           |            |   |

6

---

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Dollars in thousands)

(Unaudited)

|  | Common<br>stock | Additional<br>paid-in<br>capital | Retained<br>earnings | Accumulated<br>other<br>comprehensive<br>income (loss) | Treasury<br>stock | Noncontrolling<br>interest in<br>consolidated<br>subsidiaries | Total<br>shareholders'<br>equity |
|--|-----------------|----------------------------------|----------------------|--|-------------------|---|----------------------------------|
| Balance at December 28,<br>2013                              | \$27,900        | \$—                              | \$1,562,670          | \$ (47,685 )   | \$ (20,860 )      | \$ 22,821   | \$ 1,544,846                     |
| Net earnings   | —               | —                                | 143,515              | —  | —                 | 4,185   | 147,700                          |
| Other comprehensive<br>income (loss)                         | —               | —                                | —                    | (24,386 )  | —                 | (2,570 )  | (26,956 )                        |
| Cash dividends declared                                      | —               | —                                | (25,950 )            | —  | —                 | —   | (25,950 )                        |
| Dividends to<br>noncontrolling interests                     | —               | —                                | —                    | —  | —                 | (1,340 )  | (1,340 )                         |
| Acquisition of AgSense                                       | —               | —                                | —                    | —  | —                 | 16,333  | 16,333                           |
| Acquisition of DS SM   | —               | —                                | —                    | —  | —                 | 9,232   | 9,232                            |
| Addition of noncontrolling<br>interest                       | —               | —                                | —                    | —  | —                 | 404   | 404                              |
| Purchase of treasury<br>shares; 2,126,392 shares<br>acquired | —               | —                                | —                    | —  | (316,296 )        | —   | (316,296 )                       |
| Stock plan exercises;<br>83,431 shares acquired              | —               | —                                | —                    | —  | (12,739 )         | —   | (12,739 )                        |
| Stock options exercised;<br>171,508 shares issued            | —               | (9,360 )                         | 7,301                | —  | 14,883            | —   | 12,824                           |
| Tax benefit from stock<br>option exercises                   | —               | 3,916                            | —                    | —  | —                 | —   | 3,916                            |
| Stock option expense   | —               | 3,767                            | —                    | —  | —                 | —   | 3,767                            |
| Stock awards; 8,247 shares<br>issued                         | —               | 1,677                            | —                    | —  | 1,268             | —   | 2,945                            |
| Balance at September 27,<br>2014                             | \$27,900        | \$—                              | \$1,687,536          | \$ (72,071 )   | \$ (333,744)      | \$ 49,065   | \$ 1,358,686                     |
| Balance at December 27,<br>2014                              | \$27,900        | \$—                              | \$1,718,662          | \$ (134,433 )  | \$ (410,296)      | \$ 48,572   | \$                               |