

Vulcan Materials CO
Form 10-Q
August 06, 2014
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

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 001-33841

VULCAN MATERIALS COMPANY

(Exact name of registrant as specified in its charter)

New Jersey (State or other jurisdiction of incorporation)	20-8579133 (I.R.S. Employer Identification No.)
---	---

1200 Urban Center Drive, Birmingham, Alabama (Address of principal executive offices)	35242 (zip code)
--	---------------------

Edgar Filing: Vulcan Materials CO - Form 10-Q

(205) 298-3000 (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 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 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
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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Shares outstanding at June 30, 2014
Common Stock, \$1 Par Value	130,910,161

VULCAN MATERIALS COMPANY

FORM 10-Q

QUARTER ENDED JUNE 30, 2014

Contents

	Page
PART I FINANCIAL INFORMATION	
Item 1. <u>Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets</u>	2
<u>Condensed Consolidated Statements of Comprehensive Income</u>	3
<u>Condensed Consolidated Statements of Cash Flows</u>	4
<u>Notes to Condensed Consolidated Financial Statements</u>	5
Item 2. <u>Management's Discussion and Analysis of Financial</u>	
<u>Condition and Results of Operations</u>	23
Item 3. <u>Quantitative and Qualitative Disclosures About</u>	
<u>Market Risk</u>	38
Item 4. <u>Controls and Procedures</u>	38
PART II OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	39
Item 1A. <u>Risk Factors</u>	39
Item 4. <u>Mine Safety Disclosures</u>	39
Item 6. <u>Exhibits</u>	40

Signatures

41

Unless otherwise stated or the context otherwise requires, references in this report to “Vulcan,” the “Company,” “we,” “our,” or “us” refer to Vulcan Materials Company and its consolidated subsidiaries.

1

part I financial information

ITEM 1

FINANCIAL STATEMENTS

VULCAN MATERIALS COMPANY AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED BALANCE SHEETS

Unaudited, except for December 31 in thousands, except per share data	June 30 2014	December 31 2013	June 30 2013
Assets			
Cash and cash equivalents	\$ 227,684	\$ 193,738	\$ 86,979
Restricted cash	62,087	0	0
Accounts and notes receivable			
Accounts and notes receivable, gross	439,938	344,475	410,021
Less: Allowance for doubtful accounts	(5,606)	(4,854)	(5,339)
Accounts and notes receivable, net	434,332	339,621	404,682
Inventories			
Finished products	260,111	270,603	266,489
Raw materials	20,458	29,996	29,863
Products in process	1,104	6,613	5,415
Operating supplies and other Inventories	28,041	37,394	38,720
	309,714	344,606	340,487
Current deferred income taxes	40,858	40,423	39,275
Prepaid expenses	27,309	22,549	27,300
Assets held for sale	0	10,559	12,926
Total current assets	1,101,984	951,496	911,649
Investments and long-term receivables	42,128	42,387	43,194
Property, plant & equipment			
Property, plant & equipment, cost	6,396,658	6,933,602	6,735,203
Reserve for depreciation, depletion & amortization	(3,494,896)	(3,621,585)	(3,519,862)
Property, plant & equipment, net	2,901,762	3,312,017	3,215,341
Goodwill	3,081,521	3,081,521	3,081,521
Other intangible assets, net	633,442	697,578	698,471
Other noncurrent assets	173,061	174,144	170,048
Total assets	\$ 7,933,898	\$ 8,259,143	\$ 8,120,224
Liabilities			
Current maturities of long-term debt	\$ 158	\$ 170	\$ 161
Short-term debt	0	0	100,000

Edgar Filing: Vulcan Materials CO - Form 10-Q

Trade payables and accruals	178,239	139,345	128,142
Other current liabilities	171,008	159,620	163,466
Total current liabilities	349,405	299,135	391,769
Long-term debt	2,006,379	2,522,243	2,524,420
Noncurrent deferred income taxes	704,544	701,075	664,967
Deferred revenue	217,589	219,743	73,068
Other noncurrent liabilities	569,794	578,841	652,480
Total liabilities	3,847,711	4,321,037	4,306,704
Other commitments and contingencies (Note 8)			
Equity			
Common stock, \$1 par value, Authorized 480,000 shares, Issued 130,910, 130,200 and 129,963 shares, respectively	130,910	130,200	129,963
Capital in excess of par value	2,665,793	2,611,703	2,592,239
Retained earnings	1,382,711	1,295,834	1,247,984
Accumulated other comprehensive loss	(93,227)	(99,631)	(156,666)
Total equity	4,086,187	3,938,106	3,813,520
Total liabilities and equity	\$ 7,933,898	\$ 8,259,143	\$ 8,120,224

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

VULCAN MATERIALS COMPANY AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME

Unaudited in thousands, except per share data	Three Months Ended		Six Months Ended	
	2014	June 30 2013	2014	June 30 2013
Net sales	\$ 756,289	\$ 696,078	\$ 1,304,785	\$ 1,200,632
Delivery revenues	34,854	42,655	60,778	76,263
Total revenues	791,143	738,733	1,365,563	1,276,895
Cost of goods sold	581,501	563,183	1,095,904	1,050,082
Delivery costs	34,854	42,655	60,778	76,263
Cost of revenues	616,355	605,838	1,156,682	1,126,345
Gross profit	174,788	132,895	208,881	150,550
Selling, administrative and general expenses	67,615	64,902	133,733	129,557
Gain on sale of property, plant & equipment and businesses, net	1,162	23,410	237,526	27,520
Restructuring charges	0	0	0	(1,509)
Other operating expense, net	(5,089)	(4,537)	(14,758)	(10,196)
Operating earnings	103,246	86,866	297,916	36,808
Other nonoperating income, net	1,798	286	4,622	2,658
Interest expense, net	40,551	50,873	160,639	103,623
Earnings (loss) from continuing operations before income taxes	64,493	36,279	141,899	(64,157)
Provision for (benefit from) income taxes	17,982	6,151	40,882	(32,666)
Earnings (loss) from continuing operations	46,511	30,128	101,017	(31,491)
Earnings (loss) on discontinued operations, net of tax	(544)	(1,356)	(1,054)	5,427
Net earnings (loss)	\$ 45,967	\$ 28,772	\$ 99,963	\$ (26,064)
Other comprehensive income, net of tax				
Reclassification adjustment for cash flow hedges	584	835	3,569	1,689
Adjustment for funded status of benefit plans ⁰		60,299	2,943	60,299
Amortization of actuarial loss and prior service				
cost for benefit plans	1,115	3,431	(108)	6,863
Other comprehensive income	1,699	64,565	6,404	68,851
Comprehensive income	\$ 47,666	\$ 93,337	\$ 106,367	\$ 42,787
Basic earnings (loss) per share				
Continuing operations	\$ 0.35	\$ 0.23	\$ 0.77	\$ (0.24)
Discontinued operations	0.00	(0.01)	(0.01)	0.04
Net earnings (loss)	\$ 0.35	\$ 0.22	\$ 0.76	\$ (0.20)
Diluted earnings (loss) per share				
Continuing operations	\$ 0.35	\$ 0.23	\$ 0.76	\$ (0.24)
Discontinued operations	0.00	(0.01)	(0.01)	0.04
Net earnings (loss)	\$ 0.35	\$ 0.22	\$ 0.75	\$ (0.20)

Edgar Filing: Vulcan Materials CO - Form 10-Q

Weighted-average common shares
outstanding

Basic	131,149	130,250	130,980	130,219
Assuming dilution	132,876	131,332	132,468	130,219
Cash dividends per share of common stock	\$ 0.05	\$ 0.01	\$ 0.10	\$ 0.02
Depreciation, depletion, accretion and amortization	\$ 68,323	\$ 76,961	\$ 137,702	\$ 152,557
Effective tax rate from continuing operations	27.9%	17.0%	28.8%	50.9%

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

3

VULCAN MATERIALS COMPANY AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited in thousands	Six Months Ended	
	2014	June 30 2013
Operating Activities		
Net earnings (loss)	\$ 99,963	\$ (26,064)
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation, depletion, accretion and amortization	137,702	152,557
Net gain on sale of property, plant & equipment and businesses	(237,526)	(40,550)
Contributions to pension plans	(2,791)	(2,308)
Share-based compensation	11,928	11,102
Excess tax benefits from share-based compensation	(3,242)	(888)
Deferred tax provision (benefit)	24	(31,581)
Cost of debt purchase	72,949	0
Changes in assets and liabilities before initial effects of business acquisitions and dispositions	(59,893)	(108,295)
Other, net	3,786	682
Net cash provided by (used for) operating activities	22,900	(45,345)
Investing Activities		
Purchases of property, plant & equipment	(116,312)	(60,041)
Proceeds from sale of property, plant & equipment	20,454	2,517
Proceeds from sale of businesses, net of transaction costs	719,089	52,908
Payment for businesses acquired, net of acquired cash	(207)	(89,951)
Increase in restricted cash	(62,087)	0
Other, net	0	2
Net cash provided by (used for) investing activities	560,937	(94,565)
Financing Activities		
Proceeds from line of credit	0	111,000
Payment of current maturities, long-term debt and line of credit	(579,694)	(161,477)
Proceeds from issuance of common stock	27,539	0
Dividends paid	(13,074)	(2,598)
Proceeds from exercise of stock options	12,095	3,598
Excess tax benefits from share-based compensation	3,242	888
Other, net	1	0
Net cash used for financing activities	\$ (549,891)	\$ (48,589)
Net increase (decrease) in cash and cash equivalents	33,946	(188,499)
Cash and cash equivalents at beginning of year	193,738	275,478
Cash and cash equivalents at end of period	\$ 227,684	\$ 86,979

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of the statements.

notes to condensed consolidated financial statements

Note 1: summary of significant accounting policies

NATURE OF OPERATIONS

Vulcan Materials Company (the “Company,” “Vulcan,” “we,” “our”), a New Jersey corporation, is the nation's largest producer of construction aggregates, primarily crushed stone, sand and gravel and a major producer of asphalt mix and ready-mixed concrete.

BASIS OF PRESENTATION

Our accompanying unaudited condensed consolidated financial statements were prepared in compliance with the instructions to Form 10-Q and Article 10 of Regulation S-X and thus do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. Our Condensed Consolidated Balance Sheet as of December 31, 2013 was derived from the audited financial statement at that date. In the opinion of our management, the statements reflect all adjustments, including those of a normal recurring nature, necessary to present fairly the results of the reported interim periods. Operating results for the three and six month periods ended June 30, 2014 are not necessarily indicative of the results that may be expected for the year ended December 31, 2014. For further information, refer to the consolidated financial statements and footnotes included in our most recent Annual Report on Form 10-K.

Due to the 2005 sale of our Chemicals business as presented in Note 2, the operating results of the Chemicals business are presented as discontinued operations in the accompanying Condensed Consolidated Statements of Comprehensive Income.

RECLASSIFICATIONS

Certain items previously reported in specific financial statement captions have been reclassified to conform with the 2014 presentation.

RESTRICTED CASH

Restricted cash consists of cash proceeds from the sale of property held in escrow for the acquisition of replacement property under like-kind exchange agreements. The escrow accounts are administered by an intermediary. Pursuant to the like-kind exchange agreements, the cash remains restricted for a maximum of 180 days from the date of the property sale pending the acquisition of replacement property. Changes in restricted cash balances are reflected as an investment activity in the accompanying Condensed Consolidated Statements of Cash Flows.

RESTRUCTURING CHARGES

In 2012, our Board approved a Profit Enhancement Plan that further leveraged our streamlined management structure and substantially completed ERP and Shared Services platforms to achieve cost reductions and other earnings enhancements. During the first half of 2013, we incurred \$1,509,000 of costs (primarily project design, outside advisory and severance) related to the implementation of this plan. We do not anticipate any future material charges related to this Profit Enhancement Plan.

EARNINGS PER SHARE (EPS)

We report two earnings per share numbers: basic and diluted. These are computed by dividing net earnings by the weighted-average common shares outstanding (basic EPS) or weighted-average common shares outstanding assuming dilution (diluted EPS), as set forth below:

	Three Months Ended		Six Months Ended	
	2014	June 30 2013	2014	June 30 2013
in thousands				
Weighted-average common shares outstanding	131,149	130,250	130,980	130,219
Dilutive effect of Stock options/SOSARs	663	442		