

NORTH AMERICAN GALVANIZING & COATINGS INC
Form 10-Q
April 30, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For The Quarterly Period Ended March 31, 2010

Commission File No. 1-3920

NORTH AMERICAN GALVANIZING & COATINGS, INC.
(Exact name of the registrant as specified in its charter)

Delaware
(State of Incorporation)

71-0268502
(I.R.S. Employer Identification No.)

5314 S. Yale Avenue, Suite 1000, Tulsa, Oklahoma 74135
(Address of principal executive offices)

(918) 494-0964
(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 and 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 x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, as defined in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer o Accelerated filer x Non-accelerated filer o Smaller Reporting Company
o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the exchange Act). Yes o No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of March 31, 2010:
Common Stock \$.10 Par Value 16,753,943

NORTH AMERICAN GALVANIZING & COATINGS, INC.

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Forward Looking Statements or Information

Certain statements in this Form 10-Q, including information set forth under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, constitute “Forward-Looking Statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are typically punctuated by words or phrases such as “anticipates,” “estimate,” “should,” “may,” “management believes,” and words or phrases of similar import. The Company cautions investors that such forward-looking statements included in this Form 10-Q, or hereafter included in other publicly available documents filed with the Securities and Exchange Commission, reports to the Company’s stockholders and other publicly available statements issued or released by the Company involve significant risks, uncertainties, and other factors which could cause the Company’s actual results, performance (financial or operating) or achievements to differ materially from the future results, performance (financial or operating) or achievements expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences could include, but are not limited to, changes in demand, prices, the raw materials cost of zinc and the cost of natural gas; changes in economic conditions of the various markets the Company serves, as well as the other risks detailed herein and in the Company’s Form 10-K filed on February 24, 2010 with the Securities and Exchange Commission.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
North American Galvanizing and Coatings, Inc

We have reviewed the accompanying condensed consolidated balance sheet of North American Galvanizing & Coatings, Inc. and subsidiary (the "Company") as of March 31, 2010, and the related condensed consolidated statements of income and cash flows for the three-month periods ended March 31, 2010 and 2009 and stockholders' equity for the three-month period ending March 31, 2010. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of North American Galvanizing & Coatings, Inc. and subsidiaries as of December 31, 2009, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 24, 2010, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2009 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ DELOITTE & TOUCHE LLP

Tulsa, Oklahoma
April 30, 2010

NORTH AMERICAN GALVANIZING & COATINGS, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands, except share amounts)

	March 31, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$25,693	\$22,982
Trade receivables—less allowances of \$106 for 2010 and \$99 for 2009	9,000	9,467
Raw materials inventories	6,003	5,995
Deferred tax asset—net	495	895
Receivables from insurance (Note 2)	—	1,608
Income taxes receivable	178	738
Prepaid expenses and other assets	624	687
Total current assets	41,993	42,372
PROPERTY, PLANT AND EQUIPMENT		
Land	2,504	2,167
Galvanizing plants and equipment	47,471	47,250
	49,975	49,417
Less—accumulated depreciation	(24,996)	(24,384)
Construction in progress	1,178	1,430
Total property, plant and equipment—net	26,157	26,463
GOODWILL—Net	3,448	3,448
OTHER ASSETS	1,327	660
TOTAL ASSETS	\$72,925	\$72,943
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade accounts payable	\$3,068	\$4,203
Accrued payroll and employee benefits	1,146	2,144
Advance from insurance (Note 2)	565	—
Accrued taxes	279	98
Other accrued liabilities	1,560	2,299
Total current liabilities	6,618	8,744
SUBORDINATED NOTES PAYABLE	4,443	4,357
DEFERRED TAX LIABILITY—Net	739	950
Total liabilities	11,800	14,051
COMMITMENTS AND CONTINGENCIES (NOTE 6)		
STOCKHOLDERS' EQUITY		
Common stock—\$.10 par value, 50,000,000 shares authorized		

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Issued—16,754,943 shares in 2010 and 16,593,556 shares 2009	1,675	1,659
Additional paid-in capital	15,992	15,396
Retained earnings	43,462	41,837
Common shares in treasury at cost— 1,000 in 2010	(4) —
Total stockholders' equity	61,125	58,892
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$72,925	\$72,943

See notes to condensed consolidated financial statements.

NORTH AMERICAN GALVANIZING & COATINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In thousands, except per share amounts)

	For the Three Months Ended March 31	
	2010	2009
SALES	\$16,315	\$20,609
COST AND EXPENSES:		
Cost of sales excluding depreciation and amortiz		