

KAISER ALUMINUM CORP  
Form 10-Q  
October 24, 2014

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 September 30, 2014

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: 0-52105

KAISER ALUMINUM CORPORATION  
(Exact name of registrant as specified in its charter)  
Delaware  
(State of incorporation)

94-3030279  
(I.R.S. Employer  
Identification No.)

27422 Portola Parkway, Suite  
200 Foothill Ranch, California  
(Address of principal  
executive offices)

92610-2831  
(Zip Code)

(949) 614-1740

(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, 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 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

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Non-accelerated filer  (Do not check if a 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

As of October 21, 2014, there were 17,791,518 shares of common stock of the registrant outstanding.

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## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

## CONSOLIDATED BALANCE SHEETS

	September 30, 2014 (Unaudited)	December 31, 2013
	(In millions of dollars, except share and per share amounts)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$212.3	\$169.5
Short-term investments	100.1	129.5
Receivables:		
Trade, less allowance for doubtful receivables of \$0.8 at September 30, 2014 and December 31, 2013	132.4	119.8
Other	10.4	13.4
Inventories	211.3	214.4
Prepaid expenses and other current assets	156.4	44.2
Total current assets	822.9	690.8
Property, plant, and equipment – net	442.9	429.3
Net assets of VEBAs	430.3	406.0
Deferred tax assets – net (including deferred tax liability relating to the VEBAs of \$161.5 at September 30, 2014 and \$152.4 at December 31, 2013)	26.7	69.1
Intangible assets – net	32.5	33.7
Goodwill	37.2	37.2
Other assets	23.8	104.8
Total	\$1,816.3	\$1,770.9
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$89.3	\$62.9
Accrued salaries, wages, and related expenses	37.2	42.7
Other accrued liabilities	131.7	44.8
Current portion of long-term debt	170.2	—
Short-term capital leases	0.1	0.2
Total current liabilities	428.5	150.6
Deferred tax liability	1.2	1.2
Long-term liabilities	60.9	146.4
Long-term debt	225.0	388.5
Total liabilities	715.6	686.7
Commitments and contingencies – Note 7		
Stockholders' equity:		
Preferred stock, 5,000,000 shares authorized at both September 30, 2014 and December 31, 2013; no shares were issued and outstanding at September 30, 2014 and December 31, 2013	—	—
Common stock, par value \$0.01, 90,000,000 shares authorized at both September 30, 2014 and at December 31, 2013; 21,196,901 shares issued and 17,829,629 shares outstanding at September 30, 2014; 21,103,700 shares issued and 18,147,017 shares outstanding at December 31, 2013	0.2	0.2

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Additional paid in capital	1,026.9	1,023.1
Retained earnings	271.1	233.8
Treasury stock, at cost, 3,367,272 shares at September 30, 2014 and 2,956,683 shares at December 31, 2013, respectively	(181.1	) (152.2
Accumulated other comprehensive loss	(16.4	) (20.7
Total stockholders' equity	1,100.7	1,084.2
Total	\$1,816.3	\$1,770.9

The accompanying notes to interim consolidated financial statements are an integral part of these statements.

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KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES  
STATEMENTS OF CONSOLIDATED INCOME

	Quarter Ended September 30, 2014		2013		Nine Months Ended September 30, 2014		2013	
	(Unaudited)							
	(In millions of dollars, except share and per share amounts)							
Net sales	\$338.9	\$319.9	\$1,018.1	\$986.2				
Costs and expenses:								
Cost of products sold:								
Cost of products sold, excluding depreciation and amortization and other items	280.4	259.5	838.8	784.6				
Unrealized losses (gains) on derivative instruments	3.6	(1.5)	) —	3.4				
Depreciation and amortization	8.0	6.9	23.1	20.9				
Selling, administrative, research and development, and general:								
Selling, administrative, research and development, and general	19.0	19.0	61.3	62.5				
Net periodic pension benefit income relating to VEBAs (includes accumulated other comprehensive income reclassifications related to VEBA of \$2.1 and \$1.3 for the quarters ended September 30, 2014 and September 30, 2013, respectively, and \$6.6 and \$4.1 for the nine months ended September 30, 2014 and September 30, 2013, respectively)	(6.0	) (5.6	) (17.7	) (16.9	)			
Total selling, administrative, research and development, and general	13.0	13.4	43.6	45.6				
Other operating charges, net	1.3	—	1.5	—				
Total costs and expenses	306.3	278.3	907.0	854.5				
Operating income	32.6	41.6	111.1	131.7				
Other (expense) income:								
Interest expense	(9.7	) (8.8	) (27.7	) (27.1	)			
Other income, net (includes accumulated other comprehensive income reclassifications for realized gains on available for sale securities of \$0.0 and \$0.2 for the quarters ended September 30, 2014 and September 30, 2013, respectively, and \$0.2 and \$0.8 for the nine months ended September 30, 2014 and September 30, 2013, respectively)	2.2	2.9	5.9	3.1				
Income before income taxes	25.1	35.7	89.3	107.7				
Income tax provision (includes aggregate income tax expense from reclassification items of \$(0.8) and \$(0.5) for the quarters ended September 30, 2014 and September 30, 2013, respectively, and \$(2.4) and \$(1.3) for the nine months ended September 30, 2014 and September 30, 2013, respectively)	(9.2	) (10.3	) (33.1	) (30.2	)			
Net income	\$15.9	\$25.4	\$56.2	\$77.5				
Earnings per common share, Basic:								
Net income per share	\$0.90	\$1.37	\$3.15	\$4.09				
Earnings per common share, Diluted:								
Net income per share	\$0.85	\$1.34	\$3.02	\$4.02				

Weighted-average number of common shares outstanding (in thousands):

Basic	17,707	18,548	17,853	18,915
Diluted	18,619	19,058	18,592	19,267

The accompanying notes to interim consolidated financial statements are an integral part of these statements.

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KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES  
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

	Quarter Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
	(Unaudited)			
	(In millions of dollars)			
Net income	\$15.9	\$25.4	\$56.2	\$77.5
Other comprehensive income:				
VEBAs:				
Reclassification adjustments:				
Amortization of net actuarial (gains) losses	(0.5	) 0.3	(1.4	) 1.0
Amortization of prior service cost	2.6	1.0	8.0	3.1
Other comprehensive income relating to VEBAs	2.1	1.3	6.6	4.1
Available for sale securities:				
Unrealized (gains) losses on available for sale securities	(0.2	) 0.4	0.1	0.9
Reclassification adjustments:				
Reclassification of unrealized gains upon sale of available for sale securities	—	(0.2	) (0.2	) (0.8
Other comprehensive (loss) income relating to available for sale securities	(0.2	) 0.2	(0.1	) 0.1
Foreign currency translation adjustment	0.1	(0.3	) 0.2	0.5
Other comprehensive income, before tax	2.0	1.2	6.7	4.7
Income tax expense related to items of other comprehensive income	(0.7	) (0.6	) (2.4	) (1.6
Other comprehensive income, net of tax	1.3	0.6	4.3	3.1
Comprehensive income	\$17.2	\$26.0	\$60.5	\$80.6

The accompanying notes to interim consolidated financial statements are an integral part of these statements.

KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES  
STATEMENT OF CONSOLIDATED STOCKHOLDERS' EQUITY

	Common Shares Outstanding	Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
	(Unaudited)						
	(In millions of dollars, except for shares)						
BALANCE, December 31, 2013	18,147,017	\$ 0.2	\$1,023.1	\$233.8	\$(152.2 )	\$ (20.7 )	\$1,084.2
Net income	—	—	—	56.2	—	—	56.2
Other comprehensive income, net of tax	—	—	—	—	—	4.3	4.3
Issuance of non-vested shares to employees and non-employee directors	119,536	—	—	—	—	—	—
Issuance of common shares to non-employee directors	2,969	—	0.2	—	—	—	0.2
Issuance of common shares to employees upon vesting of restricted stock units and performance shares	44,895	—	—	—	—	—	—
Cancellation of employee non-vested shares	(40,503						