

VALMONT INDUSTRIES INC

Form 10-Q

July 27, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended July 1, 2017

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 1-31429

Valmont Industries, Inc.

(Exact name of registrant as specified in its charter)

Delaware 47-0351813
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

One Valmont Plaza,
Omaha, Nebraska 68154-5215
(Address of Principal Executive Offices) (Zip Code)

(402) 963-1000

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non accelerated filer Smaller reporting company
Emerging growth company (Do not check if a
smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes

No x

22,590,934

Outstanding shares of common stock as of July 21, 2017

VALMONT INDUSTRIES, INC.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
PART I. FINANCIAL INFORMATION
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Dollars in thousands, except per share amounts)
(Unaudited)

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 1, 2017	June 25, 2016	July 1, 2017	June 25, 2016
Product sales	\$632,507	\$570,762	\$1,205,459	\$1,103,702
Services sales	80,230	69,487	144,751	133,152
Net sales	712,737	640,249	1,350,210	1,236,854
Product cost of sales	477,174	418,072	904,021	811,564
Services cost of sales	52,283	47,060	98,304	89,204
Total cost of sales	529,457	465,132	1,002,325	900,768
Gross profit	183,280	175,117	347,885	336,086
Selling, general and administrative expenses	104,990	103,311	205,093	201,915
Operating income	78,290	71,806	142,792	134,171
Other income (expenses):				
Interest expense	(10,818)	(11,122)	(22,122)	(22,176)
Interest income	967	707	1,894	1,518
Other	(32)	1,252	1,167	(426)
Earnings before income taxes	(9,883)	(9,163)	(19,061)	(21,084)
Income tax expense:				
Current	68,407	62,643	123,731	113,087
Deferred	27,803	22,745	29,101	33,259
Net earnings	(6,718)	(3,544)	7,347	2,215
Less: Earnings attributable to noncontrolling interests	21,085	19,201	36,448	35,474
Net earnings attributable to Valmont Industries, Inc.	47,322	43,442	87,283	77,613
Earnings per share:	(1,658)	(1,416)	(2,640)	(2,618)
Basic	\$45,664	\$42,026	84,643	74,995
Diluted	\$2.03	\$1.86	\$3.76	\$3.31
Cash dividends declared per share	\$2.01	\$1.85	\$3.73	\$3.29
Weighted average number of shares of common stock outstanding - Basic (000 omitted)	\$0.375	\$0.375	\$0.750	\$0.750
Weighted average number of shares of common stock outstanding - Diluted (000 omitted)	22,517	22,602	22,494	22,651
See accompanying notes to condensed consolidated financial statements.	22,740	22,749	22,700	22,782

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

(Unaudited)

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 1, 2017	June 25, 2016	July 1, 2017	June 25, 2016
Net earnings	\$47,322	\$43,442	\$87,283	\$77,613
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments:				
Unrealized translation gain (loss)	21,551	(2,296)	40,941	217
Gain/(loss) on hedging activities:				
Net investment hedge	(550)	—	(1,076)	—
Amortization cost included in interest expense	18	19	37	38
Other comprehensive income (loss)	21,019	(2,277)	39,902	255
Comprehensive income	68,341	41,165	127,185	77,868
Comprehensive loss (income) attributable to noncontrolling interests	(2,223)	(1,787)	(1,982)	(4,114)
Comprehensive income attributable to Valmont Industries, Inc.	\$66,118	\$39,378	\$125,203	\$73,754

See accompanying notes to condensed consolidated financial statements.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)

	July 1, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$448,222	\$ 399,948
Receivables, net	496,962	439,342
Inventories	382,648	350,028
Prepaid expenses, restricted cash, and other assets	43,545	57,297
Refundable income taxes	4,830	6,601
Total current assets	1,376,207	1,253,216
Property, plant and equipment, at cost	1,148,482	1,105,736
Less accumulated depreciation and amortization	628,375	587,401
Net property, plant and equipment	520,107	518,335
Goodwill	329,708	321,110
Other intangible assets, net	141,557	144,378
Other assets	155,583	154,692
Total assets	\$2,523,162	\$ 2,391,731

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Current installments of long-term debt	\$921	\$ 851
Notes payable to banks	376	746
Accounts payable	193,087	177,488
Accrued employee compensation and benefits	68,944	72,404
Accrued expenses	102,247	89,914
Dividends payable	8,472	8,445
Total current liabilities	374,047	349,848
Deferred income taxes	32,642	35,803
Long-term debt, excluding current installments	754,436	754,795
Defined benefit pension liability	194,517	209,470
Deferred compensation	47,799	44,319
Other noncurrent liabilities	17,275	14,910
Shareholders' equity:		
Preferred stock of \$1 par value - Authorized 500,000 shares; none issued	—	—
Common stock of \$1 par value - Authorized 75,000,000 shares; 27,900,000 issued	27,900	27,900
Retained earnings	1,945,874	1,874,722
Accumulated other comprehensive loss	(305,799)	(346,359)
Treasury stock	(603,726)	(612,781)
Total Valmont Industries, Inc. shareholders' equity	1,064,249	943,482
Noncontrolling interest in consolidated subsidiaries	38,197	39,104
Total shareholders' equity	1,102,446	982,586
Total liabilities and shareholders' equity	\$2,523,162	\$ 2,391,731

See accompanying notes to condensed consolidated financial statements.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Twenty-six Weeks Ended	
	July 1, 2017	June 25, 2016
Cash flows from operating activities:		
Net earnings	\$87,283	\$77,613
Adjustments to reconcile net earnings to net cash flows from operations:		
Depreciation and amortization	41,754	40,804
Noncash loss on trading securities	188	1,035
Stock-based compensation	4,590	4,201
Defined benefit pension plan expense	314	959
Contribution to defined benefit pension plan	(25,379)	(712)
Change in restricted cash - pension plan trust	12,568	(13,652)
(Gain)/loss on sale of property, plant and equipment	(64)	1,074
Deferred income taxes	7,347	2,215
Changes in assets and liabilities:		
Receivables	(49,416)	2,942
Inventories	(24,963)	(29,335)
Prepaid expenses and other assets	(5,892)	(4,859)
Accounts payable	10,715	1,430
Accrued expenses	5,252	(13,636)
Other noncurrent liabilities	1,973	327
Income taxes refundable	2,028	9,516
Net cash flows from operating activities	68,298	79,922
Cash flows from investing activities:		
Purchase of property, plant and equipment	(26,183)	(26,019)
Proceeds from sale of assets	890	1,827
Proceeds from settlement of net investment hedge	5,123	—
Other, net	(2,467)	(1,608)
Net cash flows from investing activities	(22,637)	(25,800)
Cash flows from financing activities:		
Net borrowings under short-term agreements	(369)	2,593
Principal payments on long-term borrowings	(434)	(659)
Dividends paid	(16,913)	(17,098)
Dividends to noncontrolling interest	(2,889)	(1,923)
Purchase of noncontrolling interest	—	(11,009)
Purchase of treasury shares	—	(28,621)
Proceeds from exercises under stock plans	10,168	5,975
Purchase of common treasury shares—stock plan exercises	(3,056)	(1,453)
Net cash flows from financing activities	(13,493)	(52,195)
Effect of exchange rate changes on cash and cash equivalents	16,106	(6,655)
Net change in cash and cash equivalents	48,274	(4,728)
Cash and cash equivalents—beginning of year	399,948	349,074
Cash and cash equivalents—end of period	\$448,222	\$344,346

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Dollars in thousands)

(Unaudited)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Noncontrolling interest in consolidated subsidiaries	Total shareholders' equity
Balance at December 26, 2015	\$27,900	\$ —	\$1,729,679	\$ (267,218)	\$(571,920)	\$ 46,770	\$ 965,211
Net earnings	—	—	74,995	—	—	2,618	77,613
Other comprehensive income (loss)	—	—	—	(1,241)	—	1,496	255
Cash dividends declared	—	—	(17,027)	—	—	—	(17,027)
Dividends to noncontrolling interests	—	—	—	—	—	(1,923)	(1,923)
Purchase of noncontrolling interests	—	(137)	—	—	—	(10,872)	(11,009)
Purchase of treasury shares; 245,798 shares acquired	—	—	—	—	(28,621)	—	(28,621)
Stock plan exercises; 10,747 shares acquired	—	—	—	—	(1,453)	—	(1,453)
Stock options exercised; 62,535 shares issued	—	(4,064)	2,473	—	7,566	—	5,975
Stock option expense	—	2,959	—	—	—	—	2,959
Stock awards; 6,976 shares issued	—	1,242	—	—	949	—	2,191
Balance at June 25, 2016	\$27,900	\$ —	\$1,790,120	\$ (268,459)	\$(593,479)	\$ 38,089	\$ 994,171
Balance at December 31, 2016	\$27,900	\$ —	\$1,874,722	\$ (346,359)	\$(612,781)	\$ 39,104	\$ 982,586
Net earnings	—	—	84,643	—	—	2,640	87,283
Other comprehensive income (loss)	—	—	—	40,560	—	(658)	39,902
Cash dividends declared	—	—	(16,939)	—	—	—	(16,939)
Dividends to noncontrolling interests	—	—	—	—	—	(2,889)	(2,889)
Stock plan exercises; 19,086 shares acquired	—	—	—	—	(3,056)	—	(3,056)
Stock options exercised; 84,432 shares issued	—	(4,590)	3,448	—	11,310	—	10,168
Stock option expense	—	2,578	—	—	—	—	2,578
Stock awards; 5,677 shares issued	—	2,012	—	—	801	—	2,813
Balance at July 1, 2017	\$27,900	\$ —					