

FOSTER L B CO
Form 10-Q
May 05, 2014
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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, 2014**

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: 0-10436

L.B. Foster Company

(Exact name of Registrant as specified in its charter)

Pennsylvania
(State of
Incorporation)

25-1324733
(I. R. S. Employer
Identification No.)

415 Holiday Drive, Pittsburgh, Pennsylvania
(Address of principal executive offices)

15220
(Zip Code)

(412) 928-3400

(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 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 (section 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class
Common Stock, Par Value \$.01

Outstanding at April 24, 2014
10,338,841 Shares

Table of Contents

L.B. FOSTER COMPANY AND SUBSIDIARIES

INDEX

	Page
<u>PART I. Financial Information</u>	
<u>Item 1. Financial Statements (unaudited):</u>	
<u>Condensed Consolidated Balance Sheets</u>	3
<u>Condensed Consolidated Statements of Operations</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income</u>	5
<u>Condensed Consolidated Statements of Cash Flows</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	8
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	30
<u>Item 4. Controls and Procedures</u>	30
<u>PART II. Other Information</u>	
<u>Item 1. Legal Proceedings</u>	31
<u>Item 1A. Risk Factors</u>	31
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	31
<u>Item 4. Mine Safety Disclosures</u>	31
<u>Item 6. Exhibits</u>	32
<u>Signature</u>	33
<u>Index to Exhibits</u>	34

Table of Contents**Part I. FINANCIAL INFORMATION****Item 1. Financial Statements**

L.B. FOSTER COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	March 31, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 91,131	\$ 64,623
Accounts receivable net	66,771	98,437
Inventories net	77,644	76,956
Current deferred tax assets	461	461
Prepaid income tax	3,977	4,741
Other current assets	4,445	2,000
Current assets of discontinued operations	88	149
Total current assets	244,517	247,367
Property, plant, and equipment net	51,478	50,109
Other assets:		
Goodwill	57,781	57,781
Other intangibles net	50,705	51,846
Investments	5,204	5,090
Other assets	1,480	1,461
Total Assets	\$ 411,165	\$ 413,654
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 43,617	\$ 46,620
Deferred revenue	7,130	5,715
Accrued payroll and employee benefits	5,753	8,927
Accrued warranty	7,010	7,483
Current maturities of long-term debt	114	31
Current deferred tax liabilities	179	179
Other accrued liabilities	7,013	6,501
Liabilities of discontinued operations	26	26
Total current liabilities	70,842	75,482
Long-term debt	319	25

Edgar Filing: FOSTER L B CO - Form 10-Q

Deferred tax liabilities	11,591	11,798
Other long-term liabilities	10,472	9,952
Stockholders' equity:		
Common stock, par value \$.01, authorized 20,000,000 shares; shares issued at March 31, 2014 and December 31, 2013, 11,115,779; shares outstanding at March 31, 2014 and December 31, 2013, 10,211,032 and 10,188,521	111	111
Paid-in capital	46,565	47,239
Retained earnings	301,701	298,361
Treasury stock at cost, common stock, 904,747 shares at March 31, 2014 and 927,258 shares at December 31, 2013	(24,144)	(24,731)
Accumulated other comprehensive loss	(6,292)	(4,583)
Total stockholders' equity	317,941	316,397
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 411,165	\$ 413,654

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents

L.B. FOSTER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share data)

	Three Months Ended March 31, 2014 2013 (Unaudited)	
Net sales	\$ 111,414	\$ 129,321
Cost of goods sold	87,287	104,473
Gross profit	24,127	24,848
Selling and administrative expenses	18,025	17,130
Amortization expense	1,141	701
Interest expense	123	133
Interest income	(144)	(206)
Equity in income of nonconsolidated investment	(204)	(176)
Other income	(135)	(178)
	18,806	17,404
Income from continuing operations before income taxes	5,321	7,444
Income tax expense	1,672	2,493
Income from continuing operations	3,649	4,951
Discontinued operations:		
Loss from discontinued operations before income taxes		(39)
Income tax benefit		(15)
Loss from discontinued operations		(24)
Net income	\$ 3,649	\$ 4,927
Basic earnings per common share:		
From continuing operations	\$ 0.36	\$ 0.49
From discontinued operations		(0.00)
Basic earnings per common share	\$ 0.36	\$ 0.49
Diluted earnings per common share:		
From continuing operations	\$ 0.35	\$ 0.48
From discontinued operations		(0.00)

Diluted earnings per common share	\$ 0.35	\$ 0.48
Dividends paid per common share	\$ 0.03	\$ 0.03

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents

L.B. FOSTER COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Three Months Ended March 31, 2014 2013 (Unaudited)	
Net income	\$ 3,649	\$ 4,927
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustment	(1,750)	(1,823)
Reclassification of pension liability adjustments to earnings, * net of tax expense: \$21 and \$36	41	69
Other comprehensive loss, net of tax	(1,709)	(1,754)
Comprehensive income	\$ 1,940	\$ 3,173

* Reclassifications out of accumulated other comprehensive income for pension obligations are charged to selling and administrative expense.

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents

L.B. FOSTER COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Three Months Ended March 31, 2014 2013 (Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income from continuing operations	\$ 3,649	\$ 4,951
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Deferred income taxes	(195)	(221)
Depreciation and amortization	2,902	2,365
Equity in income of nonconsolidated investment	(204)	(176)
Loss (gain) on sales and disposals of property, plant, and equipment	12	(8)
Share-based compensation	575	631
Excess income tax benefit from share-based compensation	(85)	(189)
Change in operating assets and liabilities, net of acquisitions:		
Accounts receivable	31,513	(12,852)
Inventories	(833)	(295)
Other current assets	(1,755)	(1,298)
Prepaid income tax	450	(1,593)
Other noncurrent assets	43	91
Dividends from LB Pipe & Coupling Products, LLC	90	378
Accounts payable	(2,568)	(9,363)
Deferred revenue	1,401	4,660
Accrued payroll and employee benefits	(3,135)	(3,940)
Other current liabilities	(330)	(78)
Other liabilities	595	(301)
Net cash provided (used) by continuing operating activities	32,125	(17,238)
Net cash provided by discontinued operations	61	124
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of property, plant, and equipment	184	8
Capital expenditures on property, plant, and equipment	(3,499)	(1,031)
Acquisition of business	(495)	
Net cash used by continuing investing activities	(3,810)	(1,023)

Table of Contents

L.B. FOSTER COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(In thousands)

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of other long-term debt	(19)	(18)
Proceeds from other long-term debt	316	
Treasury stock acquisitions	(747)	(547)
Cash dividends on common stock paid to shareholders	(309)	(310)
Excess income tax benefit from share-based compensation	85	189
Net cash used by continuing financing activities	(674)	(686)
Effect of exchange rate changes on cash and cash equivalents	(1,194)	(1,206)
Net increase (decrease) in cash and cash equivalents	26,508	(20,029)
Cash and cash equivalents at beginning of period	64,623	101,464
Cash and cash equivalents at end of period	\$ 91,131	\$ 81,435
Supplemental disclosure of cash flow information:		
Interest paid	\$ 87	\$ 86
Income taxes paid	\$ 1,480	\$ 4,076

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents

L.B. FOSTER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. FINANCIAL STATEMENTS

(Dollars in thousands, except share data)

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to 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 estimates and adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. However, actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. Amounts included in the balance sheet as of December 31, 2013 were derived from our audited balance sheet. This Quarterly Report on Form 10-Q should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013. In this Quarterly Report on Form 10-Q, references to Foster, we, us, our, and the Company collectively to L.B. Foster and its consolidated subsidiaries.

Reclassifications

Certain amounts in previously issued financial statements have been reclassified to conform to the current period presentation.

2. BUSINESS SEGMENTS

The Company is a leading manufacturer, fabricator, and distributor of products and services for rail, construction, energy, and utility markets. The Company is organized and evaluated by product group, which is the basis for identifying reportable segments. Each segment represents a revenue-producing component of the Company for which separate financial information is produced internally and is subject to evaluation by the Company's chief operating decision maker in deciding how to allocate resources. Each segment is evaluated based upon their contribution to the Company's consolidated results based upon segment profit.

The following table illustrates revenues and profits from continuing operations of the Company by segment for the periods indicated:

		Three Months Ended	
		March 31, 2014	March 31, 2013
Net	Segment	Net	Segment
Sales	Profit	Sales	Profit

Edgar Filing: FOSTER L B CO - Form 10-Q

Rail Products	\$ 73,496	\$ 5,316	\$ 81,399	\$ 6,201
Construction Products	27,383	1,216	36,811	462
Tubular Products	10,535	586	11,111	2,607
Total	\$ 111,414	\$ 7,118	\$ 129,321	\$ 9,270

Segment profits from continuing operations, as shown above, include internal cost of capital charges for assets used in the segment at a rate of generally 1% per month. There has been no change in the measurement of segment profit from continuing operations from December 31, 2013. The internal cost of capital charges are eliminated during the consolidation process.

Table of C