

VALMONT INDUSTRIES INC  
Form 10-Q  
October 29, 2012

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**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 September 29, 2012

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**

(State or Other Jurisdiction of  
Incorporation or Organization)

**47-0351813**

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

**One Valmont Plaza,  
Omaha, Nebraska**

(Address of Principal Executive Offices)

**68154-5215**

(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)

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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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
		(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 Exchange Act). Yes  No

**26,631,353**

Outstanding shares of common stock as of October 23, 2012

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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		Thirty-nine Weeks Ended	
	September 29, 2012	September 24, 2011	September 29, 2012	September 24, 2011
Product sales	\$ 652,822	\$ 595,064	\$ 1,983,502	\$ 1,685,440
Services sales	77,017	77,128	231,002	223,310
Net sales	729,839	672,192	2,214,504	1,908,750
Product cost of sales	488,739	453,462	1,490,885	1,285,629
Services cost of sales	48,698	51,340	145,508	151,256
Total cost of sales	537,437	504,802	1,636,393	1,436,885
Gross profit	192,402	167,390	578,111	471,865
Selling, general and administrative expenses	102,020	95,357	307,559	285,912
Operating income	90,382	72,033	270,552	185,953
Other income (expenses):				
Interest expense	(8,429)	(7,671)	(23,657)	(26,715)
Interest income	2,093	3,141	6,081	6,919
Other	1,307	(1,670)	907	(776)
	(5,029)	(6,200)	(16,669)	(20,572)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	85,353	65,833	253,883	165,381
Income tax expense (benefit):				
Current	27,928	25,119	90,942	62,156
Deferred	519	(1,346)	(3,937)	(11,544)
	28,447	23,773	87,005	50,612
Earnings before equity in earnings of nonconsolidated subsidiaries	56,906	42,060	166,878	114,769
Equity in earnings of nonconsolidated subsidiaries	1,536	2,354	5,311	4,509
Net earnings	58,442	44,414	172,189	119,278
Less: Earnings attributable to noncontrolling interests	(1,711)	(2,273)	(3,153)	(5,701)
Net earnings attributable to Valmont Industries, Inc.	\$ 56,731	\$ 42,141	\$ 169,036	\$ 113,577
Earnings per share:				
Basic	\$ 2.14	\$ 1.60	\$ 6.39	\$ 4.32

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Diluted	\$	2.12	\$	1.59	\$	6.32	\$	4.28
Cash dividends declared per share	\$	0.225	\$	0.180	\$	0.630	\$	0.525
Weighted average number of shares of common stock outstanding Basic (000 omitted)		26,502		26,351		26,455		26,318
Weighted average number of shares of common stock outstanding Diluted (000 omitted)		26,806		26,579		26,748		26,567

See accompanying notes to condensed consolidated financial statements.

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

(Dollars in thousands)

(Unaudited)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 29, 2012	September 24, 2011	September 29, 2012	September 24, 2011
Net earnings	\$ 58,442	\$ 44,414	\$ 172,189	\$ 119,278
Other comprehensive income, net of tax:				
Foreign currency translation adjustments:				
Unrealized translation gains (losses)	23,747	(53,223)	22,488	(20,246)
Actuarial gain (loss) in defined benefit pension plan	1,962	(1,092)	2,595	(27)
(Loss) and amortization of loss on cash flow hedge	100	133	300	(3,435)
Other comprehensive income (loss)	25,809	(54,182)	25,383	(23,708)
Comprehensive income (loss)	84,251	(9,768)	197,572	95,570
Comprehensive loss (income) attributable to noncontrolling interests	(2,958)	2,418	(5,439)	(3,870)
Comprehensive income (loss) attributable to Valmont Industries, Inc.	\$ 81,293	\$ (7,350)	\$ 192,133	\$ 91,700

See accompanying notes to condensed consolidated financial statements.

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except shares and per share amounts)

(Unaudited)

	September 29, 2012	December 31, 2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 427,080	\$ 362,894
Receivables, net	470,240	426,683
Inventories	432,689	393,782
Prepaid expenses	30,106	25,765
Refundable and deferred income taxes	49,692	43,819
Total current assets	1,409,807	1,252,943
Property, plant and equipment, at cost	965,326	911,642
Less accumulated depreciation and amortization	489,335	456,765
Net property, plant and equipment	475,991	454,877
Goodwill	319,057	314,662
Other intangible assets, net	162,279	168,083
Other assets	127,326	115,511
Total assets	\$ 2,494,460	\$ 2,306,076
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Current installments of long-term debt	\$ 226	\$ 235
Notes payable to banks	15,730	11,403
Accounts payable	217,688	234,537
Accrued employee compensation and benefits	87,978	83,613
Accrued expenses	85,720	73,515
Dividends payable	5,991	4,767
Total current liabilities	413,333	408,070
Deferred income taxes	80,980	85,497
Long-term debt, excluding current installments	473,227	474,415
Defined benefit pension liability	62,667	68,024
Deferred compensation	34,320	30,741
Other noncurrent liabilities	42,039	41,418
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	1,238,840	1,079,698
Accumulated other comprehensive income	87,149	64,052
Treasury stock	(23,018)	(24,688)

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Total Valmont Industries, Inc. shareholders' equity	1,330,871	1,146,962
Noncontrolling interest in consolidated subsidiaries	57,023	50,949
Total shareholders' equity	1,387,894	1,197,911
Total liabilities and shareholders' equity	\$ 2,494,460	\$ 2,306,076

See accompanying notes to condensed consolidated financial statements.



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**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Dollars in thousands)

(Unaudited)

	Thirty-nine Weeks Ended	
	September 29, 2012	September 24, 2011
Cash flows from operating activities:		
Net earnings	\$ 172,189	\$ 119,278
Adjustments to reconcile net earnings to net cash flows from operations:		
Depreciation and amortization	52,262	53,193
Stock-based compensation	4,517	3,962
Defined benefit pension plan expense	3,076	4,544
Contribution to defined benefit pension plan	(11,591)	(11,754)
Gain on sale of property, plant and equipment	(187)	(295)
Equity in earnings in nonconsolidated subsidiaries	(5,311)	(4,509)
Deferred income taxes	(3,937)	(11,544)
Changes in assets and liabilities:		
Receivables	(46,663)	(41,606)
Inventories	(36,507)	(99,559)
Prepaid expenses	(3,657)	(5,378)
Accounts payable	(35)	33,782
Accrued expenses	15,989	11,484
Other noncurrent liabilities	(723)	(4,492)
Income taxes payable	(21,740)	17,009
<b>Net cash flows from operating activities</b>	<b>117,682</b>	<b>64,115</b>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(58,700)	(46,366)
Proceeds from sale of assets	5,597	2,903
Acquisitions, net of cash acquired		(1,539)
Dividends from nonconsolidated subsidiaries		590
Other, net	80	793
<b>Net cash flows from investing activities</b>	<b>(53,023)</b>	<b>(43,619)</b>
Cash flows from financing activities:		
Net borrowings under short-term agreements	4,096	2,152
Proceeds from long-term borrowings	39,126	213,832
Principal payments on long-term borrowings	(39,280)	(187,234)
Purchase of noncontrolling interest		(25,253)
Proceeds from sale of partial ownership interest	1,404	
Settlement of financial derivative		(3,568)
Dividends paid	(15,530)	(13,467)
Dividends to noncontrolling interest	(1,379)	(4,958)
Debt issuance costs	(1,703)	(1,284)
Proceeds from exercises under stock plans	19,527	18,659
Excess tax benefits from stock option exercises	4,212	2,799
Purchase of treasury shares		(4,802)
Purchase of common treasury shares stock plan exercises	(19,116)	(19,829)

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Net cash flows from financing activities	(8,643)	(22,953)
Effect of exchange rate changes on cash and cash equivalents	8,170	(7,539)
Net change in cash and cash equivalents	64,186	(9,996)
Cash and cash equivalents beginning of year	362,894	346,904
Cash and cash equivalents end of period	\$ 427,080	\$ 336,908

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
<b>Balance at December 25, 2010</b>	\$ 27,900	\$	\$ 850,269	\$ 63,645	\$ (25,922)	\$ 94,235	\$ 1,010,127
Net earnings			113,577			5,701	119,278
Other comprehensive income (loss)				(21,877)		(1,831)	(23,708)
Cash dividends declared			(13,875)				(13,875)
Dividends to noncontrolling interests						(4,958)	(4,958)
Purchase of noncontrolling interest		16,592				(41,845)	(25,253)
Acquisitions						524	524
Purchase of 53,847 treasury shares					(4,802)		(4,802)
Stock plan exercises; 181,603 shares acquired					(19,829)		(19,829)
Stock options exercised; 291,208 shares issued		(23,353)	16,901		25,111		18,659
Tax benefit from stock option exercises		2,799					2,799
Stock option expense		3,732					3,732
Stock awards; 2,992 shares issued		230			325		555
<b>Balance at September 24, 2011</b>	\$ 27,900	\$	\$ 966,872	\$ 41,768	\$ (25,117)	\$ 51,826	\$ 1,063,249
<b>Balance at December 31, 2011</b>	\$ 27,900	\$	\$ 1,079,698	\$ 64,052	\$ (24,688)	\$ 50,949	\$ 1,197,911
Net earnings			169,036			3,153	172,189
Other comprehensive income				23,097		2,286	25,383
Cash dividends declared			(16,754)				(16,754)
Dividends to noncontrolling interests						(1,379)	(1,379)
Sale of partial ownership interest		(610)				2,014	1,404
Stock plan exercises; 159,555 shares acquired					(19,116)		(19,116)
Stock options exercised; 295,570 shares issued		(8,027)	6,860		20,694		19,527
Tax benefit from stock option exercises		4,212					4,212
Stock option expense		3,735					3,735
Stock awards; 402 shares issued		690			92		782

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**Balance at September 29,  
2012**                    \$ 27,900   \$                    \$ 1,238,840   \$   87,149   \$ (23,018)   \$   57,023   \$ 1,387,894

See accompanying notes to condensed consolidated financial statements.

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

(Unaudited)

## (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Condensed Consolidated Financial Statements*

The Condensed Consolidated Balance Sheet as of September 29, 2012, the Condensed Consolidated Statements of Earnings and Comprehensive Income for the thirteen and thirty-nine weeks ended September 29, 2012 and September 24, 2011, and the Condensed Consolidated Statements of Cash Flows and Shareholders' Equity for the thirty-nine week periods then ended have been prepared by the Company, without audit. In the opinion of management, all necessary adjustments (which include normal recurring adjustments) have been made to present fairly the financial statements as of September 29, 2012 and for all periods presented.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These Condensed Consolidated Financial Statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011. The accounting policies and methods of computation followed in these interim financial statements are the same as those followed in the financial statements for the year ended December 31, 2011. The results of operations for the period ended September 29, 2012 are not necessarily indicative of the operating results for the full year.

*Inventories*

Approximately 38% and 40% of inventory is valued at the lower of cost, determined on the last-in, first-out (LIFO) method, or market as of September 29, 2012 and December 31, 2011, respectively. All other inventory is valued at the lower of cost, determined on the first-in, first-out (FIFO) method or market. Finished goods and manufactured goods inventories include the costs of acquired raw materials and related factory labor and overhead charges required to convert raw materials to manufactured and finished goods. The excess of replacement cost of inventories over the LIFO value is approximately \$47,406 and \$49,536 at September 29, 2012 and December 31, 2011, respectively.

Inventories consisted of the following:

	September 29, 2012	December 31, 2011
Raw materials and purchased parts	\$ 218,177	\$ 202,953
Work-in-process	40,298	28,053
Finished goods and manufactured goods	221,620	212,312
Subtotal	480,095	443,318
Less: LIFO reserve	47,406	49,536
	\$ 432,689	\$ 393,782

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

## (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Income Taxes*

Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries for the thirteen and thirty-nine weeks ended September 29, 2012 and September 24, 2011, were as follows:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	2012	2011	2012	2011
United States	\$ 48,524	\$ 33,005	\$ 179,351	\$ 95,325
Foreign	36,829	32,828	74,532	70,056
	\$ 85,353	\$ 65,833	\$ 253,883	\$ 165,381

*Stock Plans*

The Company maintains stockbased compensation plans approved by the shareholders, which provide that the Human Resource Committee of the Board of Directors may grant incentive stock options, nonqualified stock options, stock appreciation rights, non-vested stock awards and bonuses of common stock. At September 29, 2012, 623,496 shares of common stock remained available for issuance under the plans. Shares and options issued and available are subject to changes in capitalization.

Under the plans, the exercise price of each option equals the closing market price at the date of the grant. Options vest beginning on the first anniversary of the grant in equal amounts over three to six years or on the fifth anniversary of the grant.

Expiration of grants is from six to ten years from the date of grant. The Company's compensation expense (included in selling, general and administrative expenses) and associated income tax benefits related to stock options for the thirteen and thirty-nine weeks ended September 29, 2012 and September 24, 2011, respectively, were as follows:

	Thirteen Weeks Ended	Thirteen Weeks Ended	Thirty-nine Weeks Ended	Thirty-nine Weeks Ended
	September 29, 2012	September 24, 2011	September 29, 2012	September 24, 2011
Compensation expense	\$ 1,245	\$ 1,265	\$ 3,735	\$ 3,732
Income tax benefits	479	487	1,438	1,437

*Fair Value*

The Company applies the provisions of Accounting Standards Codification 820, *Fair Value Measurements* ("ASC 820") which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of ASC 820 apply to other accounting pronouncements that require or permit fair value measurements. As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

## (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASC 820 establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Trading Securities: The assets and liabilities recorded for the investments held in the Valmont Deferred Compensation Plan represent mutual funds, invested in debt and equity securities, classified as trading securities in accordance with Accounting Standards Codification 320, *Accounting for Certain Investments in Debt and Equity Securities*, considering the employee's ability to change investment allocation of their deferred compensation at any time. Quoted market prices are available for these securities in an active market and therefore categorized as a Level 1 input.

		Fair Value Measurement Using:		
	Carrying Value	Quoted Prices in	Significant Other	Significant
	September 29,	Active Markets	Observable	Unobservable
	2012	for Identical	Inputs	Inputs
		Assets (Level 1)	(Level 2)	(Level 3)
Assets:				
Trading Securities	\$ 22,512	\$ 22,512	\$	\$

		Fair Value Measurement Using:		
	Carrying Value	Quoted Prices in	Significant Other	Significant
	December 31,	Active Markets	Observable	Unobservable
	2011	for Identical	Inputs	Inputs
		Assets (Level 1)	(Level 2)	(Level 3)
Assets:				
Trading Securities	\$ 19,152	\$ 19,152	\$	\$

*Comprehensive Income*

Comprehensive income includes net income, currency translation adjustments, certain derivative-related activity and changes in net actuarial gains/losses from a pension plan. Results of operations for foreign subsidiaries are translated using the average exchange rates during the period. Assets and





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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

## (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

liabilities are translated at the exchange rates in effect on the balance sheet dates. Accumulated other comprehensive income (loss) consisted of the following at September 29, 2012 and December 31, 2011:

	September 29, 2012	December 31, 2011
Foreign currency translation adjustment	\$ 36,272	\$ 16,070
Actuarial gain in defined benefit pension plan	53,912	51,317
Loss on cash flow hedge, net of amortization	(3,035)	(3,335)
	\$ 87,149	\$ 64,052

## (2) GOODWILL AND INTANGIBLE ASSETS

*Amortized Intangible Assets*

The components of amortized intangible assets at September 29, 2012 and December 31, 2011 were as follows:

	September 29, 2012		
	Gross Carrying Amount	Accumulated Amortization	Weighted Average Life
Customer Relationships	\$ 159,060	\$ 59,951	13 years
Proprietary Software & Database	3,077	2,773	6 years
Patents & Proprietary Technology	9,796	5,142	8 years
Non-compete Agreements	1,800	1,496	6 years
	\$ 173,733	\$ 69,362	

	December 31, 2011		
	Gross Carrying Amount	Accumulated Amortization	Weighted Average Life
Customer Relationships	\$ 155,629	\$ 50,107	13 years
Proprietary Software & Database	3,116	2,711	6 years
Patents & Proprietary Technology	9,489	3,863	8 years
Non-compete Agreements	1,812	1,307	6 years
	\$ 170,046	\$ 57,988	

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

## (2) GOODWILL AND INTANGIBLE ASSETS (Continued)

Amortization expense for intangible assets for the thirteen and thirty-nine weeks ended September 29, 2012 and September 24, 2011, respectively was as follows:

	Thirteen Weeks Ended September 29, 2012	Thirteen Weeks Ended September 24, 2011	Thirty-nine Weeks Ended September 29, 2012	Thirty-nine Weeks Ended September 24, 2011
	\$ 3,582	\$ 3,659	\$ 10,751	\$ 10,855

Estimated annual amortization expense related to finitely lived intangible assets is as follows:

	Estimated Amortization Expense
2012	\$ 14,324
2013	13,462
2014	13,045
2015	12,129
2016	11,554

The useful lives assigned to finitely lived intangible assets included consideration of factors such as the Company's past and expected experience related to customer retention rates, the remaining legal or contractual life of the underlying arrangement that resulted in the recognition of the intangible asset and the Company's expected use of the intangible asset.

*Non-amortized intangible assets*

Intangible assets with indefinite lives are not amortized. The carrying values of trade names at September 29, 2012 and December 31, 2011 were as follows:

	September 29, 2012	December 31, 2011	Year Acquired
Webforge	\$ 17,501	\$ 16,659	2010
Newmark	11,111	11,111	2004
Ingal EPS/Ingal Civil Products	9,237	8,792	2010
Donhad	6,968	6,633	2010
PiRod	1,750	1,750	2001
Industrial Galvanizers	4,051	3,856	2010
Other	7,290	7,224	
	\$ 57,908	\$ 56,025	

In its determination of these intangible assets as indefinitely lived, the Company considered such factors as its expected future use of the intangible asset, legal, regulatory, technological and competitive factors that may impact the useful life or value of the intangible asset and the expected costs to maintain the value of the intangible asset. The Company expects that these intangible assets will maintain their value indefinitely. Accordingly, these assets are not amortized.

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

## (2) GOODWILL AND INTANGIBLE ASSETS (Continued)

The Company's trade names were tested for impairment in the third quarter of 2012. The values of the trade names were determined using the relief-from-royalty method. Based on this evaluation, the Company determined that its trade names were not impaired.

*Goodwill*

The carrying amount of goodwill by segment as of September 29, 2012 and December 31, 2011 was as follows:

	Engineered Infrastructure Products Segment	Utility Support Structures Segment	Coatings Segment	Irrigation Segment	Other	Total
Balance at December 31, 2011	\$ 151,558	\$ 77,141	\$ 64,820	\$ 2,576	\$ 18,567	\$ 314,662
Foreign currency translation	4,236		(215)	(54)	428	4,395
Balance at September 29, 2012	\$ 155,794	\$ 77,141	\$ 64,605	\$ 2,522	\$ 18,995	\$ 319,057

The Company's goodwill was tested for impairment during the third quarter of 2012. As a result of that testing, the Company determined that its goodwill was not impaired, as the valuation of the reporting units exceeded their respective carrying values. The Company continues to monitor changes in the global economy that could impact future operating results of its reporting units. If such conditions arise, the Company will test a given reporting unit for impairment prior to the annual test.

## (3) CASH FLOW SUPPLEMENTARY INFORMATION

The Company considers all highly liquid temporary cash investments purchased with an original maturity of three months or less at the time of purchase to be cash equivalents. Cash payments for interest and income taxes (net of refunds) for the thirty-nine weeks ended September 29, 2012 and September 24, 2011 were as follows:

	2012	2011
Interest	\$ 15,797	\$ 17,597
Income taxes	106,887	46,605

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

**(4) EARNINGS PER SHARE**

The following table provides a reconciliation between Basic and Diluted earnings per share (EPS):

	Basic EPS	Dilutive Effect of Stock Options	Diluted EPS
<b>Thirteen weeks ended September 29, 2012:</b>			
Net earnings attributable to Valmont Industries, Inc.	\$ 56,731	\$	\$ 56,731
Shares outstanding	26,502	304	26,806
Per share amount	\$ 2.14	\$ (0.02)	\$ 2.12
<b>Thirteen weeks ended September 24, 2011:</b>			
Net earnings attributable to Valmont Industries, Inc.	\$ 42,141	\$	\$ 42,141
Shares outstanding	26,351	228	26,579
Per share amount	\$ 1.60	\$ (0.01)	\$ 1.59
<b>Thirty-nine weeks ended September 29, 2012:</b>			
Net earnings attributable to Valmont Industries, Inc.	\$ 169,036	\$	\$ 169,036
Shares outstanding	26,455	293	26,748
Per share amount	\$ 6.39	\$ (0.07)	\$ 6.32
<b>Thirty-nine weeks ended September 24, 2011:</b>			
Net earnings attributable to Valmont Industries, Inc.	\$ 113,577	\$	\$ 113,577
Shares outstanding	26,318	249	26,567
Per share amount	\$ 4.32	\$ (0.04)	\$ 4.28

At September 29, 2012, there were no outstanding stock options with exercise prices exceeding the market price of common stock. At September 24, 2011 there were 218,007 shares of outstanding stock options with exercise prices exceeding the market price of common stock that were excluded from the computation of diluted earnings per share for the thirteen and thirty-nine weeks ended September 24, 2011.

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

## (5) LONG-TERM DEBT

	September 29, 2012	December 31, 2011
6.625% Senior Unsecured Notes(a)	\$ 450,000	\$ 450,000
Unamortized premium on senior unsecured notes(a)	13,063	14,100
Revolving credit agreement(b)		
IDR Bonds(c)	8,500	8,500
1.75% to 3.485% notes	1,890	2,050
Total long-term debt	473,453	474,650
Less current installments of long-term debt	226	235
Long-term debt, excluding current installments	\$ 473,227	\$ 474,415

- (a) The senior unsecured notes include an aggregate principal amount of \$450,000 on which interest is paid and an unamortized premium balance of \$13,063 at September 29, 2012. The notes bear interest at 6.625% per annum and are due in April 2020. The premium is amortized against interest expense as interest payments are made over the term of the notes. These notes may be repurchased at specified prepayment premiums. These notes are guaranteed by certain subsidiaries of the Company.
- (b) On August 15, 2012, the Company entered into a new five-year multicurrency \$400,000 revolving credit agreement with a group of banks. The Company may increase the credit agreement by up to an additional \$200,000 at any time, subject to the participating banks increasing the amount of their lending commitments. The interest rate on outstanding borrowings is, at the Company's option, either:
- (i) LIBOR (based on a 1, 2, 3 or 6 month interest period, as selected by the Company) plus 125 to 225 basis points (inclusive of facility fees), depending on the Company's ratio of debt to EBITDA, or;
- (ii) the higher of
- The higher of (a) the prime lending rate and (b) the Federal Funds rate plus 50 basis points plus, in each case, 25 to 125 basis points (inclusive of facility fees), depending on the Company's ratio of debt to EBITDA, or
- LIBOR (based on a 1 month interest period) plus 125 to 225 basis points (inclusive of facility fees), depending on the Company's ratio of debt to EBITDA

At September 29, 2012, the Company had no outstanding borrowings under the revolving credit agreement. The revolving credit agreement has a termination date of August 15, 2017 and contains certain financial covenants that may limit additional borrowing capability under the agreement. At September 29, 2012, the Company had the ability to borrow an additional \$384,866 under this facility.



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**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share amounts)**

**(Unaudited)**

**(5) LONG-TERM DEBT (Continued)**

- (c) The Industrial Development Revenue Bonds were issued to finance the construction of a manufacturing facility in Jasper, Tennessee. Variable interest is payable until final maturity June 1, 2025. The effective interest rates at September 29, 2012 and December 31, 2011 were 0.34% and 0.24%, respectively.

The lending agreements include certain maintenance covenants, including financial leverage and interest coverage. The Company was in compliance with all debt covenants at September 29, 2012.

The minimum aggregate maturities of long-term debt for each of the four years following 2012 are: \$278, \$268, \$281 and \$289.

**(6) BUSINESS SEGMENTS**

The Company aggregates its operating segments into four reportable segments. Aggregation is based on similarity of operating segments as to economic characteristics, products, production processes, types or classes of customer and the methods of distribution. Net corporate expense is net of certain servicereLATED expenses that are allocated to business units generally on the basis of employee headcounts and sales dollars.

Reportable segments are as follows:

**ENGINEERED INFRASTRUCTURE PRODUCTS:** This segment consists of the manufacture of engineered metal structures and components for the global lighting and traffic, wireless communication, roadway safety and access systems applications;

**UTILITY SUPPORT STRUCTURES:** This segment consists of the manufacture of engineered steel and concrete structures for the global utility industry;

**COATINGS:** This segment consists of galvanizing, anodizing and powder coating services on a global basis; and

**IRRIGATION:** This segment consists of the manufacture of agricultural irrigation equipment and related parts and services for the global agricultural industry.

In addition to these four reportable segments, the Company has other businesses and activities that individually are not more than 10% of consolidated sales. These include the manufacture of forged steel grinding media for the mining industry, tubular products for industrial customers, electrolytic manganese dioxide for disposable batteries and the distribution of industrial fasteners and are reported in the "Other" category.

The accounting policies of the reportable segments are the same as those described in Note 1. The Company evaluates the performance of its business segments based upon operating income and invested capital. The Company does not allocate interest expense, non-operating income and deductions, or income taxes to its business segments.

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

## (6) BUSINESS SEGMENTS (Continued)

## Summary by Business

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 29, 2012	September 24, 2011	September 29, 2012	September 24, 2011
<b>SALES:</b>				
Engineered Infrastructure Products segment:				
Lighting, Traffic, and Roadway Products	\$ 152,672	\$ 157,273	\$ 434,510	\$ 420,122
Communication Products	36,446	28,612	99,629	77,332
Access Systems	40,192	36,358	118,852	100,136
Engineered Infrastructure Products segment	229,310	222,243	652,991	597,590
Utility Support Structures segment:				
Steel	184,030	140,926	536,073	374,045
Concrete	33,465	18,889	84,891	47,977
Utility Support Structures segment	217,495	159,815	620,964	422,022
Coatings segment	83,713	80,806	251,397	238,417
Irrigation segment	156,452	150,618	547,214	485,367
Other	72,500	88,870	245,757	246,977
Total	759,470	702,352	2,318,323	1,990,373
<b>INTERSEGMENT SALES:</b>				
Engineered Infrastructure Products	9,978	6,611	37,062	18,035
Utility Support Structures	625	4,480	3,072	6,739
Coatings	12,313	11,852	38,262	34,283
Irrigation	67		498	8
Other	6,648	7,217	24,925	22,558
Total	29,631	30,160	103,819	81,623
<b>NET SALES:</b>				
Engineered Infrastructure Products segment	219,332	215,632	615,929	579,555
Utility Support Structures segment	216,870	155,335	617,892	415,283
Coatings segment	71,400	68,954	213,135	204,134
Irrigation segment	156,385	150,618	546,716	485,359
Other	65,852	81,653	220,832	224,419
Total	\$ 729,839	\$ 672,192	\$ 2,214,504	\$ 1,908,750
<b>OPERATING INCOME:</b>				
Engineered Infrastructure Products	\$ 18,715	\$ 17,189	\$ 40,907	\$ 30,907
Utility Support Structures	30,223	14,731	81,901	41,214
Coatings	18,542	14,238	54,571	39,600
Irrigation	27,140	23,765	103,155	80,623
Other	9,743	12,607	33,413	32,901
Corporate	(13,981)	(10,497)	(43,395)	(39,292)



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Total	\$	90,382	\$	72,033	\$	270,552	\$	185,953
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**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share amounts)**

**(Unaudited)**

**(7) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION**

The Company has \$450,000 principal amount of senior unsecured notes outstanding at a coupon interest rate of 6.625% per annum. The notes are guaranteed, jointly, severally, fully and unconditionally by certain of the Company's current and future direct and indirect domestic and foreign subsidiaries (collectively the "Guarantors"), excluding its other current domestic and foreign subsidiaries which do not guarantee the debt (collectively referred to as the "Non-Guarantors"). All Guarantors are 100% owned by the parent company.

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

## (7) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

Consolidated financial information for the Company ("Parent"), the Guarantor subsidiaries and the Non-Guarantor subsidiaries is as follows:

**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME**  
**For the Thirteen Weeks Ended September 29, 2012**

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$ 301,667	\$ 160,318	\$ 350,837	\$ (82,983)	\$ 729,839
Cost of sales	226,539	127,116	266,532	(82,750)	537,437
Gross profit	75,128	33,202	84,305	(233)	192,402
Selling, general and administrative expenses	41,747	13,449	46,824		102,020
Operating income	33,381	19,753	37,481	(233)	90,382
Other income (expense):					
Interest expense	(8,215)	(12,635)	(213)	12,634	(8,429)
Interest income	15	398	14,314	(12,634)	2,093
Other	883	15	409		1,307
	(7,317)	(12,222)	14,510		(5,029)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	26,064	7,531	51,991	(233)	85,353
Income tax expense (benefit):					
Current	8,096	4,786	15,701	(655)	27,928
Deferred	(1,063)	(558)	2,140		519
	7,033	4,228	17,841	(655)	28,447
Earnings before equity in earnings of nonconsolidated subsidiaries	19,031	3,303	34,150	422	56,906
Equity in earnings of nonconsolidated subsidiaries	37,700	18,557	918	(55,639)	1,536
Net earnings	56,731	21,860	35,068	(55,217)	58,442
Other comprehensive income (loss)	24,562	(14,977)	41,046	(24,822)	25,809
Comprehensive income	81,293	6,883	76,114	(80,039)	84,251
Less: Comprehensive income attributable to noncontrolling interests			(2,958)		(2,958)
Comprehensive income attributable to Valmont Industries, Inc	\$ 81,293	\$ 6,883	\$ 73,156	\$ (80,039)	\$ 81,293



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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

## (7) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

## CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

For the Thirty-nine Weeks Ended September 29, 2012

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$ 1,014,150	\$ 441,189	\$ 977,950	\$ (218,785)	\$ 2,214,504
Cost of sales	743,608	352,416	757,829	(217,460)	1,636,393
Gross profit	270,542	88,773	220,121	(1,325)	578,111
Selling, general and administrative expenses	128,781	40,414	138,364		307,559
Operating income	141,761	48,359	81,757	(1,325)	270,552
Other income (expense):					
Interest expense	(23,470)	(37,136)	(186)	37,135	(23,657)
Interest income	29	721	42,466	(37,135)	6,081
Other	1,888	40	(1,021)		907
	(21,553)	(36,375)	41,259		(16,669)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	120,208	11,984	123,016	(1,325)	253,883
Income tax expense (benefit):					
Current	44,644	10,082	36,871	(655)	90,942
Deferred	(3,832)	(419)	314		(3,937)
	40,812	9,663	37,185	(655)	87,005
Earnings before equity in earnings of nonconsolidated subsidiaries	79,396	2,321	85,831	(670)	166,878
Equity in earnings of nonconsolidated subsidiaries	89,640	64,918	4,850	(154,097)	5,311
Net earnings	169,036	67,239	90,681	(154,767)	172,189
Other comprehensive income (loss)	23,097	(17,221)	49,175	(29,668)	25,383
Comprehensive income	192,133	50,018	139,856	(184,435)	197,572
Less: Comprehensive income attributable to noncontrolling interests			(5,439)		(5,439)
Comprehensive income attributable to Valmont Industries, Inc	\$ 192,133	\$ 50,018	\$ 134,417	\$ (184,435)	\$ 192,133

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

## (7) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

## CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

For the Thirteen Weeks Ended September 24, 2011

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$ 277,350	\$ 98,619	\$ 352,928	\$ (56,705)	\$ 672,192
Cost of sales	205,787	83,008	272,671	(56,664)	504,802
Gross profit	71,563	15,611	80,257	(41)	167,390
Selling, general and administrative expenses	37,169	11,212	46,976		95,357
Operating income	34,394	4,399	33,281	(41)	72,033
Other income (expense):					
Interest expense	(7,562)		(109)		(7,671)
Interest income	9	204	2,928		3,141
Other	(1,297)	12	(385)		(1,670)
	(8,850)	216	2,434		(6,200)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	25,544	4,615	35,715	(41)	65,833
Income tax expense (benefit):					
Current	12,153	(724)	13,690		25,119
Deferred	(1,397)	2,710	(2,659)		(1,346)
	10,756	1,986	11,031		23,773
Earnings before equity in earnings of nonconsolidated subsidiaries	14,788	2,629	24,684	(41)	42,060
Equity in earnings of nonconsolidated subsidiaries	27,353	14,705	2,127	(41,831)	2,354
Net earnings	42,141	17,334	26,811	(41,872)	44,414
Other comprehensive income (loss)	(49,491)		(57,464)	52,773	(54,182)
Comprehensive income (loss)	(7,350)	17,334	(30,653)	10,901	(9,768)
Less: Comprehensive income attributable to noncontrolling interests			2,418		2,418
Comprehensive income attributable to Valmont Industries, Inc	\$ (7,350)	\$ 17,334	\$ (28,235)	\$ 10,901	\$ (7,350)

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

## (7) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

## CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME For the Thirty-nine Weeks Ended September 24, 2011

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$ 842,493	\$ 259,733	\$ 947,843	\$ (141,319)	\$ 1,908,750
Cost of sales	627,802	209,827	740,621	(141,365)	1,436,885
Gross profit	214,691	49,906	207,222	46	471,865
Selling, general and administrative expenses	115,422	33,473	137,017		285,912
Operating income	99,269	16,433	70,205	46	185,953
Other income (expense):					
Interest expense	(26,417)		(298)		(26,715)
Interest income	43	204	6,672		6,919
Other	(1,105)	42	287		(776)
	(27,479)	246	6,661		(20,572)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	71,790	16,679	76,866	46	165,381
Income tax expense (benefit):					
Current	31,505	4,552	26,099		62,156
Deferred	(5,307)	1,742	(7,979)		(11,544)
	26,198	6,294	18,120		50,612
Earnings before equity in earnings of nonconsolidated subsidiaries	45,592	10,385	58,746	46	114,769
Equity in earnings of nonconsolidated subsidiaries	67,985	35,042	4,247	(102,765)	4,509
Net earnings	113,577	45,427	62,993	(102,719)	119,278
Other comprehensive income	(21,877)		(23,708)	21,877	(23,708)
Comprehensive income	91,700	45,427	39,285	(80,842)	95,570
Less: Comprehensive income attributable to noncontrolling interests			(3,870)		(3,870)
Comprehensive income attributable to Valmont Industries, Inc	\$ 91,700	\$ 45,427	\$ 35,415	\$ (80,842)	\$ 91,700

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

## (7) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

## CONDENSED CONSOLIDATED BALANCE SHEETS

September 29, 2012

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 75,150	\$ 42,164	\$ 309,766	\$	\$ 427,080
Receivables, net	128,215	72,369	269,656		470,240
Inventories	124,158	89,246	219,285		432,689
Prepaid expenses	4,189	1,052	24,865		30,106
Refundable and deferred income taxes	25,891	6,558	17,243		49,692
Total current assets	357,603	211,389	840,815		1,409,807
Property, plant and equipment, at cost	447,378	116,562	401,386		965,326
Less accumulated depreciation and amortization	294,278	58,314	136,743		489,335
Net property, plant and equipment	153,100	58,248	264,643		475,991
Goodwill	20,108	107,542	191,407		319,057
Other intangible assets	539	54,986	106,754		162,279
Investment in subsidiaries and intercompany accounts	1,438,431	1,264,082	534,482	(3,236,995)	
Other assets	34,625		92,701		127,326
Total assets	\$ 2,004,406	\$ 1,696,247	\$ 2,030,802	\$ (3,236,995)	\$ 2,494,460
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Current liabilities:					