

CASTLE A M & CO  
Form 8-K  
May 04, 2004

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) May 4, 2004

A. M. Castle & Co.

(Exact name of registrant as specified in its chapter)

Maryland                      1-5415                      36-0879160  
(State of jurisdiction      (Commission      (IRS Employer  
of incorporation)      File Number)      Identification No.)

3400 North Wolf Road, Franklin Park, IL      60131  
(Address of principal executive offices)      (Zip Code)

Registrant's telephone number, including area code 847/455-7111

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(Former name or former address, if changed since last report)

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**Item 12. Results of Operations and Financial Condition**

On Tuesday May 4, 2004 the Company disseminated a press release, Attached as Exhibit A, announcing the Company's operational results for the First Quarter ending March 31, 2004

As part of the press release there is a discussion of non-GAAP financial term EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization). That term is also shown on the Comparative Statements of Operations. It is below the disclosure of the GAAP figures for Operating income, Net income and Diluted earnings per share. The Company believes, however, that EBITDA is an important term and concept because of its use by the professional investment community, including the Company's primary lenders. The Company believes the use of this Term is necessary to provide a proper understanding of the changes in the Company's earnings.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

A. M. Castle & Co.

/s/ Lawrence A. Boik

Lawrence A. Boik  
Vice President. Controller/Treasurer

Date: 5/04/04

3400 North Wolf Road  
Franklin Park, Illinois 60131  
(847) 455-7111  
(847) 455-6930 (Fax)

## A. M. CASTLE & CO.

### For Further Information:

#### -----AT THE COMPANY-----

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#### -----AT FINANCIAL RELATIONS BOARD-----

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Traded: AMEX, CSE (CAS)  
Member: S&P SmallCap 600 Index

### FOR IMMEDIATE RELEASE TUESDAY, MAY 4, 2004

#### **A. M. Castle & Co. Announces First Quarter 2004 Results**

**Franklin Park, Illinois, May 4, 2004** A.M. Castle & Co. (Amex: CAS), a North American distributor of highly engineered metals and plastics, announced today net income applicable to common stock of \$2.1 million, or 13 cents per share, for the first quarter of 2004. This compares with a loss of \$1.6 million, or 10 cents per share, for the comparable period last year. In making the announcement, G. Thomas McKane, Chairman and CEO, noted that actual results were at the high end of the range indicated by the Company in its April 6, 2004 update on the outlook for the quarter.

McKane noted that results for the quarter reflect substantially improved market dynamics in both the metals and plastics segments of the Company's business. Continuing the recovery we began to see in November, said McKane, shipments in the metals segment, as measured by tons sold, grew 17% on a year-over-year basis. Higher price levels, fueled by worldwide increases in demand for steel scrap, nickel and coke, contributed to a 9% increase in revenue per ton that was offset by a 3% decline due to changes in sales mix towards the Company's lower priced carbon and carbon alloy product lines. These factors

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combined to produce a 23% increase in sales within the metals segment. In plastics, sales rose 30% with little or no change in material price levels.

For the first quarter of 2004, the Company reported sales of \$175.6 million, up \$34.0 million, or 24%, from year-ago levels. Net income applicable to common stock totalled \$2.1 million, or 13 cents per share (fully diluted), compared with a loss of \$1.6 million, or 10 cents per share, in the first quarter of 2003. Commenting on these results, McKane pointed out that earnings before interest, taxes, depreciation and amortization (EBITDA) totalled \$8.7 million in the first three months of 2004 versus \$2.8 million in the same period a year ago. This clearly indicates, he said, the positive operating leverage that has been created over the last three years by our efforts to reduce our structural cost base, improve productivity and close or sell off non-performing and non-strategic business units. In aggregate, we generated an additional \$6.0 million of EBITDA on a \$34.0 million increase in revenues, or a 17.5% return on incremental sales. It is significant to note, he added, that since the Company is on LIFO there are no inventory inflation profits included in our reported results.

In discussing the near-term outlook for the Company, McKane stated that the economic recovery experienced in the first quarter, although broad based across most durable goods manufacturing industries and almost all geographic sectors, does not reflect any significant improvements in either oil and gas or aerospace which are important markets to Castle. We believe, he said, that both of these markets will begin to show some recovery as the year unfolds and that the improvements seen during the first quarter in the rest of the Company's markets will be sustained into the second quarter of the year. In this environment, he continued, material shortages are becoming an increasing reality. As an important customer to our suppliers, we believe we are competitively well positioned to deal with these issues until such time as supply and demand come into better balance.

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In closing, Mr. McKane invited interested parties to listen to its conference call scheduled for 11:00 a.m. (EST) today, Tuesday, May 4, 2004. Connection is available at [www.amcastle.com](http://www.amcastle.com) and will be available for 14 days following the call.

Founded in 1890, A. M. Castle & Co. provides highly engineered materials and value added services to a wide range of companies within the producer durable equipment sector of the economy. Its customer base includes many Fortune 500 companies as well as thousands of medium and smaller-sized firms spread across a wide spectrum of industries. Within its core metals business, it specializes in the distribution of carbon, alloy and stainless steels; nickel alloy; aluminum; copper and brass. Through its subsidiary, Total Plastics, Inc., the Company also distributes a broad range of value-added industrial plastics. Together, Castle operates over 60 locations throughout North America. Its common stock is traded on the American and Chicago Stock Exchange under the ticker symbol "CAS".

This release contains a non-GAAP disclosure, EBITDA, which consists of income before provision for income taxes plus depreciation and amortization, and interest expense (including discount on accounts receivable sold), less interest income. EBITDA is presented as a supplemental disclosure to provide the reader with additional information in analyzing the Company's operating results. A reconciliation of EBITDA to net income is provided per SEC requirements.

This release may contain forward-looking statements relating to future financial results. Actual results may differ materially as a result of factors over which the Company has no control. These risk factors and additional information are included in the Company's reports on file with the Securities and Exchange Commission.

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**COMPARATIVE STATEMENTS OF OPERATIONS***(Amounts in thousands, except per share data)**Unaudited*

|  | For The Three Months Ended |            |
|--|----------------------------|------------|
|  | March 31,                  |            |
|  | 2004                       | 2003       |
| Net sales                                    | \$ 175,634                 | \$ 141,646 |
| Cost of material sold                        | (124,481)                  | (98,444)   |
| Gross material margin                        | 51,153                     | 43,202     |
| Plant and delivery expense                   | (23,599)                   | (22,350)   |
| Sales, general, and administrative expense   | (19,454)                   | (18,036)   |
| Depreciation and amortization expense        | (2,247)                    | (2,304)    |
| Total other operating expense                | (45,300)                   | (42,690)   |
| Operating income                             | 5,853                      | 512        |
| Equity earnings (loss) of joint ventures     | 632                        | (37)       |
| Interest expense, net                        | (2,314)                    | (2,443)    |
| Discount on sale of accounts receivable      | (283)                      | (329)      |
| Income/(loss) before income taxes            | 3,888                      | (2,297)    |
| Income taxes                                 |                            |            |
| Federal                                      | (1,232)                    | 763        |
| State  | (354)                      | 127        |
| Net income (loss) from operations            | (1,586)                    | 890        |
| Preferred dividends                          | (240)                      | (238)      |
| Net income (loss) applicable to common stock | \$ 2,062                   | \$ (1,645) |
| Basic earnings (loss) per share              | \$ 0.13                    | \$ (0.10)  |
| Diluted earnings (loss) per share            | \$ 0.13                    | \$ (0.10)  |
| EBITDA <sup>(1)</sup>                        | \$ 8,732                   | \$ 2,779   |

<sup>(1)</sup> Earnings before interest, discount on sale of accounts receivable, taxes, depreciation and amortization

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| Reconciliation of EBITDA to net income: | For The Three Months Ended |                 |
|---|----------------------------|-----------------|
|   | March 31,                  |                 |
|   | 2004                       | 2003            |
| Net income (loss) from operations       | \$ 2,302                   | \$ (1,407)      |
| Depreciation and amortization           | 2,247                      | 2,304           |
| Interest, net                           | 2,314                      | 2,443           |
| Discount on accounts receivable sold    | 283                        | 329             |
| Provision (benefit) from income taxes   | 1,586                      | (890)           |
| <b>EBITDA</b>                           | <b>\$ 8,732</b>            | <b>\$ 2,779</b> |

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**COMPARATIVE BALANCE SHEETS***(Amounts in thousands except per share data)**(Unaudited)*

|  | Mar. 31,<br>2004  | Dec. 31,<br>2003  | Mar. 31,<br>2003  |
|--|-------------------|-------------------|-------------------|
| <b>ASSETS</b>  |                   |                   |                   |
| <b>Current assets</b>                                |                   |                   |                   |
| Cash and equivalents                                 | \$ 4,434          | \$ 2,455          | \$ 1,306          |
| Accounts receivable, net                             | 77,348            | 54,232            | 42,714            |
| Inventories (principally on last-in first-out basis) | 104,040           | 117,270           | 128,092           |
| Income tax receivable                                | 652               | 660               | 12,929            |
| Assets held for sale                                 | 1,117             | 1,067             | -                 |
| Advances to joint ventures and other current assets  | 6,599             | 7,184             | 7,492             |
| <b>Total current assets</b>                          | <b>194,190</b>    | <b>182,868</b>    | <b>192,533</b>    |
| Investment in joint ventures                         | 5,060             | 5,492             | 7,404             |
| Goodwill   | 31,935            | 31,643            | 31,978            |
| Pension assets                                       | 42,122            | 42,075            | 40,719            |
| Advances to joint ventures and other assets          | 8,265             | 8,688             | 6,534             |
| Property, plant and equipment, at cost               |                   |                   |                   |
| Land   | 4,767             | 4,767             | 6,027             |
| Building   | 46,975            | 45,346            | 53,440            |
| Machinery and equipment                              | 119,253           | 118,447           | 126,311           |
|  | 170,995           | 168,560           | 185,778           |
| Less - accumulated depreciation                      | (103,079)         | (100,386)         | (105,534)         |
|  | 67,916            | 68,174            | 80,244            |
| <b>Total assets</b>                                  | <b>\$ 349,488</b> | <b>\$ 338,940</b> | <b>\$ 359,412</b> |
| <b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>          |                   |                   |                   |
| <b>Current liabilities</b>                           |                   |                   |                   |
| Accounts payable                                     | \$ 77,056         | \$ 67,601         | \$ 68,256         |
| Accrued liabilities and deferred gains               | 18,665            | 19,145            | 16,834            |
| Current and deferred income taxes                    | 4,656             | 4,852             | 4,386             |
| Current portion of long-term debt                    | 8,308             | 8,248             | 9,622             |
| <b>Total current liabilities</b>                     | <b>108,685</b>    | <b>99,846</b>     | <b>99,098</b>     |
| Long-term debt, less current portion                 | 98,409            | 100,034           | 103,814           |

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|   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|
| Deferred income taxes                         | 15,670            | 13,963            | 23,011            |
| Deferred gain on sale of assets               | 7,095             | 7,304             | -                 |
| Minority interest                             | 1,261             | 1,456             | 1,376             |
| Post retirement benefits obligations          | 2,765             | 2,683             | 2,222             |
| Stockholders' equity                          |                   |                   |                   |
| Preferred stock                               | 11,239            | 11,239            | 11,239            |
| Common stock                                  | 159               | 159               | 158               |
| Additional paid in capital                    | 35,009            | 35,009            | 35,017            |
| Earnings reinvested in the business           | 68,542            | 66,480            | 83,851            |
| Accumulated other comprehensive income (loss) | 928               | 1,042             | (35)              |
| Other - deferred compensation                 | (29)              | (30)              | (109)             |
| Treasury stock, at cost                       | (245)             | (245)             | (230)             |
|   | <u>          </u> | <u>          </u> | <u>          </u> |
| Total stockholders' equity                    | 115,603           | 113,654           | 129,891           |
|   | <u>          </u> | <u>          </u> | <u>          </u> |
| Total liabilities and stockholders' equity    | \$ 349,488        | \$ 338,940        | \$ 359,412        |
|   | <u>          </u> | <u>          </u> | <u>          </u> |

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**CONDENSED STATEMENTS OF CASH FLOWS***(Dollars in thousands)**(Unaudited)*

|   | For The Three Months Ended<br>March 31, |                   |
|---|---|-------------------|
|   | 2004                                    | 2003              |
|   | <u>          </u>                       | <u>          </u> |
| Cash flows from operating activities:                         |   |                   |
| Net income/(loss)   | \$ 2,302                                | \$ (1,407)        |
| Depreciation and amortization                                 | 2,247                                   | 2,304             |
| Amortization of deferred gain                                 | (209)                                   | -                 |
| Equity (earnings) loss from joint ventures                    | (632)                                   | 37                |
| Deferred taxes and income tax receivable                      | 1,666                                   | (1,361)           |
| Non-cash pension income and post-retirement benefits          | 105                                     | (240)             |
| Other   | 93                                      | 12                |
|   | <u>          </u>                       | <u>          </u> |
| Cash from operating activities before working capital changes | 5,572                                   | (655)             |
| Net change in accounts receivable sold                        | 5,000                                   | 4,300             |
| Other increases in working capital                            | (3,613)                                 | (2,922)           |
|   | <u>          </u>                       | <u>          </u> |
| Net cash from operating activities                            | 6,959                                   | 723               |
| Cash flows from investing activities:                         |   |                   |
| Investments and acquisitions                                  | (1,744)                                 | -                 |
| Advances to joint ventures                                    | -                                       | (114)             |
| Capital expenditures  | (1,430)                                 | (736)             |
|   | <u>          </u>                       | <u>          </u> |
| Net cash from investing activities                            | (3,174)                                 | (850)             |
| Cash flows from financing activities:                         |   |                   |
| Long-term borrowings, net                                     | (1,479)                                 | 697               |
| Preferred dividends paid                                      | (240)                                   | (238)             |
| Other   | 17                                      | -                 |
|   | <u>          </u>                       | <u>          </u> |
| Net cash from financing activities                            | (1,702)                                 | 459               |
| Effect of exchange rate changes on cash                       | (104)                                   | 56                |
|   | <u>          </u>                       | <u>          </u> |
| Net increase in cash  | 1,979                                   | 388               |
| Cash - beginning of year                                      | 2,455                                   | 918               |
|   | <u>          </u>                       | <u>          </u> |
| Cash - end of period  | \$ 4,434                                | \$ 1,306          |
|   | <u>          </u>                       | <u>          </u> |

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Supplemental cash disclosure - cash (paid) received during the period:

|              |            |            |
|--------------|------------|------------|
| Interest     | \$ (2,319) | \$ (2,227) |
| Income taxes | \$ 20      | \$ (197)   |