

NUCOR CORP
Form 10-Q
November 03, 2005
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Third Quarter 2005

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 October 1, 2005

Commission file number 1-4119

NUCOR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-1860817
(I.R.S. Employer
Identification No.)

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2100 Rexford Road, Charlotte, North Carolina
(Address of principal executive offices)

28211
(Zip Code)

(704) 366-7000

(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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

155,618,850 shares of common stock were outstanding at October 1, 2005.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Nucor Corporation Condensed Consolidated Statements of Earnings (Unaudited)**

(In thousands, except per share amounts)

	<u>Nine Months (39 Weeks) Ended</u>		<u>Three Months (13 Weeks) Ended</u>	
	<u>Oct. 1, 2005</u>	<u>Oct. 2, 2004</u>	<u>Oct. 1, 2005</u>	<u>Oct. 2, 2004</u>
Net sales	\$ 9,493,535	\$ 8,287,830	\$ 3,025,911	\$ 3,239,592
Costs, expenses and other:				
Cost of products sold	7,575,996	6,683,803	2,435,276	2,433,518
Marketing, administrative and other expenses	346,178	318,978	118,130	131,573
Interest expense, net	7,396	17,831	922	5,053
Minority interests	76,595	60,347	24,915	34,061
Other income	(9,200)	(1,596)		
	<u>7,996,965</u>	<u>7,079,363</u>	<u>2,579,243</u>	<u>2,604,205</u>
Earnings before income taxes	1,496,570	1,208,467	446,668	635,387
Provision for income taxes	527,320	428,400	154,791	220,000
Net earnings	<u>\$ 969,250</u>	<u>\$ 780,067</u>	<u>\$ 291,877</u>	<u>\$ 415,387</u>
Net earnings per share:				
Basic	<u>\$ 6.14</u>	<u>\$ 4.93</u>	<u>\$ 1.87</u>	<u>\$ 2.62</u>
Diluted	<u>\$ 6.08</u>	<u>\$ 4.90</u>	<u>\$ 1.86</u>	<u>\$ 2.59</u>
Average shares outstanding:				
Basic	157,865	158,094	155,832	158,796
Diluted	159,316	159,347	157,236	160,229
Dividends declared per share	\$ 1.20	\$ 0.34	\$ 0.40	\$ 0.13

See notes to condensed consolidated financial statements.

Table of Contents**Nucor Corporation Condensed Consolidated Balance Sheets (Unaudited)****(In thousands)**

	<u>October 1, 2005</u>	<u>Dec. 31, 2004</u>
<u>Assets</u>		
Current assets:		
Cash and short-term investments	\$ 1,607,238	\$ 779,049
Accounts receivable	1,017,900	962,755
Inventories	951,143	1,239,888
Other current assets	228,729	193,256
	<u>3,805,010</u>	<u>3,174,948</u>
Total current assets	3,805,010	3,174,948
Property, plant and equipment, net	2,845,587	2,818,307
Other assets	308,278	139,952
	<u>6,958,875</u>	<u>\$ 6,133,207</u>
Total assets	\$ 6,958,875	\$ 6,133,207
<u>Liabilities and stockholders equity</u>		
Current liabilities:		
Long-term debt due within one year	\$ 1,250	\$
Accounts payable	573,477	471,549
Federal income taxes payable	28,957	28,957
Salaries, wages and related accruals	336,032	320,276
Accrued expenses and other current liabilities	348,836	245,008
	<u>1,259,595</u>	<u>1,065,790</u>
Total current liabilities	1,259,595	1,065,790
Long-term debt due after one year	922,300	923,550
Deferred credits and other liabilities	517,971	514,569
Minority interests	169,257	173,313
	<u>4,782,371</u>	<u>3,907,945</u>
Total liabilities	4,782,371	3,907,945
Stockholders equity:		
Common stock	73,987	73,753
Additional paid-in capital	172,241	147,206
Retained earnings	4,468,930	3,688,555
Unearned compensation	(3,887)	(392)
Accumulated other comprehensive income (loss), net of income taxes	71,100	(1,177)
	<u>4,782,371</u>	<u>3,907,945</u>
Treasury stock	(692,619)	(451,960)
	<u>4,089,752</u>	<u>3,455,985</u>
Total stockholders equity	4,089,752	3,455,985
Total liabilities and stockholders equity	\$ 6,958,875	\$ 6,133,207



See notes to condensed consolidated financial statements.

Table of Contents**Nucor Corporation Condensed Consolidated Statements of Cash Flows (Unaudited)****(In thousands)**

	Nine Months (39 Weeks) Ended	
	Oct. 1, 2005	Oct. 2, 2004
Operating activities:		
Net earnings	\$ 969,250	\$ 780,067
Adjustments:		
Depreciation	281,499	291,805
Impairment of assets		13,200
Deferred income taxes	(44,910)	(52,900)
Minority interests	76,583	60,345
Changes in (exclusive of acquisitions):		
Current assets	280,213	(832,629)
Current liabilities	176,316	631,457
Other	(11,624)	3,972
Cash provided by operating activities	1,727,327	895,317
Investing activities:		
Capital expenditures	(222,629)	(198,007)
Investment in affiliates	(37,450)	(68,550)
Disposition of plant and equipment	709	2,813
Acquisitions (net of cash acquired)	(154,864)	(169,646)
Cash used in investing activities	(414,234)	(433,390)
Financing activities:		
Proceeds from long-term debt		20,000
Issuance of common stock	29,768	46,769
Distributions to minority interests	(80,639)	(71,775)
Cash dividends	(188,875)	(53,901)
Acquisition of treasury stock	(245,158)	
Termination of interest rate swap agreement		4,800
Cash used in financing activities	(484,904)	(54,107)
Increase in cash and short-term investments	828,189	407,820
Cash and short-term investments - beginning of year	779,049	350,332
Cash and short-term investments - end of nine months	\$ 1,607,238	\$ 758,152

See notes to condensed consolidated financial statements.

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Nucor Corporation Notes to Condensed Consolidated Financial Statements (Unaudited)

1. **BASIS OF INTERIM PRESENTATION:** The information furnished in Item I reflects all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods and are of a normal and recurring nature. The information furnished has not been audited; however, the December 31, 2004 condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in Nucor's annual report for the fiscal year ended December 31, 2004. Certain amounts for the prior year have been reclassified to conform to the 2005 presentation.

2. **STOCK SPLIT:** In September 2004, Nucor's Board of Directors approved a two-for-one stock split of common stock in the form of a stock dividend. As a result, stockholders of record received one additional share on October 15, 2004 for each share held as of the record date of September 30, 2004. The par value of Nucor's common stock remains \$0.40 per share. All share and per share amounts have been restated to reflect the two-for-one stock split.

3. **CASH AND SHORT-TERM INVESTMENTS:** Short-term investments are recorded at cost plus accrued interest, which approximates market, and have original maturities of three months or less at the date of purchase. Cash and short-term investments are maintained primarily with a few high-credit quality financial institutions.

4. **INVENTORIES:** Inventories consist of approximately 55% raw materials and supplies and 45% finished and semi-finished products at October 1, 2005 and December 31, 2004. Nucor's manufacturing process consists of a continuous, vertically integrated process from which products are sold to customers at various stages throughout the process. Since most steel products can be classified as either finished or semi-finished products, these two categories of inventory are combined.

Inventories valued using the last-in, first-out (LIFO) method of accounting represent approximately 71% of total inventories as of October 1, 2005 (78% of total inventories as of December 31, 2004). If the first-in, first-out (FIFO) method of accounting had been used, inventories would have been \$385.5 million higher at October 1, 2005 (\$533.5 million higher at December 31, 2004).

5. **PROPERTY, PLANT AND EQUIPMENT:** Property, plant and equipment is recorded net of accumulated depreciation of \$3.12 billion at October 1, 2005 (\$2.88 billion at December 31, 2004).

6. **REVOLVING CREDIT FACILITY:** In June 2005, Nucor entered into a new five-year unsecured revolving credit facility that provides for up to \$700.0 million in revolving loans. Up to the equivalent of \$600.0 million of the new credit facility will be available for foreign currency loans, and up to \$450.0 million will be available for the issuance of letters of credit. The new credit facility may be increased by up to \$300.0 million at the election of the Company in accordance with the terms set forth in the credit agreement. No borrowings were outstanding under the credit facility as of October 1, 2005. The new credit facility provides for grid-based interest pricing based upon the credit rating of Nucor's senior unsecured long-term debt and, alternatively, interest rates quoted by lenders in connection with competitive bidding. The credit facility includes customary financial and other covenants, including a limit on the ratio of debt to total capital of 60%, a limit on Nucor's ability to pledge the Company's assets, and a limit on consolidations, mergers and sales of assets.

In connection with the new credit facility, in June 2005, Nucor terminated (a) a \$125.0 million 364-day revolver maturing in September 2005, and (b) a \$300.0 million multi-currency revolver maturing in October 2007. At the date of termination, there were no borrowings under either terminated credit facility.

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DIVIDENDS PAYABLE: Dividends payable, included in accrued expenses and other current liabilities in the balance sheet, was \$62.4 million at October 1, 2005 (\$20.9 million at December 31, 2004).

Table of Contents**Nucor Corporation Notes to Condensed Consolidated Financial Statements (Unaudited), continued**

8. **STOCK-BASED COMPENSATION:** Nucor accounts for stock-based compensation plans under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. Accordingly, no compensation expense is recorded, other than for restricted stock grants, since the exercise price of the stock options is equal to the market price of the underlying stock on the grant date. Had compensation cost for the stock options issued been determined consistent with Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, net earnings and net earnings per share would have been reduced to the following pro forma amounts (in thousands, except per share data):

	<u>Nine Months (39 Weeks) Ended</u>		<u>Three Months (13 Weeks) Ended</u>	
	<u>Oct. 1, 2005</u>	<u>Oct. 2, 2004</u>	<u>Oct. 1, 2005</u>	<u>Oct. 2, 2004</u>
Net earnings - as reported	\$ 969,250	\$ 780,067	\$ 291,877	\$ 415,387
Add: Stock-based employee compensation expense included in reported net earnings, net of income taxes	7,979	7,455	4,912	1,912