

GLOBE SPECIALTY METALS INC

Form 10-Q

November 16, 2009

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 001-34420

Globe Specialty Metals, Inc.

(Exact name of registrant as specified in its charter)

Delaware

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

20-2055624

*(I.R.S. Employer
Identification No.)*

One Penn Plaza

**250 West 34th Street, Suite 2514
New York, NY 10119**

(Address of principal executive offices, including zip code)

(212) 798-8122

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange on Which Registered

Common stock, \$0.0001 par value

The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

None

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 (§ 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

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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
(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 Act). Yes No

As of November 16, 2009, the registrant had 74,320,187 shares of common stock outstanding.

Globe Specialty Metals, Inc.

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PART I

Item 1. *Financial Statements*

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Table of Contents**GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES**

Condensed Consolidated Balance Sheets
September 30, 2009 and June 30, 2009
(In thousands, except share and per share amounts)

	September 30, 2009 (Unaudited)	June 30, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 114,020	61,876
Accounts receivable, net of allowance for doubtful accounts of \$1,481 and \$1,390 at September 30, 2009 and June 30, 2009, respectively	38,513	24,094
Inventories	57,283	67,394
Prepaid expenses and other current assets	19,996	24,675
Total current assets	229,812	178,039
Property, plant, and equipment, net of accumulated depreciation and amortization	215,353	217,507
Goodwill	51,835	51,828
Other intangible assets	967	1,231
Investments in unconsolidated affiliates	7,910	7,928
Deferred tax assets	1,737	1,598
Other assets	14,203	15,149
Total assets	\$ 521,817	473,280
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 25,585	21,341
Current portion of long-term debt	18,906	16,561
Short-term debt	7,628	6,688
Accrued expenses and other current liabilities	49,787	46,725
Total current liabilities	101,906	91,315
Long-term liabilities:		
Long-term debt	28,854	36,364
Deferred tax liabilities	18,890	18,890
Other long-term liabilities	16,108	15,359
Total liabilities	165,758	161,928
Commitments and contingencies (note 12)		
Stockholders' equity:		
Common stock, \$0.0001 par value. Authorized, 150,000,000 shares; issued, 73,174,262 and 66,944,254 shares at September 30, 2009 and June 30, 2009, respectively	7	7

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Additional paid-in capital	339,923	303,364
Retained earnings	13,102	4,660
Accumulated other comprehensive loss	(3,666)	(3,644)
Treasury stock at cost, 1,000 shares at September 30, 2009 and June 30, 2009, respectively	(4)	(4)
Total Globe Specialty Metals, Inc. stockholders' equity	349,362	304,383
Noncontrolling interest	6,697	6,969
Total stockholders' equity	356,059	311,352
Total liabilities and stockholders' equity	\$ 521,817	473,280

See accompanying notes to condensed consolidated financial statements.

Table of Contents**GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES**

Condensed Consolidated Income Statements
Three months ended September 30, 2009 and 2008
(In thousands, except per share amounts)
(UNAUDITED)

	Three Months Ended	
	September 30,	
	2009	2008
Net sales	\$ 105,458	149,157
Cost of goods sold	79,978	107,138
Selling, general, and administrative expenses	13,184	14,032
Research and development	38	593
Restructuring charges	(68)	
Operating income	12,326	27,394
Other income (expense):		
Interest income	136	403
Interest expense, net of capitalized interest of \$228 and \$180, respectively	(1,318)	(2,051)
Foreign exchange gain (loss)	2,415	(1,309)
Other (loss) income	(7)	844
Income before provision for income taxes	13,552	25,281
Provision for income taxes	5,383	8,702
Net income	8,169	16,579
Losses attributable to noncontrolling interest, net of tax	273	386
Net income attributable to Globe Specialty Metals, Inc.	\$ 8,442	16,965
Weighted average shares outstanding:		
Basic	71,115	63,137
Diluted	72,543	83,057
Earnings per common share:		
Basic	\$ 0.12	0.27
Diluted	0.12	0.20

See accompanying notes to condensed consolidated financial statements.

Table of Contents**GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES****Condensed Consolidated Statement of Changes in Stockholders Equity****Three months ended September 30, 2009****(In thousands)****(UNAUDITED)**

	Globe Specialty Metals, Inc. Stockholders Equity								Total
	Common		Additional	Accumulated		Treasury	Noncontrolling	Other	
	Stock	Paid-In	Retained	Comprehensive	Stock	at	Interest	Comprehensive	Equity
	Shares	Amount	Capital	Earnings	(Loss)	Cost		(Loss)	
					Income			Income	
Balance at June 30, 2009	66,944	\$ 7	303,364	4,660	(3,644)	(4)	6,969		311,352
UPOs exercised	630								
Share-based compensation			1,755						1,755
Stock issuance	5,600		34,804						34,804
Comprehensive income (loss):									
Foreign currency translation adjustment					(24)		1	(23)	(23)
Unrealized gain on available-for-sale securities (net of provision for income taxes of \$1)					2			2	2
Net income (loss)				8,442			(273)	8,169	8,169
Total comprehensive income								8,148	8,148
Balance at September 30, 2009	73,174	\$ 7	339,923	13,102	(3,666)	(4)	6,697	8,148	356,059

See accompanying notes to condensed consolidated financial statements.

Table of Contents**GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES**

Condensed Consolidated Statements of Cash Flows
Three months ended September 30, 2009 and 2008
(In thousands)
(UNAUDITED)

	Three Months Ended	
	September 30,	
	2009	2008
Cash flows from operating activities:		
Net income	\$ 8,169	16,579
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,912	4,943
Share-based compensation	1,755	2,405
Deferred taxes	(55)	583
Changes in operating assets and liabilities:		
Accounts receivable, net	(14,465)	256
Inventories	9,805	(7,338)
Prepaid expenses and other current assets	4,192	(3,814)
Accounts payable	5,353	(830)
Accrued expenses and other current liabilities	2,224	3,386
Other	2,835	(43)
Net cash provided by operating activities	24,725	16,127
Cash flows from investing activities:		
Capital expenditures	(4,255)	(14,217)
Held-to-maturity treasury securities		2,987
Other investing activities		12
Net cash used in investing activities	(4,255)	(11,218)
Cash flows from financing activities:		
Proceeds from warrants exercised		833
Net payments of long-term debt	(5,167)	(338)
Net borrowings (payments) of short-term debt	940	(4,600)
Sale of common stock	36,456	
Other financing activities	(527)	(1,700)
Net cash provided by (used in) financing activities	31,702	(5,805)
Effect of exchange rate changes on cash and cash equivalents	(28)	56
Net increase (decrease) in cash and cash equivalents	52,144	(840)
Cash and cash equivalents at beginning of period	61,876	73,994

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Cash and cash equivalents at end of period	\$ 114,020	73,154
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 990	3,194
Cash (refunded) paid for income taxes, net of refunds totaling \$2,729 and \$0, respectively	(2,397)	1,127

See accompanying notes to condensed consolidated financial statements.

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements

September 30, 2009 and 2008

(Dollars in thousands, except per share data)

(UNAUDITED)

(1) Organization and Business Operations

Globe Specialty Metals, Inc. and subsidiary companies (the Company, we, or our) is among the world's largest producers of silicon metal and silicon-based alloys, important ingredients in a variety of industrial and consumer products. The Company's customers include major silicone chemical, aluminum and steel manufacturers, auto companies and their suppliers, ductile iron foundries, manufacturers of photovoltaic solar cells and computer chips, and concrete producers.

(2) Summary of Significant Accounting Policies

a. Basis of Presentation

In the opinion of the Company's management, the accompanying condensed consolidated financial statements include all adjustments necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) of the results for the interim periods presented and such adjustme