

HUTTIG BUILDING PRODUCTS INC
Form 10-Q
April 20, 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 March 31, 2012

Commission file number 1-14982

HUTTIG BUILDING PRODUCTS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

43-0334550
(I.R.S. Employer
Identification No.)

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555 Maryville University Drive

Suite 400

St. Louis, Missouri
(Address of principal executive offices)

63141
(Zip code)

(314) 216-2600

(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 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 definition 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 smaller reporting company)

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 number of shares of Common Stock outstanding on March 31, 2012 was 24,909,345 shares.

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HUTTIG BUILDING PRODUCTS, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(In Millions, Except Share and Per Share Data)

	Three Months Ended March 31,	
	2012	2011
Net sales	\$ 116.5	\$ 99.5
Cost of sales	95.2	82.2
Gross margin	21.3	17.3
Operating expenses	23.4	23.3
Operating loss	(2.1)	(6.0)
Interest expense, net	0.7	0.6
Loss from continuing operations before income taxes (Benefit) provision for income taxes	(2.8)	(6.6)
Loss from continuing operations	(2.8)	(6.6)
Loss from discontinued operations, net of taxes	(0.1)	(0.1)
Net loss	\$ (2.9)	\$ (6.7)
Net loss from continuing operations per share basic and diluted	\$ (0.12)	\$ (0.30)
Net loss from discontinued operations per share basic and diluted	(0.01)	
Net loss per share basic and diluted	\$ (0.13)	\$ (0.30)
Weighted average shares outstanding:		
Basic shares outstanding continuing and discontinued operations	22,724,610	21,974,606
Diluted shares outstanding continuing and discontinued operations	22,724,610	21,974,606

See notes to condensed consolidated financial statements

HUTTIG BUILDING PRODUCTS, INC. AND SUBSIDIARY**CONDENSED CONSOLIDATED BALANCE SHEETS****(unaudited)****(In Millions)**

	March 31, 2012	December 31, 2011	March 31, 2011
ASSETS			
CURRENT ASSETS:			
Cash and equivalents	\$ 1.6	\$ 0.7	\$ 0.9
Trade accounts receivable, net	54.2	39.4	48.6
Inventories	55.7	44.8	55.5
Other current assets	4.4	4.3	4.1
Total current assets	115.9	89.2	109.1
PROPERTY, PLANT AND EQUIPMENT			
Land	5.0	5.0	4.9
Building and improvements	24.5	24.4	24.4
Machinery and equipment	30.1	29.7	29.3
Gross property, plant and equipment	59.6	59.1	58.6
Less accumulated depreciation	42.6	41.9	41.1
Property, plant and equipment, net	17.0	17.2	17.5
OTHER ASSETS:			
Goodwill	8.2	8.2	8.6
Other	1.8	2.4	2.9
Deferred income taxes	7.6	8.0	8.1
Total other assets	17.6	18.6	19.6
TOTAL ASSETS	\$ 150.5	\$ 125.0	\$ 146.2

See notes to condensed consolidated financial statements

HUTTIG BUILDING PRODUCTS, INC. AND SUBSIDIARY**CONDENSED CONSOLIDATED BALANCE SHEETS****(unaudited)****(In Millions, Except Share and Per Share Data)**

	March 31, 2012	December 31, 2011	March 31, 2011
LIABILITIES AND SHAREHOLDERS EQUITY			
CURRENT LIABILITIES:			
Current maturities of long-term debt	\$ 0.3	\$ 0.4	\$ 0.2
Trade accounts payable	42.9	28.3	42.5
Deferred income taxes	7.6	8.0	8.1
Accrued compensation	3.3	1.5	2.7
Other accrued liabilities	11.1	13.6	11.4
Total current liabilities	65.2	51.8	64.9
NON-CURRENT LIABILITIES:			
Long-term debt, less current maturities	67.4	52.2	53.6
Other non-current liabilities	0.7	1.1	1.7
Total non-current liabilities	68.1	53.3	55.3
SHAREHOLDERS EQUITY			
Preferred shares; \$.01 par (5,000,000 shares authorized)			
Common shares; \$.01 par (50,000,000 shares authorized: 24,909,345; 23,980,177; and 23,648,177 shares issued at March 31, 2012, December 31, 2011 and March 31, 2011, respectively)	0.2	0.2	0.2
Additional paid-in capital	39.7	39.5	39.1
Accumulated deficit	(22.7)	(19.8)	(13.3)
Total shareholders equity	17.2	19.9	26.0
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 150.5	\$ 125.0	\$ 146.2

See notes to condensed consolidated financial statements

HUTTIG BUILDING PRODUCTS, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**(unaudited)****(In Millions)**

	Three Months Ended March 31,	
	2012	2011
Cash Flows From Operating Activities:		
Net loss	\$ (2.9)	\$ (6.7)
Adjustments to reconcile net loss to net cash used in operating activities:		
Net loss from discontinued operations	0.1	0.1
Depreciation and amortization	0.8	0.8
Stock based compensation	0.2	0.2
Changes in operating assets and liabilities:		
Trade accounts receivable	(14.8)	(11.5)
Inventories	(10.9)	(9.3)
Trade accounts payable	14.6	16.4
Other	(0.7)	(1.3)
Total cash used in operating activities	(13.6)	(11.3)
Cash Flows From Investing Activities:		
Capital expenditures	(0.5)	(0.3)
Total cash used in investing activities	(0.5)	(0.3)
Cash Flows From Financing Activities:		
Borrowings of debt, net	15.0	11.7
Total cash provided by financing activities	15.0	11.7
Net increase in cash and equivalents	0.9	0.1
Cash and equivalents, beginning of period	0.7	0.8
Cash and equivalents, end of period	\$ 1.6	\$ 0.9
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 0.6	\$ 0.3
Income taxes paid		0.1

See notes to condensed consolidated financial statements

HUTTIG BUILDING PRODUCTS, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. BASIS OF PRESENTATION

Because we may be considered a party in interest with respect to many Plans, the notes may not be purchased, held or disposed of by any Plan, any entity whose underlying assets include “plan assets” by reason of any Plan’s investment in the entity (a “Plan Asset Entity”) or any person investing “plan assets” of any Plan, unless such purchase, holding or disposition is eligible for exemptive relief, including relief available under PTCEs 96-23, 95-60, 91-38, 90-1, 84-14 or the service provider exemption or such purchase, holding or disposition is otherwise not prohibited. Any purchaser, including any fiduciary purchasing on behalf of a Plan, transferee or holder of the notes will be deemed to have represented, in its corporate and its fiduciary capacity, by its purchase and holding of the notes that either (a) it is not a Plan or a Plan Asset Entity and is not purchasing such notes on behalf of or with “plan assets” of any Plan or with any assets of a governmental, non-U.S. or church plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code (“Similar Law”) or (b) its purchase, holding and disposition of these notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violate any Similar Law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the notes on behalf of or with “plan assets” of any Plan consult with their counsel regarding the availability of exemptive relief.

The notes are contractual financial instruments. The financial exposure provided by the notes is not a substitute or proxy for, and is not intended as a substitute or proxy for, individualized investment management or advice for the benefit of any purchaser or holder of the notes. The notes have not been designed and will not be administered in a manner intended to reflect the individualized needs and objectives of any purchaser or holder of the notes.

Each purchaser or holder of any notes acknowledges and agrees that:

- the purchaser or holder or its fiduciary has made and shall make all investment decisions for the purchaser or holder and the purchaser or holder has not relied and shall not rely in any way upon us or our affiliates to act as a fiduciary
- (i) or adviser of the purchaser or holder with respect to (A) the design and terms of the notes, (B) the purchaser or holder’s investment in the notes, or (C) the exercise of or failure to exercise any rights we have under or with respect to the notes;
- (ii) we and our affiliates have acted and will act solely for our own account in connection with (A) all transactions relating to the notes and (B) all hedging transactions in connection with our obligations under the notes;

(iii) any and all assets and positions relating to hedging transactions by us or our affiliates are assets and positions of those entities and are not assets and positions held for the benefit of the purchaser or holder;

(iv) our interests are adverse to the interests of the purchaser or holder; and

neither we nor any of our affiliates is a fiduciary or adviser of the purchaser or holder in connection with any such (v) assets, positions or transactions, and any information that we or any of our affiliates may provide is not intended to be impartial investment advice.

Each purchaser and holder of the notes has exclusive responsibility for ensuring that its purchase, holding and disposition of the notes do not violate the prohibited transaction rules of ERISA or the Code or any Similar Law. The sale of any notes to any Plan or plan subject to Similar Law is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by plans generally or any particular plan, or that such an investment is appropriate for plans generally or any particular plan. In this regard, neither this discussion nor anything provided in this preliminary pricing supplement is or is intended to be investment advice directed at any potential Plan purchaser or at Plan purchasers generally and such purchasers of these notes should consult and rely on their own counsel and advisers as to whether an investment in these notes is suitable.

However, individual retirement accounts, individual retirement annuities and Keogh plans, as well as employee benefit plans that permit participants to direct the investment of their accounts, will not be permitted to purchase or hold the notes if the account, plan or annuity is for the benefit of an employee of Morgan Stanley or Morgan Stanley Wealth Management or a family member and the employee receives any compensation (such as, for example, an addition to bonus) based on the purchase of the notes by the account, plan or annuity.

Additional considerations: Client accounts over which Morgan Stanley, Morgan Stanley Wealth Management or any of their respective subsidiaries have investment discretion are not permitted to purchase the notes, either directly or indirectly.

Supplemental information regarding plan of distribution; conflicts of interest: We expect to agree to sell to MS & Co., and MS & Co. expects to agree to purchase from us, the aggregate face amount of the offered notes specified on the cover of this pricing supplement. MS & Co. proposes initially to offer the notes to an unaffiliated securities dealer at the price to public set forth on the cover of this pricing supplement less a concession not in excess of 1.33% of the face amount. The price to public will be between 98.67% and 100.00% of the face amount, which reflects, for certain fee-based advisory accounts, a foregone agent's commission with respect to sales of such notes (i.e., the agent's commission specified on the cover of this pricing supplement with respect to such notes will be reduced, potentially down to 0.00%). MS & Co., the agent for this offering, is our affiliate. Because MS & Co. is both our affiliate and a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"), the underwriting arrangements for this offering must comply with the requirements of FINRA Rule 5121 regarding a FINRA member firm's distribution of the securities of an affiliate and related conflicts of interest. In accordance with FINRA Rule 5121, MS & Co. may not make sales in offerings of the notes to any of its discretionary accounts without the prior written approval of the customer.

MS & Co. is an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley, and it and other affiliates of ours expect to make a profit by selling, structuring and, when applicable, hedging the notes. When MS & Co. prices this offering of notes, it will determine the economic terms of the notes, including the Maximum Settlement Amount, such that for each note the estimated value on the Trade Date will be no lower than the minimum level described in “Estimated Value” on page 2.

MS & Co. will conduct this offering in compliance with the requirements of FINRA Rule 5121 of the Financial Industry Regulatory Authority, Inc., which is commonly referred to as FINRA, regarding a FINRA member firm’s distribution of the notes of an affiliate and related conflicts of interest. MS & Co. or any of our other affiliates may not make sales in this offering to any discretionary account. See “Plan of Distribution (Conflicts of Interest)” and “Use of Proceeds and Hedging” in the accompanying product supplement.

Settlement: We expect to deliver the notes against payment for the notes on the Original Issue Date, which will be the fifth scheduled Business Day following the Trade Date. Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in two Business Days, unless the parties to a trade expressly agree otherwise. Accordingly, if the Original Issue Date is more than two Business Days after the Trade Date, purchasers who wish to

transact in the notes more than two Business Days prior to the Original Issue Date will be required to specify alternative settlement arrangements to prevent a failed settlement.

CONTACT

Morgan Stanley clients may contact their local Morgan Stanley branch office or our principal executive offices at 1585 Broadway, New York, New York 10036 (telephone number (866) 477-4776). All other clients may contact their local brokerage representative. Third-party distributors may contact Morgan Stanley Structured Investment Sales at (800) 233-1087.

WHERE YOU CAN FIND MORE INFORMATION

MSFL and Morgan Stanley have filed a registration statement (including a prospectus, as supplemented by the product supplement and the index supplement) with the Securities and Exchange Commission, or SEC, for the offering to which this communication relates. You should read the prospectus in that registration statement, the product supplement, the index supplement and any other documents relating to this offering that MSFL and Morgan Stanley have filed with the SEC for more complete information about MSFL, Morgan Stanley and this offering. You may get these documents without cost by visiting EDGAR on the SEC web site at www.sec.gov. Alternatively, MSFL and/or Morgan Stanley will arrange to send you the product supplement, index supplement and prospectus if you so request by calling toll-free 800-584-6837.

You may access these documents on the SEC web site at www.sec.gov as follows:

[Product Supplement dated November 16, 2017](#)

[Index Supplement dated November 16, 2017](#)

[Prospectus dated November 16, 2017](#)

Terms used but not defined in this document are defined in the product supplement, in the index supplement or in the prospectus.