

SCHNITZER STEEL INDUSTRIES INC
Form 10-Q
June 28, 2012

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 May 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 0-22496

SCHNITZER STEEL INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

OREGON 93-0341923
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

3200 NW Yeon Ave. 97210
Portland, OR (Zip Code)
(Address of principal executive offices)
(503) 224-9900
(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 Website, 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 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 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

The Registrant had 25,361,995 shares of Class A common stock, par value of \$1.00 per share, and 1,450,749 shares of Class B common stock, par value of \$1.00 per share, outstanding as of June 22, 2012.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)
SCHNITZER STEEL INDUSTRIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands, except per share amounts)

| | May 31, 2012 | August 31, 2011 |
|---|--------------|-----------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$56,470 | \$49,462 |
| Accounts receivable, net of allowance for doubtful accounts of \$6,755 and \$6,148 | 149,720 | 229,975 |
| Inventories, net | 328,057 | 335,120 |
| Deferred income taxes | 11,729 | 11,784 |
| Refundable income taxes | 12,884 | 3,541 |
| Prepaid expenses and other current assets | 30,786 | 24,117 |
| Total current assets | 589,646 | 653,999 |
| Property, plant and equipment, net of accumulated depreciation of \$518,903 and \$471,305 | 544,973 | 555,284 |
| Investments in joint venture partnerships | 17,052 | 17,208 |
| Goodwill | 627,427 | 627,805 |
| Intangibles, net of accumulated amortization of \$17,804 and \$20,846 | 16,634 | 20,906 |
| Other assets | 15,431 | 14,967 |
| Total assets | \$1,811,163 | \$1,890,169 |
| Liabilities and Equity | | |
| Current liabilities: | | |
| Short-term borrowings | \$668 | \$643 |
| Accounts payable | 115,575 | 141,011 |
| Accrued payroll and related liabilities | 22,504 | 36,475 |
| Environmental liabilities | 2,966 | 2,983 |
| Accrued income taxes | 9,448 | 13,833 |
| Other accrued liabilities | 35,514 | 38,368 |
| Total current liabilities | 186,675 | 233,313 |
| Deferred income taxes | 87,269 | 85,378 |
| Long-term debt, net of current maturities | 357,065 | 403,287 |
| Environmental liabilities, net of current portion | 45,427 | 37,872 |
| Other long-term liabilities | 9,587 | 10,030 |
| Total liabilities | 686,023 | 769,880 |
| Commitments and contingencies (Note 8) | | |
| Redeemable noncontrolling interest | 19,865 | 19,053 |
| Schnitzer Steel Industries, Inc. ("SSI") shareholders' equity: | | |
| Preferred stock – 20,000 shares \$1.00 par value authorized, none issued | — | — |
| Class A common stock – 75,000 shares \$1.00 par value authorized, 25,095 and 24,241 shares issued and outstanding | 25,095 | 24,241 |
| Class B common stock – 25,000 shares \$1.00 par value authorized, 1,790 and 3,060 shares issued and outstanding | 1,790 | 3,060 |
| Additional paid-in capital | — | 762 |
| Retained earnings | 1,080,445 | 1,065,109 |
| Accumulated other comprehensive income (loss) | (7,526) |) 1,540 |
| Total SSI shareholders' equity | 1,099,804 | 1,094,712 |
| Noncontrolling interests | 5,471 | 6,524 |

| | | |
|------------------------------|-------------|-------------|
| Total equity | 1,105,275 | 1,101,236 |
| Total liabilities and equity | \$1,811,163 | \$1,890,169 |

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.

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SCHNITZER STEEL INDUSTRIES, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (Unaudited, in thousands, except per share amounts)

| | Three Months Ended May 31, | | Nine Months Ended May 31, | |
|---|----------------------------|-----------|---------------------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Revenues | \$879,865 | \$981,062 | \$2,578,653 | \$2,378,008 |
| Operating expense: | | | | |
| Cost of goods sold | 807,980 | 870,530 | 2,367,283 | 2,105,932 |
| Selling, general and administrative | 50,148 | 56,848 | 158,510 | 145,757 |
| Income from joint ventures | (341) | (1,648) | (2,174) | (3,389) |
| Operating income | 22,078 | 55,332 | 55,034 | 129,708 |
| Interest expense | (2,729) | (3,127) | (9,473) | (4,883) |
| Other income (expense), net | (154) | (31) | 70 | 3,274 |
| Income from continuing operations before income taxes | 19,195 | 52,174 | 45,631 | 128,099 |
| Income tax expense | | | | |