

VALMONT INDUSTRIES INC  
Form 10-Q  
October 24, 2013

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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 28, 2013

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       Accelerated filer       Non-accelerated filer       Smaller reporting company   
(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

**26,786,989**

Outstanding shares of common stock as of October 17, 2013

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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 28,<br>2013 | September 29,<br>2012 | September 28,<br>2013   | September 29,<br>2012 |
| Product sales   | \$ 693,480            | \$ 652,822            | \$ 2,228,268            | \$ 1,983,502          |
| Services sales  | 84,552                | 77,017                | 248,053                 | 231,002               |
| Net sales   | 778,032               | 729,839               | 2,476,321               | 2,214,504             |
| Product cost of sales   | 499,190               | 488,739               | 1,591,657               | 1,490,885             |
| Services cost of sales  | 53,278                | 48,698                | 162,260                 | 145,508               |
| Total cost of sales   | 552,468               | 537,437               | 1,753,917               | 1,636,393             |
| Gross profit  | 225,564               | 192,402               | 722,404                 | 578,111               |
| Selling, general and administrative expenses  | 115,663               | 102,020               | 350,048                 | 307,559               |
| Operating income  | 109,901               | 90,382                | 372,356                 | 270,552               |
| Other income (expenses):  |                       |                       |                         |                       |
| Interest expense  | (8,149)               | (8,429)               | (24,364)                | (23,657)              |
| Interest income   | 1,560                 | 2,093                 | 4,765                   | 6,081                 |
| Other   | (584)                 | 1,307                 | 1,095                   | 907                   |
|   | (7,173)               | (5,029)               | (18,504)                | (16,669)              |
| Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries | 102,728               | 85,353                | 353,852                 | 253,883               |
| Income tax expense (benefit):   |                       |                       |                         |                       |
| Current   | 40,458                | 27,928                | 127,328                 | 90,942                |
| Deferred  | 3,454                 | 519                   | (1,275)                 | (3,937)               |
|   | 43,912                | 28,447                | 126,053                 | 87,005                |
| Earnings before equity in earnings of nonconsolidated subsidiaries                  | 58,816                | 56,906                | 227,799                 | 166,878               |
| Equity in earnings of nonconsolidated subsidiaries                                  | 75                    | 1,536                 | 548                     | 5,311                 |
| Net earnings  | 58,891                | 58,442                | 228,347                 | 172,189               |
| Less: Earnings attributable to noncontrolling interests                             | (2,402)               | (1,711)               | (4,726)                 | (3,153)               |
| Net earnings attributable to Valmont Industries, Inc.                               | \$ 56,489             | \$ 56,731             | \$ 223,621              | \$ 169,036            |
| Earnings per share:   |                       |                       |                         |                       |
| Basic   | \$ 2.12               | \$ 2.14               | \$ 8.40                 | \$ 6.39               |

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|   |    |        |    |        |    |        |    |        |
|---|----|--------|----|--------|----|--------|----|--------|
| Diluted   | \$ | 2.10   | \$ | 2.12   | \$ | 8.31   | \$ | 6.32   |
| Cash dividends declared per share   | \$ | 0.250  | \$ | 0.225  | \$ | 0.725  | \$ | 0.630  |
| Weighted average number of shares of common stock outstanding Basic (000 omitted)   |    | 26,665 |    | 26,502 |    | 26,632 |    | 26,455 |
| Weighted average number of shares of common stock outstanding Diluted (000 omitted) |    | 26,919 |    | 26,806 |    | 26,896 |    | 26,748 |

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 28,<br>2013 | September 29,<br>2012 | September 28,<br>2013   | September 29,<br>2012 |
| Net earnings   | \$ 58,891             | \$ 58,442             | \$ 228,347              | \$ 172,189            |
| Other comprehensive income (loss), net of tax:                       |                       |                       |                         |                       |
| Foreign currency translation adjustments:                            |                       |                       |                         |                       |
| Unrealized translation gain (loss)                                   | 18,124                | 23,747                | (44,458)                | 22,488                |
| Realized loss included in net earnings during the period             |                       |                       | (5,194)                 |                       |
| Unrealized loss on cash flow hedge:                                  |                       |                       |                         |                       |
| Amortization cost included in interest expense                       | 100                   | 100                   | 300                     | 300                   |
| Actuarial gain (loss) in defined benefit pension plan                | 857                   | 1,962                 | (37)                    | 2,595                 |
| Other comprehensive income (loss)                                    | 19,081                | 25,809                | (49,389)                | 25,383                |
| Comprehensive income   | 77,972                | 84,251                | 178,958                 | 197,572               |
| Comprehensive loss (income) attributable to noncontrolling interests | (2,156)               | (2,958)               | 1,033                   | (5,439)               |
| Comprehensive income attributable to Valmont Industries, Inc.        | \$ 75,816             | \$ 81,293             | \$ 179,991              | \$ 192,133            |

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 28,<br>2013 | December 29,<br>2012 |
|---|-----------------------|----------------------|
| <b>ASSETS</b>                                   |                       |                      |
| Current assets:                                 |                       |                      |
| Cash and cash equivalents                       | \$ 543,369            | \$ 414,129           |
| Receivables, net                                | 513,832               | 515,902              |
| Inventories                                     | 427,215               | 412,384              |
| Prepaid expenses                                | 35,071                | 25,144               |
| Refundable and deferred income taxes            | 81,766                | 58,381               |
| Total current assets                            | 1,601,253             | 1,425,940            |
| Property, plant and equipment, at cost          | 1,045,110             | 994,774              |
| Less accumulated depreciation and amortization  | 504,080               | 482,162              |
| Net property, plant and equipment               | 541,030               | 512,612              |
| Goodwill  | 340,495               | 330,791              |
| Other intangible assets, net                    | 169,904               | 172,270              |
| Other assets                                    | 95,838                | 126,938              |
| Total assets                                    | \$ 2,748,520          | \$ 2,568,551         |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>     |                       |                      |
| Current liabilities:                            |                       |                      |
| Current installments of long-term debt          | \$ 265                | \$ 224               |
| Notes payable to banks                          | 17,129                | 13,375               |
| Accounts payable                                | 214,188               | 212,424              |
| Accrued employee compensation and benefits      | 108,774               | 101,905              |
| Accrued expenses                                | 87,614                | 78,503               |
| Dividends payable                               | 6,697                 | 6,002                |
| Total current liabilities                       | 434,667               | 412,433              |
| Deferred income taxes                           | 79,305                | 88,300               |
| Long-term debt, excluding current installments  | 471,294               | 472,593              |
| Defined benefit pension liability               | 99,135                | 112,043              |
| Deferred compensation                           | 38,917                | 31,920               |
| Other noncurrent liabilities                    | 49,417                | 44,252               |
| 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                               | 1,514,099             | 1,300,529            |
| Accumulated other comprehensive income (loss)   | 308                   | 43,938               |
| Treasury stock                                  | (21,145)              | (22,455)             |

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|  |              |              |
|--|--------------|--------------|
| Total Valmont Industries, Inc. shareholders' equity  | 1,521,162    | 1,349,912    |
| Noncontrolling interest in consolidated subsidiaries | 54,623       | 57,098       |
| Total shareholders' equity                           | 1,575,785    | 1,407,010    |
| Total liabilities and shareholders' equity           | \$ 2,748,520 | \$ 2,568,551 |

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 28,<br>2013   | September 29,<br>2012 |
| Cash flows from operating activities:                                    |                         |                       |
| Net earnings   | \$ 228,347              | \$ 172,189            |
| Adjustments to reconcile net earnings to net cash flows from operations: |                         |                       |
| Depreciation and amortization  | 57,417                  | 52,262                |
| Stock-based compensation   | 4,999                   | 4,517                 |
| Defined benefit pension plan expense                                     | 4,870                   | 3,076                 |
| Contribution to defined benefit pension plan                             | (16,755)                | (11,591)              |
| Gain on sale of property, plant and equipment                            | (5,060)                 | (187)                 |
| Equity in earnings in nonconsolidated subsidiaries                       | (548)                   | (5,311)               |
| Deferred income taxes  | (1,275)                 | (3,937)               |
| Changes in assets and liabilities (net of acquisitions):                 |                         |                       |
| Receivables  | (757)                   | (46,663)              |
| Inventories  | (14,574)                | (36,507)              |
| Prepaid expenses   | (7,041)                 | (3,657)               |
| Accounts payable   | 1,161                   | (35)                  |
| Accrued expenses   | 16,931                  | 15,989                |
| Other noncurrent liabilities   | 2,510                   | (723)                 |
| Income taxes payable   | (21,120)                | (21,740)              |
| <b>Net cash flows from operating activities</b>                          | <b>249,105</b>          | <b>117,682</b>        |
| Cash flows from investing activities:                                    |                         |                       |
| Purchase of property, plant and equipment                                | (75,072)                | (58,700)              |
| Proceeds from sale of assets   | 39,564                  | 5,597                 |
| Acquisitions, net of cash acquired                                       | (53,152)                |                       |
| Other, net   | 1,231                   | 80                    |
| <b>Net cash flows from investing activities</b>                          | <b>(87,429)</b>         | <b>(53,023)</b>       |
| Cash flows from financing activities:                                    |                         |                       |
| Net borrowings under short-term agreements                               | 3,439                   | 4,096                 |
| Proceeds from long-term borrowings                                       | 274                     | 39,126                |
| Principal payments on long-term borrowings                               | (508)                   | (39,280)              |
| Proceeds from sale of partial ownership interest                         |                         | 1,404                 |
| Dividends paid   | (18,717)                | (15,530)              |
| Dividends to noncontrolling interest                                     | (1,767)                 | (1,379)               |
| Debt issuance costs  |                         | (1,703)               |
| Proceeds from exercises under stock plans                                | 15,064                  | 19,527                |
| Excess tax benefits from stock option exercises                          | 4,630                   | 4,212                 |
| Purchase of common treasury shares stock plan exercises                  | (14,644)                | (19,116)              |
| <b>Net cash flows from financing activities</b>                          | <b>(12,229)</b>         | <b>(8,643)</b>        |
| Effect of exchange rate changes on cash and cash equivalents             | (20,207)                | 8,170                 |

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|   |            |            |
|---|------------|------------|
| Net change in cash and cash equivalents     | 129,240    | 64,186     |
| Cash and cash equivalents beginning of year | 414,129    | 362,894    |
| Cash and cash equivalents end of period     | \$ 543,369 | \$ 427,080 |

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<br>stock | Additional<br>paid-in<br>capital | Retained<br>earnings | Accumulated<br>other<br>comprehensive<br>income (loss) | Treasury<br>stock | Noncontrolling<br>interest in<br>consolidated<br>subsidiaries | Total<br>shareholders'<br>equity |
|---|-----------------|----------------------------------|----------------------|--|-------------------|---|----------------------------------|
| <b>Balance at December 31,<br/>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<br>(loss)              |                 |                                  |                      | 23,097   |                   | 2,286   | 25,383                           |
| Cash dividends declared                           |                 |                                  | (16,754)             |  |                   |   | (16,754)                         |
| Dividends to noncontrolling<br>interests          |                 |                                  |                      |  |                   | (1,379)   | (1,379)                          |
| Sale of partial ownership<br>interest             |                 | (610)                            |                      |  |                   | 2,014   | 1,404                            |
| Stock plan exercises; 159,555<br>shares acquired  |                 |                                  |                      |  | (19,116)          |   | (19,116)                         |
| Stock options exercised;<br>295,570 shares issued |                 | (8,027)                          | 6,860                |  | 20,694            |   | 19,527                           |
| Tax benefit from stock option<br>exercises        |                 | 4,212                            |                      |  |                   |   | 4,212                            |
| Stock option expense                              |                 | 3,735                            |                      |  |                   |   | 3,735                            |
| Stock awards; 402 shares<br>issued                |                 | 690                              |                      |  | 92                |   | 782                              |
| <b>Balance at September 29,<br/>2012</b>          | \$ 27,900       | \$                               | \$ 1,238,840         | \$ 87,149  | \$ (23,018)       | \$ 57,023   | \$ 1,387,894                     |
| <b>Balance at December 29,<br/>2012</b>           | \$ 27,900       | \$                               | \$ 1,300,529         | \$ 43,938  | \$ (22,455)       | \$ 57,098   | \$ 1,407,010                     |
| Net earnings                                      |                 |                                  | 223,621              |  |                   | 4,726   | 228,347                          |
| Other comprehensive loss                          |                 |                                  |                      | (43,630)   |                   | (5,759)   | (49,389)                         |
| Cash dividends declared                           |                 |                                  | (19,412)             |  |                   |   | (19,412)                         |
| Dividends to noncontrolling<br>interests          |                 |                                  |                      |  |                   | (1,767)   | (1,767)                          |
| Acquisition of Locker                             |                 |                                  |                      |  |                   | 325   | 325                              |
| Stock plan exercises; 93,059<br>shares acquired   |                 |                                  |                      |  | (14,644)          |   | (14,644)                         |
| Stock options exercised;<br>192,377 shares issued |                 | (9,629)                          | 9,361                |  | 15,332            |   | 15,064                           |
| Tax benefit from stock option<br>exercises        |                 | 4,630                            |                      |  |                   |   | 4,630                            |
| Stock option expense                              |                 | 3,935                            |                      |  |                   |   | 3,935                            |
| Stock awards; 9,801 shares<br>issued              |                 | 1,064                            |                      |  | 622               |   | 1,686                            |
| <b>Balance at September 28,<br/>2013</b>          | \$ 27,900       | \$                               | \$ 1,514,099         | \$ 308   | \$ (21,145)       | \$ 54,623   | \$ 1,575,785                     |

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 28, 2013, the Condensed Consolidated Statements of Earnings and Comprehensive Income for the thirteen and thirty-nine weeks ended September 28, 2013 and September 29, 2012, 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 28, 2013 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 29, 2012. 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 29, 2012. In 2013, the Company changed its presentation of certain intercompany utility structure sales to align with management's current reporting structure. Fiscal 2012 reporting was reclassified to conform with the 2013 presentation. Accordingly, fiscal 2012 EIP segment sales (and the associated intersegment sales elimination) for the thirteen and thirty-nine weeks ended September 29, 2012 increased by \$15,374 and \$31,436, respectively. Fiscal 2012 segment sales (after intersegment sales eliminations) and operating income were unchanged from amounts previously reported. The results of operations for the period ended September 28, 2013 are not necessarily indicative of the operating results for the full year.

*Inventories*

Approximately 40% and 43% of inventory is valued at the lower of cost, determined on the last-in, first-out (LIFO) method, or market as of September 28, 2013 and December 29, 2012, 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 \$43,242 and \$45,822 at September 28, 2013 and December 29, 2012, respectively.

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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)

Inventories consisted of the following:

|                                       | September 28,<br>2013 | December 29,<br>2012 |
|---------------------------------------|-----------------------|----------------------|
| Raw materials and purchased parts     | \$ 200,316            | \$ 199,808           |
| Work-in-process                       | 33,261                | 36,114               |
| Finished goods and manufactured goods | 236,880               | 222,284              |
| Subtotal                              | 470,457               | 458,206              |
| Less: LIFO reserve                    | 43,242                | 45,822               |
|                                       | \$ 427,215            | \$ 412,384           |

*Income Taxes*

Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries for the thirteen and thirty-nine weeks ended September 28, 2013 and September 29, 2012, were as follows:

|               | Thirteen Weeks<br>Ended |           | Thirty-nine Weeks<br>Ended |            |
|---------------|-------------------------|-----------|----------------------------|------------|
|               | 2013                    | 2012      | 2013                       | 2012       |
| United States | \$ 66,143               | \$ 48,524 | \$ 253,564                 | \$ 179,351 |
| Foreign       | 36,585                  | 36,829    | 100,288                    | 74,532     |
|               | \$ 102,728              | \$ 85,353 | \$ 353,852                 | \$ 253,883 |

*Pension Benefits*

The Company incurs expenses in connection with the Delta Pension Plan ("DPP"). The DPP was acquired as part of the Delta plc acquisition in fiscal 2010 and has no members that are active employees. In order to measure expense and the related benefit obligation, various assumptions are made including discount rates used to value the obligation, expected return on plan assets used to fund these expenses and estimated future inflation rates. These assumptions are based on historical experience as well as current facts and circumstances. An actuarial analysis is used to measure the expense and liability associated with pension benefits.

The components of the net periodic pension expense for the thirty-nine weeks ended September 28, 2013 and September 29, 2012 were as follows:

|                                | 2013      | 2012      |
|--------------------------------|-----------|-----------|
| Net periodic benefit expense:  |           |           |
| Interest cost                  | \$ 19,593 | \$ 17,399 |
| Expected return on plan assets | (14,723)  | (14,323)  |

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|                              |    |       |    |       |
|------------------------------|----|-------|----|-------|
| Net periodic benefit expense | \$ | 4,870 | \$ | 3,076 |
|------------------------------|----|-------|----|-------|

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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)

*Stock Plans*

The Company maintains stock-based 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 28, 2013, 1,687,864 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 28, 2013 and September 29, 2012, respectively, were as follows:

|                      | Thirteen Weeks Ended |          | Thirty-nine Weeks Ended |          |
|----------------------|----------------------|----------|-------------------------|----------|
|                      | 2013                 | 2012     | 2013                    | 2012     |
| Compensation expense | \$ 1,308             | \$ 1,245 | \$ 3,935                | \$ 3,735 |
| Income tax benefits  | 504                  | 479      | 1,515                   | 1,438    |

*Equity Method Investments*

The Company has equity method investments in non-consolidated subsidiaries, which are recorded within "Other assets" on the Condensed Consolidated Balance Sheet. In February 2013, the Company sold its nonconsolidated investment in Manganese Materials Company Pty. Ltd. to the majority owner of the business for approximately \$29,250. The profit on the sale was not significant, which included the recognition of \$5,194 in currency translation adjustments previously recorded as part of "Accumulated other comprehensive income" on the Condensed Consolidated Balance Sheet. The Company also recognized certain deferred tax benefits of approximately \$3,200 associated with the sale in the first quarter of fiscal 2013.

*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.

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



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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)

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.

|                    | Carrying Value<br>September 28,<br>2013 | Fair Value Measurement Using:   |  |  |
|--------------------|---|---|--|--|
|                    |   | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets (Level 1) | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Assets:            |   |   |  |  |
| Trading Securities | \$ 26,291                               | \$ 26,291   | \$   | \$   |

|                    | Carrying Value<br>December 29,<br>2012 | Fair Value Measurement Using:   |  |  |
|--------------------|--|---|--|--|
|                    |  | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets (Level 1) | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Assets:            |  |   |  |  |
| Trading Securities | \$ 20,087                              | \$ 20,087   | \$   | \$   |

*Comprehensive Income*

Comprehensive income includes net earnings, 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 28, 2013 and December 29, 2012:

|  | Foreign<br>Currency<br>Translation<br>Adjustments | Unrealized<br>Loss on Cash<br>Flow Hedge | Defined<br>Benefit<br>Pension Plan | Accumulated<br>Other<br>Comprehensive<br>Income |
|--|---|--|------------------------------------|---|
| Balance at December 29, 2012               | \$ 30,576   | \$ (2,935)                               | \$ 16,297                          | \$ 43,938                                       |
| Current-period comprehensive income (loss) | (43,893)  | 300                                      | (37)                               | (43,630)  |
| Balance at September 28, 2013              | \$ (13,317)                                       | \$ (2,635)                               | \$ 16,260                          | \$ 308  |

## (2) ACQUISITION OF LOCKER GROUP HOLDINGS PTY. LTD.

On February 5, 2013, the Company purchased 100% of the outstanding shares of Locker Group Holdings Pty. Ltd. (Locker). Locker is a manufacturer of perforated and expanded metal for the non-residential market, industrial flooring and handrails for the access systems market, and screening media for applications in the industrial and mining sectors in Australia and Asia. Locker's annual sales for the twelve months prior to the acquisition date were approximately \$80,000 and its operations are reported in the Engineered Infrastructure Products Segment. The purchase price paid for the business at closing (net of \$116 cash acquired) was \$53,152. In addition, a maximum of \$7,911 additional purchase price may be paid to the sellers upon the achievement of certain gross profit and inventory targets over the next two years. The Company determined the present value of the potential additional purchase price at February 5, 2013 to be \$6,175. The acquisition, which was funded by cash held by the Company, was completed to expand our product offering and sales coverage for access systems and related products in Asia Pacific.

The fair value measurement was completed at September 28, 2013. The following table summarizes the fair values of the assets acquired and liabilities assumed as of the date of acquisition.

|   | At February 5,<br>2013 |
|---|------------------------|
| Current assets  | \$ 25,584              |
| Property, plant and equipment   | 20,412                 |
| Intangible assets   | 11,205                 |
| Goodwill  | 13,322                 |
| Total fair value of assets acquired                                   | \$ 70,523              |
| Current liabilities   | 9,595                  |
| Deferred income taxes   | 483                    |
| Other non-current liabilities   | 677                    |
| Non-controlling interests   | 325                    |
| Total fair value of liabilities assumed and non-controlling interests | 11,080                 |
| Net assets acquired   | \$ 59,443              |



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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) ACQUISITION OF LOCKER GROUP HOLDINGS PTY. LTD. (Continued)

The Company's Condensed Consolidated Statements of Earnings for the thirteen and thirty-nine weeks ended September 28, 2013 included net sales of \$16,755 and \$46,692, respectively, and net earnings of \$836 and \$1,375, respectively, resulting from Locker's operations from February 5, 2013 to September 28, 2013.

Based on the fair value assessments, the Company allocated \$11,205 of the purchase price to acquired intangible assets. The following table summarizes the major classes of Locker acquired intangible assets and the respective weighted-average amortization periods:

|                         | Amount    | Weighted<br>Average<br>Amortization<br>Period<br>(Years) |
|-------------------------|-----------|--|
| Trade Names             | \$ 4,116  | Indefinite   |
| Customer Relationships  | 6,042     | 10.0   |
| Software and Technology | 1,047     | 5.0  |
|                         | \$ 11,205 |  |

## (3) GOODWILL AND INTANGIBLE ASSETS

*Amortized Intangible Assets*

The components of amortized intangible assets at September 28, 2013 and December 29, 2012 were as follows:

|                                  | September 28, 2013          |                             | Weighted<br>Average<br>Life |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                  | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization |                             |
| Customer Relationships           | \$ 175,273                  | \$ 73,081                   | 13 years                    |
| Proprietary Software & Database  | 3,958                       | 2,875                       | 6 years                     |
| Patents & Proprietary Technology | 9,961                       | 6,691                       | 8 years                     |
| Non-compete Agreements           | 1,802                       | 1,607                       | 6 years                     |
|                                  | \$ 190,994                  | \$ 84,254                   |                             |

|                                  | December 29, 2012           |                             | Weighted<br>Average<br>Life |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                  | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization |                             |
| Customer Relationships           | \$ 170,556                  | \$ 62,957                   | 13 years                    |
| Proprietary Software & Database  | 3,073                       | 2,795                       | 6 years                     |
| Patents & Proprietary Technology | 9,953                       | 5,517                       | 8 years                     |
| Non-compete Agreements           | 1,807                       | 1,542                       | 6 years                     |

\$ 185,389 \$ 72,811

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

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

Amortization expense for intangible assets for the thirteen and thirty-nine weeks ended September 28, 2013 and September 29, 2012, respectively was as follows:

| Thirteen Weeks Ended |          | Thirty-nine Weeks Ended |           |
|----------------------|----------|-------------------------|-----------|
| 2013                 | 2012     | 2013                    | 2012      |
| \$ 3,750             | \$ 3,582 | \$ 11,446               | \$ 10,751 |

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

|      | Estimated Amortization Expense |
|------|--------------------------------|
| 2013 | \$ 15,322                      |
| 2014 | 15,328                         |
| 2015 | 14,442                         |
| 2016 | 13,884                         |
| 2017 | 13,845                         |

The useful lives assigned to finite-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 28, 2013 and December 29, 2012 were as follows:

|                                | September 28, 2013 | December 29, 2012 | Year Acquired |
|--------------------------------|--------------------|-------------------|---------------|
| Webforge                       | \$ 17,372          | \$ 17,411         | 2010          |
| Newmark                        | 11,111             | 11,111            | 2004          |
| Ingal EPS/Ingal Civil Products | 9,168              | 9,189             | 2010          |
| Donhad                         | 6,917              | 6,932             | 2010          |
| Industrial Galvanizers         | 4,021              | 4,030             | 2010          |
| Other                          | 14,575             | 11,019            |               |
|                                | \$ 63,164          | \$ 59,692         |               |

In its determination of these intangible assets as indefinite-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)

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

The Company's trade names were tested for impairment in the third quarter of 2013. 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 28, 2013 and December 29, 2012 was as follows:

|                                  | Engineered<br>Infrastructure<br>Products<br>Segment | Utility<br>Support<br>Structures<br>Segment | Coatings<br>Segment | Irrigation<br>Segment | Other     | Total      |
|----------------------------------|---|---|---------------------|-----------------------|-----------|------------|
| Balance at December 29,<br>2012  | \$ 155,185  | \$ 77,141                                   | \$ 77,053           | \$ 2,517              | \$ 18,895 | \$ 330,791 |
| Acquisitions                     | 13,322  |   |                     |                       |           | 13,322     |
| Foreign currency<br>translation  | (3,630)   |   | 120                 | (67)                  | (41)      | (3,618)    |
| Other                            | 1,737   | (1,737)                                     |                     |                       |           |            |
| Balance at September 28,<br>2013 | \$ 166,614  | \$ 75,404                                   | \$ 77,173           | \$ 2,450              | \$ 18,854 | \$ 340,495 |

The goodwill from acquisitions arose from the acquisition of Locker. The Company's goodwill was tested for impairment during the third quarter of 2013. 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.

## (4) 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 28, 2013 and September 29, 2012 were as follows:

|              | 2013      | 2012      |
|--------------|-----------|-----------|
| Interest     | \$ 17,010 | \$ 15,797 |
| Income taxes | 149,529   | 106,887   |

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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) EARNINGS PER SHARE**

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

|   | Basic EPS  | Dilutive<br>Effect of<br>Stock Options | Diluted EPS |
|---|------------|--|-------------|
| <b>Thirteen weeks ended September 28, 2013:</b>       |            |  |             |
| Net earnings attributable to Valmont Industries, Inc. | \$ 56,489  | \$                                     | \$ 56,489   |
| Shares outstanding                                    | 26,665     | 254                                    | 26,919      |
| Per share amount                                      | \$ 2.12    | \$ (0.02)                              | \$ 2.10     |
| <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>Thirty-nine weeks ended September 28, 2013:</b>    |            |  |             |
| Net earnings attributable to Valmont Industries, Inc. | \$ 223,621 | \$                                     | \$ 223,621  |
| Shares outstanding                                    | 26,632     | 264                                    | 26,896      |
| Per share amount                                      | \$ 8.40    | \$ (0.09)                              | \$ 8.31     |
| <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     |

At September 28, 2013 there were 1,172 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 weeks and thirty-nine weeks ending September 28, 2013. At September 29, 2012, there were no outstanding stock options with exercise prices exceeding the market price of common stock.

**(6) BUSINESS SEGMENTS**

The Company has four reportable segments based on its management structure. Each segment is global in nature with a manager responsible for segment operational performance and the allocation of capital within the segment. Net corporate expense is net of certain service-related 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;



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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)**

*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 28,<br>2013 | September 29,<br>2012 | September 28,<br>2013   | September 29,<br>2012 |
| <b>SALES:</b>                               |                       |                       |                         |                       |
| Engineered Infrastructure Products segment: |                       |                       |                         |                       |
| Lighting, Traffic, and Roadway Products     | \$ 171,991            | \$ 168,046            | \$ 480,648              | \$ 465,946            |
| Communication Products                      | 38,674                | 36,446                | 102,067                 | 99,629                |
| Access Systems                              | 49,618                | 40,192                | 151,874                 | 118,852               |
| Engineered Infrastructure Products segment  | 260,283               | 244,684               | 734,589                 | 684,427               |
| Utility Support Structures segment:         |                       |                       |                         |                       |
| Steel                                       | 199,912               | 184,030               | 611,573                 | 536,073               |
| Concrete                                    | 29,508                | 33,465                | 85,728                  | 84,891                |
| Utility Support Structures segment          | 229,420               | 217,495               | 697,301                 | 620,964               |
| Coatings segment                            | 89,009                | 83,713                | 272,052                 | 251,397               |
| Irrigation segment                          | 175,120               | 156,452               | 690,002                 | 547,214               |
| Other                                       | 71,836                | 72,500                | 233,384                 | 245,757               |
| Total                                       | 825,668               | 774,844               | 2,627,328               | 2,349,759             |
| <b>INTERSEGMENT SALES:</b>                  |                       |                       |                         |                       |
| Engineered Infrastructure Products segment  | 24,970                | 25,352                | 76,591                  | 68,498                |
| Utility Support Structures segment          | 489                   | 625                   | 1,199                   | 3,072                 |
| Coatings segment                            | 13,697                | 12,313                | 42,475                  | 38,262                |
| Irrigation segment                          | 4                     | 67                    | 5                       | 498                   |
| Other                                       | 8,476                 | 6,648                 | 30,737                  | 24,925                |
| Total                                       | 47,636                | 45,005                | 151,007                 | 135,255               |
| <b>NET SALES:</b>                           |                       |                       |                         |                       |
| Engineered Infrastructure Products segment  | 235,313               | 219,332               | 657,998                 | 615,929               |
| Utility Support Structures segment          | 228,931               | 216,870               | 696,102                 | 617,892               |
| Coatings segment                            | 75,312                | 71,400                | 229,577                 | 213,135               |
| Irrigation segment                          | 175,116               | 156,385               | 689,997                 | 546,716               |
| Other                                       | 63,360                | 65,852                | 202,647                 | 220,832               |
| Total                                       | \$ 778,032            | \$ 729,839            | \$ 2,476,321            | \$ 2,214,504          |
| <b>OPERATING INCOME:</b>                    |                       |                       |                         |                       |
| Engineered Infrastructure Products segment  | \$ 25,689             | \$ 18,715             | \$ 61,026               | \$ 40,907             |
| Utility Support Structures segment          | 41,491                | 30,223                | 129,767                 | 81,901                |
| Coatings segment                            | 19,833                | 18,542                | 56,805                  | 54,571                |
| Irrigation segment                          | 31,145                | 27,140                | 149,878                 | 103,155               |
| Other                                       | 9,978                 | 9,743                 | 33,790                  | 33,413                |
| Corporate                                   | (18,235)              | (13,981)              | (58,910)                | (43,395)              |

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|       |    |         |    |        |    |         |    |         |
|-------|----|---------|----|--------|----|---------|----|---------|
| Total | \$ | 109,901 | \$ | 90,382 | \$ | 372,356 | \$ | 270,552 |
|-------|----|---------|----|--------|----|---------|----|---------|

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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.

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

**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS**  
**For the Thirteen weeks ended September 28, 2013**

|   | Parent     | Guarantors | Non-Guarantors | Eliminations | Total      |
|---|------------|------------|----------------|--------------|------------|
| Net sales   | \$ 331,525 | \$ 161,432 | \$ 366,522     | \$ (81,447)  | \$ 778,032 |
| Cost of sales   | 238,692    | 121,870    | 273,317        | (81,411)     | 552,468    |
| Gross profit  | 92,833     | 39,562     | 93,205         | (36)         | 225,564    |
| Selling, general and administrative expenses  | 51,621     | 14,530     | 49,512         |              | 115,663    |
| Operating income  | 41,212     | 25,032     | 43,693         | (36)         | 109,901    |
| Other income (expense):   |            |            |                |              |            |
| Interest expense  | (7,724)    | (11,122)   | (425)          | 11,122       | (8,149)    |
| Interest income   | 18         | 242        | 12,422         | (11,122)     | 1,560      |
| Other   | 1,422      | 9          | (2,015)        |              | (584)      |
|   | (6,284)    | (10,871)   | 9,982          |              | (7,173)    |
| Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries | 34,928     | 14,161     | 53,675         | (36)         | 102,728    |
| Income tax expense (benefit):   |            |            |                |              |            |
| Current   | 19,473     | 7,419      | 13,631         | (65)         | 40,458     |
| Deferred  | (4,969)    | (360)      | 8,783          |              | 3,454      |
|   | 14,504     | 7,059      | 22,414         | (65)         | 43,912     |
| Earnings before equity in earnings of nonconsolidated subsidiaries                  | 20,424     | 7,102      | 31,261         | 29           | 58,816     |
| Equity in earnings of nonconsolidated subsidiaries                                  | 36,065     | 6,542      |                | (42,532)     | 75         |
| Net earnings  | 56,489     | 13,644     | 31,261         | (42,503)     | 58,891     |
| Less: Earnings attributable to noncontrolling interests                             |            |            | (2,402)        |              | (2,402)    |
| Net earnings attributable to Valmont Industries, Inc                                | \$ 56,489  | \$ 13,644  | \$ 28,859      | \$ (42,503)  | \$ 56,489  |



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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

For the Thirty-nine Weeks Ended September 28, 2013

|   | Parent       | Guarantors | Non-Guarantors | Eliminations | Total        |
|---|--------------|------------|----------------|--------------|--------------|
| Net sales   | \$ 1,174,955 | \$ 501,308 | \$ 1,052,733   | \$ (252,675) | \$ 2,476,321 |
| Cost of sales   | 837,321      | 377,158    | 795,182        | (255,744)    | 1,753,917    |
| Gross profit  | 337,634      | 124,150    | 257,551        | 3,069        | 722,404      |
| Selling, general and administrative expenses  | 157,367      | 42,871     | 149,810        |              | 350,048      |
| Operating income  | 180,267      | 81,279     | 107,741        | 3,069        | 372,356      |
| Other income (expense):   |              |            |                |              |              |
| Interest expense  | (23,115)     | (35,696)   | (1,249)        | 35,696       | (24,364)     |
| Interest income   | 33           | 732        | 39,696         | (35,696)     | 4,765        |
| Other   | 3,224        | 55         | (2,184)        |              | 1,095        |
|   | (19,858)     | (34,909)   | 36,263         |              | (18,504)     |
| Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries | 160,409      | 46,370     | 144,004        | 3,069        | 353,852      |
| Income tax expense (benefit):   |              |            |                |              |              |
| Current   | 65,472       | 20,801     | 40,283         | 772          | 127,328      |
| Deferred  | (7,473)      | 1,342      | 4,856          |              | (1,275)      |
|   | 57,999       | 22,143     | 45,139         | 772          | 126,053      |
| Earnings before equity in earnings of nonconsolidated subsidiaries                  | 102,410      | 24,227     | 98,865         | 2,297        | 227,799      |
| Equity in earnings of nonconsolidated subsidiaries                                  | 121,211      | 48,927     | 207            | (169,797)    | 548          |
| Net earnings  | 223,621      | 73,154     | 99,072         | (167,500)    | 228,347      |
| Less: Earnings attributable to noncontrolling interests                             |              |            | (4,726)        |              | (4,726)      |
| Net earnings attributable to Valmont Industries, Inc                                | \$ 223,621   | \$ 73,154  | \$ 94,346      | \$ (167,500) | \$ 223,621   |

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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

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     |
| Less: Earnings attributable to noncontrolling interests                             |            |            | (1,711)        |              | (1,711)    |
| Net earnings attributable to Valmont Industries, Inc                                | \$ 56,731  | \$ 21,860  | \$ 33,357      | \$ (55,217)  | \$ 56,731  |

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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

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      |
| Less: Earnings attributable to noncontrolling interests                             |              |            | (3,153)        |              | (3,153)      |
| Net earnings attributable to Valmont Industries, Inc                                | \$ 169,036   | \$ 67,239  | \$ 87,528      | \$ (154,767) | \$ 169,036   |



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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 COMPREHENSIVE INCOME

For the Thirteen weeks ended September 28, 2013

|   | Parent    | Guarantors | Non-Guarantors | Eliminations | Total     |
|---|-----------|------------|----------------|--------------|-----------|
| Net earnings  | \$ 56,489 | \$ 13,644  | \$ 31,261      | \$ (42,503)  | \$ 58,891 |
| Other comprehensive income (loss), net of tax:                  |           |            |                |              |           |
| Foreign currency translation adjustments:                       |           |            |                |              |           |
| Unrealized gains (losses) arising during the period             |           | 30,221     | (12,097)       |              | 18,124    |
|   |           | 30,221     | (12,097)       |              | 18,124    |
| Unrealized loss on cash flow hedge:                             |           |            |                |              |           |
| Amortization cost included in interest expense                  | 100       |            |                |              | 100       |
|   | 100       |            |                |              | 100       |
| Actuarial gain (loss) in defined benefit pension plan liability |           |            | 857            |              | 857       |
| Equity in other comprehensive income                            | 19,227    |            |                | (19,227)     |           |
| Other comprehensive income (loss)                               | 19,327    | 30,221     | (11,240)       | (19,227)     | 19,081    |
| Comprehensive income  | 75,816    | 43,865     | 20,021         | (61,730)     | 77,972    |
| Comprehensive income attributable to noncontrolling interests   |           |            | (2,156)        |              | (2,156)   |
| Comprehensive income attributable to Valmont Industries, Inc.   | \$ 75,816 | \$ 43,865  | \$ 17,865      | \$ (61,730)  | \$ 75,816 |

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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 COMPREHENSIVE INCOME  
For the Thirty-nine Weeks Ended September 28, 2013

|   | Parent     | Guarantors | Non-Guarantors | Eliminations | Total      |
|---|------------|------------|----------------|--------------|------------|
| Net earnings  | \$ 223,621 | \$ 73,154  | \$ 99,072      | \$ (167,500) | \$ 228,347 |
| Other comprehensive income (loss), net of tax:                  |            |            |                |              |            |
| Foreign currency translation adjustments:                       |            |            |                |              |            |
| Unrealized gains (losses) arising during the period             |            | 57,707     | (102,165)      |              | (44,458)   |
| Realized (loss) included in net earnings during the period      |            |            | (5,194)        |              | (5,194)    |
|   |            | 57,707     | (107,359)      |              | (49,652)   |
| Unrealized loss on cash flow hedge:                             |            |            |                |              |            |
| Amortization cost included in interest expense                  | 300        |            |                |              | 300        |
|   | 300        |            |                |              | 300        |
| Actuarial gain (loss) in defined benefit pension plan liability |            |            | (37)           |              | (37)       |
| Equity in other comprehensive income                            | (43,930)   |            |                | 43,930       |            |
| Other comprehensive income (loss)                               | (43,630)   | 57,707     | (107,396)      | 43,930       | (49,389)   |
| Comprehensive income  | 179,991    | 130,861    | (8,324)        | (123,570)    | 178,958    |
| Comprehensive income attributable to noncontrolling interests   |            |            | 1,033          |              | 1,033      |
| Comprehensive income attributable to Valmont Industries, Inc.   | \$ 179,991 | \$ 130,861 | \$ (7,291)     | \$ (123,570) | \$ 179,991 |

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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 COMPREHENSIVE INCOME  
For the Thirteen weeks ended September 29, 2012

|   | Parent    | Guarantors | Non-Guarantors | Eliminations | Total     |
|---|-----------|------------|----------------|--------------|-----------|
| Net earnings  | \$ 56,731 | \$ 21,860  | \$ 35,068      | \$ (55,217)  | \$ 58,442 |
| Other comprehensive income (loss), net of tax:                  |           |            |                |              |           |
| Foreign currency translation adjustments:                       |           |            |                |              |           |
| Unrealized gains (losses) arising during the period             |           | (14,977)   | 39,084         | (360)        | 23,747    |
|   |           | (14,977)   | 39,084         | (360)        | 23,747    |
| Unrealized loss on cash flow hedge:                             |           |            |                |              |           |
| Amortization cost included in interest expense                  | 100       |            |                |              | 100       |
|   | 100       |            |                |              | 100       |
| Actuarial gain (loss) in defined benefit pension plan liability |           |            | 1,962          |              | 1,962     |
| Equity in other comprehensive income                            | 24,462    |            |                | (24,462)     |           |
| 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    |
| 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 COMPREHENSIVE INCOME  
For the Thirty-nine Weeks Ended September 29, 2012

|   | Parent     | Guarantors | Non-Guarantors | Eliminations | Total      |
|---|------------|------------|----------------|--------------|------------|
| Net earnings  | \$ 169,036 | \$ 67,239  | \$ 90,681      | \$ (154,767) | \$ 172,189 |
| Other comprehensive income (loss), net of tax:                |            |            |                |              |            |
| Foreign currency translation adjustments:                     |            |            |                |              |            |
| Unrealized gains (losses) arising during the period           |            | (17,221)   | 46,580         | (6,871)      | 22,488     |
|   |            | (17,221)   | 46,580         | (6,871)      | 22,488     |
| Unrealized loss on cash flow hedge:                           |            |            |                |              |            |
| Amortization cost included in interest expense                | 300        |            |                |              | 300        |
|   | 300        |            |                |              | 300        |
| Actuarial gain in defined benefit pension plan liability      |            |            | 2,595          |              | 2,595      |
| Equity in other comprehensive income                          | 22,797     |            |                | (22,797)     |            |
| 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    |
| 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 BALANCE SHEETS

September 28, 2013

|  | Parent       | Guarantors   | Non-Guarantors | Eliminations   | Total        |
|--|--------------|--------------|----------------|----------------|--------------|
| <b>ASSETS</b>  |              |              |                |                |              |
| Current assets:                                      |              |              |                |                |              |
| Cash and cash equivalents                            | \$ 158,360   | \$ 51,186    | \$ 333,823     | \$             | \$ 543,369   |
| Receivables, net                                     | 135,423      | 82,840       | 295,569        |                | 513,832      |
| Inventories  | 142,773      | 77,545       | 206,897        |                | 427,215      |
| Prepaid expenses                                     | 8,301        | 740          | 26,030         |                | 35,071       |
| Refundable and deferred income taxes                 | 50,796       | 6,174        | 24,796         |                | 81,766       |
| Total current assets                                 | 495,653      | 218,485      | 887,115        |                | 1,601,253    |
| Property, plant and equipment, at cost               | 492,814      | 140,823      | 411,473        |                | 1,045,110    |
| Less accumulated depreciation and amortization       | 299,858      | 60,595       | 143,627        |                | 504,080      |
| Net property, plant and equipment                    | 192,956      | 80,228       | 267,846        |                | 541,030      |
| Goodwill   | 20,108       | 107,542      | 212,845        |                | 340,495      |
| Other intangible assets                              | 382          | 49,665       | 119,857        |                | 169,904      |
| Investment in subsidiaries and intercompany accounts | 1,477,628    | 1,337,088    | 585,304        | (3,400,020)    |              |
| Other assets   | 38,147       |              | 57,691         |                | 95,838       |
| Total assets   | \$ 2,224,874 | \$ 1,793,008 | \$ 2,130,658   | \$ (3,400,020) | \$ 2,748,520 |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>          |              |              |                |                |              |
| Current liabilities:                                 |              |              |                |                |              |
| Current installments of long-term debt               | \$ 188       | \$           | \$ 77          | \$             | \$ 265       |
| Notes payable to banks                               |              |              | 17,129         |                | 17,129       |
| Accounts payable                                     | 60,642       | 19,014       | 134,532        |                | 214,188      |
| Accrued employee compensation and benefits           | 65,924       | 10,542       | 32,308         |                | 108,774      |
| Accrued expenses                                     | 43,610       | 4,514        | 39,490         |                | 87,614       |
| Dividends payable                                    | 6,697        |              |                |                | 6,697        |
| Total current liabilities                            | 177,061      | 34,070       | 223,536        |                | 434,667      |
| Deferred income taxes                                | 17,437       | 28,464       | 33,404         |                | 79,305       |
| Long-term debt, excluding current installments       | 470,549      | 539,517      | 745            | (539,517)      | 471,294      |
| Defined benefit pension liability                    |              |              | 99,135         |                | 99,135       |
| Deferred compensation                                | 31,456       |              | 7,461          |                | 38,917       |

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|  |              |              |              |                |              |
|--|--------------|--------------|--------------|----------------|--------------|
| Other noncurrent liabilities                         | 7,209        |              | 42,208       |                | 49,417       |
| Shareholders' equity:                                |              |              |              |                |              |
| Common stock of \$1 par value                        | 27,900       | 457,950      | 254,982      | (712,932)      | 27,900       |
| Additional paid-in capital                           |              | 150,286      | 893,274      | (1,043,560)    |              |
| Retained earnings                                    | 1,514,099    | 540,393      | 514,611      | (1,055,004)    | 1,514,099    |
| Accumulated other comprehensive income (loss)        | 308          | 42,328       | 6,679        | (49,007)       | 308          |
| Treasury stock                                       | (21,145)     |              |              |                | (21,145)     |
| Total Valmont Industries, Inc. shareholders' equity  | 1,521,162    | 1,190,957    | 1,669,546    | (2,860,503)    | 1,521,162    |
| Noncontrolling interest in consolidated subsidiaries |              |              | 54,623       |                | 54,623       |
| Total shareholders' equity                           | 1,521,162    | 1,190,957    | 1,724,169    | (2,860,503)    | 1,575,785    |
| Total liabilities and shareholders' equity           | \$ 2,224,874 | \$ 1,793,008 | \$ 2,130,658 | \$ (3,400,020) | \$ 2,748,520 |

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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

December 29, 2012

|  | Parent       | Guarantors   | Non-Guarantors | Eliminations   | Total        |
|--|--------------|--------------|----------------|----------------|--------------|
| <b>ASSETS</b>  |              |              |                |                |              |
| Current assets:                                      |              |              |                |                |              |
| Cash and cash equivalents                            | \$ 40,926    | \$ 83,203    | \$ 290,000     | \$             | \$ 414,129   |
| Receivables, net                                     | 144,161      | 86,403       | 285,338        |                | 515,902      |
| Inventories  | 146,619      | 71,988       | 193,777        |                | 412,384      |
| Prepaid expenses                                     | 7,153        | 1,029        | 16,962         |                | 25,144       |
| Refundable and deferred income taxes                 | 29,359       | 6,904        | 22,118         |                | 58,381       |
| Total current assets                                 | 368,218      | 249,527      | 808,195        |                | 1,425,940    |
| Property, plant and equipment, at cost               | 456,497      | 122,937      | 415,340        |                | 994,774      |
| Less accumulated depreciation and amortization       | 288,226      | 55,239       | 138,697        |                | 482,162      |
| Net property, plant and equipment                    | 168,271      | 67,698       | 276,643        |                | 512,612      |
| Goodwill   | 20,108       | 107,542      | 203,141        |                | 330,791      |
| Other intangible assets                              | 499          | 53,517       | 118,254        |                | 172,270      |
| Investment in subsidiaries and intercompany accounts | 1,456,159    | 1,246,777    | 615,152        | (3,318,088)    |              |
| Other assets   | 32,511       |              | 94,427         |                | 126,938      |
| Total assets   | \$ 2,045,766 | \$ 1,725,061 | \$ 2,115,812   | \$ (3,318,088) | \$ 2,568,551 |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>          |              |              |                |                |              |
| Current liabilities:                                 |              |              |                |                |              |
| Current installments of long-term debt               | \$ 189       | \$           | \$ 35          | \$             | \$ 224       |
| Notes payable to banks                               |              |              | 13,375         |                | 13,375       |
| Accounts payable                                     | 72,610       | 22,006       | 117,808        |                | 212,424      |
| Accrued employee compensation and benefits           | 61,572       | 10,530       | 29,803         |                | 101,905      |
| Accrued expenses                                     | 30,641       | 4,674        | 43,188         |                | 78,503       |
| Income taxes payable                                 |              | 31           | 669            | (700)          |              |
| Dividends payable                                    | 6,002        |              |                |                | 6,002        |
| Total current liabilities                            | 171,014      | 37,241       | 204,878        | (700)          | 412,433      |
| Deferred income taxes                                | 23,305       | 27,851       | 37,144         |                | 88,300       |
| Long-term debt, excluding current installments       | 471,828      | 599,873      | 765            | (599,873)      | 472,593      |
| Defined benefit pension liability                    |              |              | 112,043        |                | 112,043      |

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|  |              |              |              |                |              |
|--|--------------|--------------|--------------|----------------|--------------|
| Deferred compensation                                | 25,200       |              | 6,720        |                | 31,920       |
| Other noncurrent liabilities                         | 4,507        |              | 39,745       |                | 44,252       |
| Shareholders' equity:                                |              |              |              |                |              |
| Common stock of \$1 par value                        | 27,900       | 457,950      | 254,982      | (712,932)      | 27,900       |
| Additional paid-in capital                           |              | 150,286      | 893,274      | (1,043,560)    |              |
| Retained earnings                                    | 1,300,529    | 467,240      | 443,337      | (910,577)      | 1,300,529    |
| Accumulated other comprehensive income               | 43,938       | (15,380)     | 65,826       | (50,446)       | 43,938       |
| Treasury stock                                       | (22,455)     |              |              |                | (22,455)     |
| Total Valmont Industries, Inc. shareholders' equity  | 1,349,912    | 1,060,096    | 1,657,419    | (2,717,515)    | 1,349,912    |
| Noncontrolling interest in consolidated subsidiaries |              |              | 57,098       |                | 57,098       |
| Total shareholders' equity                           | 1,349,912    | 1,060,096    | 1,714,517    | (2,717,515)    | 1,407,010    |
| Total liabilities and shareholders' equity           | \$ 2,045,766 | \$ 1,725,061 | \$ 2,115,812 | \$ (3,318,088) | \$ 2,568,551 |



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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 CASH FLOWS

For the Thirty-nine Weeks Ended September 28, 2013

|  | Parent     | Guarantors | Non-Guarantors | Eliminations | Total      |
|--|------------|------------|----------------|--------------|------------|
| Cash flows from operating activities:                                    |            |            |                |              |            |
| Net earnings   | \$ 223,621 | \$ 73,154  | \$ 99,072      | \$ (167,500) | \$ 228,347 |
| Adjustments to reconcile net earnings to net cash flows from operations: |            |            |                |              |            |
| Depreciation and amortization  | 15,252     | 9,620      | 32,545         |              | 57,417     |
| Stock-based compensation   | 4,999      |            |                |              | 4,999      |
| Defined benefit pension plan expense                                     |            |            | 4,870          |              | 4,870      |
| Contribution to defined benefit pension plan                             |            |            | (16,755)       |              | (16,755)   |
| Gain on sale of property, plant and equipment                            | 354        | 37         | (5,451)        |              | (5,060)    |
| Equity in earnings in nonconsolidated subsidiaries                       | (341)      |            | (207)          |              | (548)      |
| Deferred income taxes  | (7,473)    | 1,342      | 4,856          |              | (1,275)    |
| Changes in assets and liabilities (net of acquisitions):                 |            |            |                |              |            |
| Receivables  | 8,737      | 3,552      | (13,046)       |              | (757)      |
| Inventories  | 3,146      | (5,556)    | (12,164)       |              | (14,574)   |
| Prepaid expenses   | (1,148)    | 290        | (6,183)        |              | (7,041)    |
| Accounts payable   | (11,968)   | (2,992)    | 16,121         |              | 1,161      |
| Accrued expenses   | 17,944     | (148)      | (865)          |              | 16,931     |
| Other noncurrent liabilities   | 5,987      |            | (3,477)        |              | 2,510      |
| Income taxes payable (refundable)  | (19,833)   | (2,035)    | (77)           | 825          | (21,120)   |
| Net cash flows from operating activities                                 | 239,277    | 77,264     | 99,239         | (166,675)    | 249,105    |
| Cash flows from investing activities:                                    |            |            |                |              |            |
| Purchase of property, plant and equipment                                | (41,034)   | (18,381)   | (15,657)       |              | (75,072)   |
| Proceeds from sale of assets   | 1,492      | 35         | 38,037         |              | 39,564     |
| Acquisitions, net of cash acquired                                       |            |            | (53,152)       |              | (53,152)   |
| Other, net   | (68,447)   | (105,512)  | 8,515          | 166,675      | 1,231      |
| Net cash flows from investing activities                                 | (107,989)  | (123,858)  | (22,257)       | 166,675      | (87,429)   |
| Cash flows from financing activities:                                    |            |            |                |              |            |
| Net borrowings under short-term agreements                               |            |            | 3,439          |              | 3,439      |
| Proceeds from long-term borrowings                                       |            |            | 274            |              | 274        |
| Principal payments on long-term borrowings                               | (187)      |            | (321)          |              | (508)      |
| Dividends paid   | (18,717)   |            |                |              | (18,717)   |
| Intercompany dividends   |            | 20,133     | (20,133)       |              |            |
| Dividends to noncontrolling interest                                     |            |            | (1,767)        |              | (1,767)    |
| Proceeds from exercises under stock plans                                | 15,064     |            |                |              | 15,064     |
| Excess tax benefits from stock option exercises                          | 4,630      |            |                |              | 4,630      |
| Purchase of common treasury shares stock plan exercises:                 | (14,644)   |            |                |              | (14,644)   |
| Net cash flows from financing activities                                 | (13,854)   | 20,133     | (18,508)       |              | (12,229)   |
| Effect of exchange rate changes on cash and cash equivalents             |            | (5,556)    | (14,651)       |              | (20,207)   |
| Net change in cash and cash equivalents                                  | 117,434    | (32,017)   | 43,823         |              | 129,240    |

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|   |            |           |            |            |
|---|------------|-----------|------------|------------|
| Cash and cash equivalents beginning of year | 40,926     | 83,203    | 290,000    | 414,129    |
| Cash and cash equivalents end of period     | \$ 158,360 | \$ 51,186 | \$ 333,823 | \$ 543,369 |

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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 CASH FLOWS

For the Thirty-nine Weeks Ended September 29, 2012

|  | Parent     | Guarantors | Non-Guarantors | Eliminations | Total      |
|--|------------|------------|----------------|--------------|------------|
| Cash flows from operations:  |            |            |                |              |            |
| Net earnings   | \$ 169,036 | \$ 67,239  | \$ 90,681      | \$ (154,767) | \$ 172,189 |
| Adjustments to reconcile net earnings to net cash flows from operations: |            |            |                |              |            |
| Depreciation and amortization  | 14,183     | 9,602      | 28,477         |              | 52,262     |
| Stock-based compensation   | 4,517      |            |                |              | 4,517      |
| Defined benefit pension plan expense                                     |            |            | 3,076          |              | 3,076      |
| Contribution to defined benefit pension plan                             |            |            | (11,591)       |              | (11,591)   |
| Gain on sale of property, plant and equipment                            | (66)       | (58)       | (63)           |              | (187)      |
| Equity in earnings of nonconsolidated subsidiaries                       | (461)      |            | (4,850)        |              | (5,311)    |
| Deferred income taxes  | (3,832)    | (419)      | 314            |              | (3,937)    |
| Changes in assets and liabilities:                                       |            |            |                |              |            |
| Receivables  | (5,806)    | (18,798)   | (22,059)       |              | (46,663)   |
| Inventories  | 1,705      | (11,409)   | (26,803)       |              | (36,507)   |
| Prepaid expenses   | (741)      | (43)       | (2,873)        |              | (3,657)    |
| Accounts payable   | (14,260)   | 3,280      | 10,945         |              | (35)       |
| Accrued expenses   | 16,577     | (607)      | 19             |              | 15,989     |
| Other noncurrent liabilities   | 532        |            | (1,255)        |              | (723)      |
| Income taxes payable (refundable)  | (19,897)   | 273        | (1,461)        | (655)        | (21,740)   |
| Net cash flows from operations   | 161,487    | 49,060     | 62,557         | (155,422)    | 117,682    |
| Cash flows from investing activities:                                    |            |            |                |              |            |
| Purchase of property, plant and equipment                                | (23,270)   | (10,885)   | (24,545)       |              | (58,700)   |
| Proceeds from sale of assets   | 112        | 71         | 5,414          |              | 5,597      |
| Other, net   | (77,917)   | (15,657)   | (61,768)       | 155,422      | 80         |
| Net cash flows from investing activities                                 | (101,075)  | (26,471)   | (80,899)       | 155,422      | (53,023)   |
| Cash flows from financing activities:                                    |            |            |                |              |            |
| Net borrowings under short-term agreements                               |            |            | 4,096          |              | 4,096      |
| Proceeds from long-term borrowings                                       | 39,000     |            | 126            |              | 39,126     |
| Principal payments on long-term borrowings                               | (39,197)   |            | (83)           |              | (39,280)   |
| Proceeds from sale of partial ownership interest                         |            |            | 1,404          |              | 1,404      |
| Dividends paid   | (15,530)   |            |                |              | (15,530)   |
| Dividend to noncontrolling interests                                     |            |            | (1,379)        |              | (1,379)    |
| Debt issuance costs  | (1,703)    |            |                |              | (1,703)    |
| Proceeds from exercises under stock plans                                | 19,527     |            |                |              | 19,527     |
| Excess tax benefits from stock option exercises                          | 4,212      |            |                |              | 4,212      |
| Purchase of common treasury shares stock plan exercises                  | (19,116)   |            |                |              | (19,116)   |
| Net cash flows from financing activities                                 | (12,807)   |            | 4,164          |              | (8,643)    |
| Effect of exchange rate changes on cash and cash equivalents             |            | 1,318      | 6,852          |              | 8,170      |
| Net change in cash and cash equivalents                                  | 47,605     | 23,907     | (7,326)        |              | 64,186     |

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|   |           |           |            |            |
|---|-----------|-----------|------------|------------|
| Cash and cash equivalents beginning of year | 27,545    | 18,257    | 317,092    | 362,894    |
| Cash and cash equivalents end of period     | \$ 75,150 | \$ 42,164 | \$ 309,766 | \$ 427,080 |

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Management's discussion and analysis contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on assumptions that management has made in light of experience in the industries in which the Company operates, as well as management's perceptions of historical trends, current conditions, expected future developments and other factors believed to be appropriate under the circumstances. These statements are not guarantees of performance or results. They involve risks, uncertainties (some of which are beyond the Company's control) and assumptions. Management believes that these forward-looking statements are based on reasonable assumptions. Many factors could affect the Company's actual financial results and cause them to differ materially from those anticipated in the forward-looking statements. These factors include, among other things, risk factors described from time to time in the Company's reports to the Securities and Exchange Commission, as well as future economic and market circumstances, industry conditions, company performance and financial results, operating efficiencies, availability and price of raw materials, availability and market acceptance of new products, product pricing, domestic and international competitive environments, and actions and policy changes of domestic and foreign governments.

This discussion should be read in conjunction with the financial statements and notes thereto, and the management's discussion and analysis included in the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2012. Segment sales in the table below are presented net of intersegment sales.

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**Results of Operations**

Dollars in millions, except per share amounts

|                                   | Thirteen Weeks Ended  |                       |                    | Thirty-nine Weeks Ended |                       |                    |
|-----------------------------------|-----------------------|-----------------------|--------------------|-------------------------|-----------------------|--------------------|
|                                   | September 28,<br>2013 | September 29,<br>2012 | % Incr.<br>(Decr.) | September 28,<br>2013   | September 29,<br>2012 | % Incr.<br>(Decr.) |
| <b>Consolidated</b>               |                       |                       |                    |                         |                       |                    |
| Net sales                         | \$ 778.0              | \$ 729.8              | 6.6%               | \$ 2,476.3              | \$ 2,214.5            | 11.8%              |
| Gross profit                      | 225.6                 | 192.4                 | 17.3%              | 722.4                   | 578.1                 | 25.0%              |
| <i>as a percent of sales</i>      | 29.0%                 | 26.4%                 |                    | 29.2%                   | 26.1%                 |                    |
| SG&A expense                      | 115.7                 | 102.0                 | 13.4%              | 350.0                   | 307.6                 | 13.8%              |
| <i>as a percent of sales</i>      | 14.9%                 | 14.0%                 |                    | 14.1%                   | 13.9%                 |                    |
| Operating income                  | 109.9                 | 90.4                  | 21.6%              | 372.4                   | 270.6                 | 37.6%              |
| <i>as a percent of sales</i>      | 14.1%                 | 12.4%                 |                    | 15.0%                   | 12.2%                 |                    |
| Net interest expense              | 6.6                   | 6.3                   | 4.8%               | 19.6                    | 17.6                  | 11.4%              |
| Effective tax rate                | 42.8%                 | 34.1%                 |                    | 35.6%                   | 36.2%                 |                    |
| Net earnings                      | \$ 56.5               | \$ 56.7               | (0.4)%             | \$ 223.6                | \$ 169.0              | 32.3%              |
| Diluted earnings per share        | \$ 2.10               | \$ 2.12               | (0.9)%             | \$ 8.31                 | \$ 6.32               | 31.5%              |
| <b>Engineered Infrastructure</b>  |                       |                       |                    |                         |                       |                    |
| <b>Products</b>                   |                       |                       |                    |                         |                       |                    |
| Net sales                         | \$ 235.3              | \$ 219.3              | 7.3%               | \$ 658.0                | \$ 616.0              | 6.8%               |
| Gross profit                      | 67.6                  | 59.0                  | 14.6%              | 186.0                   | 160.1                 | 16.2%              |
| SG&A expense                      | 41.9                  | 40.3                  | 4.0%               | 125.0                   | 119.2                 | 4.9%               |
| Operating income                  | 25.7                  | 18.7                  | 37.4%              | 61.0                    | 40.9                  | 49.1%              |
| <b>Utility Support Structures</b> |                       |                       |                    |                         |                       |                    |
| Net sales                         | \$ 228.9              | \$ 216.9              | 5.5%               | \$ 696.1                | \$ 617.9              | 12.7%              |
| Gross profit                      | 61.8                  | 47.9                  | 29.0%              | 189.8                   | 134.5                 | 41.1%              |
| SG&A expense                      | 20.3                  | 17.7                  | 14.7%              | 60.0                    | 52.6                  | 14.1%              |
| Operating income                  | 41.5                  | 30.2                  | 37.4%              | 129.8                   | 81.9                  | 58.5%              |
| <b>Coatings</b>                   |                       |                       |                    |                         |                       |                    |
| Net sales                         | \$ 75.3               | \$ 71.4               | 5.5%               | \$ 229.6                | \$ 213.1              | 7.7%               |
| Gross profit                      | 28.7                  | 26.3                  | 9.1%               | 80.9                    | 79.0                  | 2.4%               |
| SG&A expense                      | 8.9                   | 7.7                   | 15.6%              | 24.1                    | 24.4                  | (1.2)%             |
| Operating income                  | 19.8                  | 18.6                  | 6.5%               | 56.8                    | 54.6                  | 4.0%               |
| <b>Irrigation</b>                 |                       |                       |                    |                         |                       |                    |
| Net sales                         | \$ 175.1              | \$ 156.4              | 12.0%              | \$ 690.0                | \$ 546.7              | 26.2%              |
| Gross profit                      | 52.8                  | 44.5                  | 18.7%              | 216.3                   | 156.4                 | 38.3%              |
| SG&A expense                      | 21.7                  | 17.3                  | 25.4%              | 66.4                    | 53.2                  | 24.8%              |
| Operating income                  | 31.1                  | 27.2                  | 14.3%              | 149.9                   | 103.2                 | 45.3%              |
| <b>Other</b>                      |                       |                       |                    |                         |                       |                    |
| Net sales                         | \$ 63.4               | \$ 65.8               | (3.6)%             | \$ 202.6                | \$ 220.8              | (8.2)%             |
| Gross profit                      | 14.8                  | 14.5                  | 2.1%               | 49.2                    | 47.9                  | 2.7%               |
| SG&A expense                      | 4.8                   | 4.8                   | %                  | 15.4                    | 14.5                  | 6.2%               |
| Operating income                  | 10.0                  | 9.7                   | 3.1%               | 33.8                    | 33.4                  | 1.2%               |
| <b>Net corporate expense</b>      |                       |                       |                    |                         |                       |                    |
| Gross profit                      | \$ (0.1)              | \$ 0.2                | NM                 | \$ 0.2                  | \$ 0.2                | NM                 |
| SG&A expense                      | 18.1                  | 14.2                  | 27.5%              | 59.1                    | 43.6                  | 35.6%              |
| Operating loss                    | (18.2)                | (14.0)                | (30.0)%            | (58.9)                  | (43.4)                | (35.7)%            |

NM=Not meaningful

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**Overview**

On a consolidated basis, the increase in net sales in the third quarter and first three quarters of fiscal 2013, as compared with 2012, reflected improved sales in all reportable segments while sales were down in the "Other" category. Fiscal 2013 refers to the thirteen and thirty-nine week periods ended September 28, 2013 and fiscal 2012 refers to the thirteen and thirty-nine week periods ended September 29, 2012. The increase in net sales in fiscal 2013, as compared with fiscal 2012, was due to the following factors:

|                      | Third quarter |          |          |          |            |         |
|----------------------|---------------|----------|----------|----------|------------|---------|
|                      | Total         | EIP      | Utility  | Coatings | Irrigation | Other   |
| Sales 2012           | \$ 729.8      | \$ 219.3 | \$ 216.9 | \$ 71.4  | \$ 156.4   | \$ 65.8 |
| Volume               | 17.9          | 5.1      | (8.4)    | (2.2)    | 17.8       | 5.6     |
| Pricing/mix          | 21.5          | (1.7)    | 19.9     | 0.5      | 4.7        | (1.9)   |
| Acquisitions         | 25.9          | 16.8     |          | 9.1      |            |         |
| Currency translation | (17.1)        | (4.2)    | 0.5      | (3.5)    | (3.8)      | (6.1)   |
| Sales 2013           | \$ 778.0      | \$ 235.3 | \$ 228.9 | \$ 75.3  | \$ 175.1   | \$ 63.4 |

|                      | Year-to-date |          |          |          |            |          |
|----------------------|--------------|----------|----------|----------|------------|----------|
|                      | Total        | EIP      | Utility  | Coatings | Irrigation | Other    |
| Sales 2012           | \$ 2,214.5   | \$ 616.0 | \$ 617.9 | \$ 213.1 | \$ 546.7   | \$ 220.8 |
| Volume               | 136.9        | 1.0      | 14.4     | (7.0)    | 128.0      | 0.5      |
| Pricing/mix          | 78.2         | (1.2)    | 63.2     | 1.9      | 23.6       | (9.3)    |
| Acquisitions         | 72.8         | 46.7     |          | 26.1     |            |          |
| Currency translation | (26.1)       | (4.5)    | 0.6      | (4.5)    | (8.3)      | (9.4)    |
| Sales 2013           | \$ 2,476.3   | \$ 658.0 | \$ 696.1 | \$ 229.6 | \$ 690.0   | \$ 202.6 |

Acquisitions included Locker Group Holdings ("Locker") and Pure Metal Galvanizing ("PMG"). We acquired PMG in December 2012 and Locker in February 2013. We report Locker in the Engineered Infrastructure Products segment and PMG in the Coatings segment.

In the third quarter and first three quarters of fiscal 2013, we realized a decrease in operating profit, as compared with fiscal 2012, due to currency translation effects. On average, the U.S. dollar strengthened in particular against the Australian dollar, Brazilian Real and South Africa Rand, resulting in less operating profit in U.S. dollar terms. The breakdown of this effect by segment was as follows:

|               | Total    | EIP      | Coatings | Irrigation | Other    | Corporate |
|---------------|----------|----------|----------|------------|----------|-----------|
| Third quarter | \$ (2.2) | \$ (0.6) | \$ (0.6) | \$ (0.5)   | \$ (0.5) | \$        |
| Year-to-date  | \$ (3.1) | \$ (0.5) | \$ (0.7) | \$ (1.3)   | \$ (0.7) | \$ 0.1    |

The increase in gross margin (gross profit as a percent of sales) in fiscal 2013, as compared with 2012, was due to a combination of improved sales prices and sales mix, improved factory operations and moderating raw material costs in 2013, as compared with 2012. In general, our cost of steel and other raw materials were slightly lower in the third quarter and first three quarters of 2013, as compared with the same periods in 2012.

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Selling, general and administrative (SG&A) spending in the third quarter and first three quarters of fiscal 2013, as compared with the same period in 2012, increased mainly due to the following factors:

Expenses recorded by Locker and PMG, which were acquired after the third quarter of 2012, of \$4.9 million and \$14.4 million, respectively;

Increased compensation expenses of \$2.1 million and \$7.1 million, respectively, mainly associated with increased employment levels and salary increases, and;

Increased employee incentive accruals of \$1.2 million and \$9.9 million, respectively, due to improved operating results and increased share price in valuing long-term incentive plans.

In addition, certain non-recurring items affecting the comparisons of SG&A expenses included:

The sale of one of our galvanizing facilities in Australia resulted in a gain of \$4.6 million in the second quarter of 2013, which was reported as a reduction of SG&A expense, and;

Insurance proceeds received in fiscal 2012 related to a fire in one of our galvanizing facilities in Australia resulted in a non-recurring reduction in SG&A in the third quarter and first three quarters of fiscal 2012 of \$0.6 million and \$2.0 million, respectively.

On a reportable segment basis, all segments realized improved operating income in the third quarter and first three quarters of 2013, as compared with 2012.

Net interest expense increased in the the third quarter and first three quarters of fiscal 2013, as compared with 2012, due to a combination of lower interest income, as we used invested cash to fund the Locker acquisition, and slightly higher interest expense. The increase in interest expense principally was due to higher bank fees and interest incurred due to international working capital borrowings.

The increase in other expense in the third quarter of 2013, as compared with 2012, mainly was attributable to foreign exchange transaction losses due to currency volatility.

Our effective income tax rate in the third quarter of fiscal 2013 was higher than the same period in fiscal 2012, principally due to a lowering of U.K. income tax rates and reconciliation of our annual income tax filings. In fiscal 2012 and 2013, U.K. tax rates were collectively reduced from 25% to 20%. Accordingly, we reduced the value of our deferred tax assets associated with net operating loss carryforwards and certain timing differences by \$8.3 million in the third quarter of fiscal 2013 (\$4.7 million in fiscal 2012), with a corresponding increase in income tax expense. On a year-to-date basis, the effects of the U.K. tax rate decrease were offset somewhat by approximately \$1.5 million of tax benefits associated with the first quarter 2013 sale of our nonconsolidated investment in South Africa and \$1.4 million of increased research and development tax credits in the U.S.

Earnings in non-consolidated subsidiaries were lower in fiscal 2013, as compared with 2012, due to the sale of our 49% owned manganese materials operation in February 2013. There was no significant gain or loss on the sale.

Our cash flows generated by operations were approximately \$249.1 million in the first three quarters of fiscal 2013, as compared with \$117.7 million in 2012. The increase in operating cash flow in the first three quarters of fiscal 2013 was the result of improved net earnings and less additional working capital to support the improved sales in 2013, as compared with 2012.

### ***Engineered Infrastructure Products (EIP) segment***

The increase in net sales in the third quarter and first three quarters of fiscal 2013 as compared with 2012 was mainly due to the acquisition of Locker in February 2013. Global lighting sales in the third quarter and first three quarters of fiscal 2013 were comparable with the same periods in fiscal 2012. In the third quarter of fiscal 2013, sales in North America and Europe were comparable with





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2012. On a year-to-date basis, North American sales were comparable with 2012 while Europe was down slightly from 2012. The transportation market for lighting and traffic structures in the U.S., while stable, continues to be challenging, due in part to the lack of long-term U.S. federal highway funding legislation. Sales in other market channels such as sales to lighting fixture manufacturers and commercial construction projects in the third quarter and first three quarters of fiscal 2013 improved somewhat as compared with the same periods in 2012. In Europe, year-to-date sales in fiscal 2013 were lower than 2012, as weak economic conditions and restricted government roadway spending activity hampered demand for lighting structures.

Communication product line sales improved in the third quarter and first three quarters of fiscal 2013, as compared with the same periods of fiscal 2012. On a regional basis, North American sales in the third quarter and first three quarters of fiscal 2013 improved over the same periods in fiscal 2012 by \$8.4 and \$16.9 million, respectively. The increase in North America sales was mainly attributable to stronger sales demand for components due to 4G wireless communication development. In China, sales of wireless communication structures in the third quarter and first three quarters of fiscal 2013 were lower than the same periods in fiscal 2012.

Access systems product line sales improved in fiscal 2013, as compared with 2012, mainly due to the Locker acquisition in February 2013. Otherwise, access systems sales in the third quarter and first three quarters of fiscal 2013 were lower than 2012, due a combination of slowness in mining sector investment in Australia and exchange rate effects due to a weaker Australian dollar in 2013 and related competitive pricing effects. Highway safety product sales in fiscal 2013 were comparable with fiscal 2012, as spending for roads and highways in Australia continues to be relatively weak due to budgetary restrictions.

Operating income for the segment in the third quarter and first three quarters of fiscal 2013 increased, as compared with the same periods of fiscal 2012, due primarily to:

improved operating performance of our lighting operations as a result of better factory operating performance (approximately \$7.2 million and \$9.8 million, respectively);

improved North American communication product sales (approximately \$1.0 million and \$6.8 million), and;

operating profit generated from Locker (approximately \$1.4 million and \$2.7 million, respectively).

The increase in SG&A spending was attributable to Locker (approximately \$3.8 million and \$10.4 million, respectively). SG&A spending otherwise was lower in fiscal 2013, as compared with 2012, mainly associated with cost cutting measures taken in Europe in the third and fourth quarters of 2012.

***Utility Support Structures (Utility) segment***

In the Utility segment, the sales increase in the third quarter and first three quarters of fiscal 2013, as compared with 2012, was due mainly to improved sales in the U.S. market. While international sales were lower in the third quarter of 2013, as compared with the same period of 2012, year-to-date international sales in 2013 were comparable with fiscal 2012. International utility sales are more dependent on bid projects than North America.

In the U.S., electrical utility companies continue to invest in the electrical grid at a high rate, as evidenced by record backlogs at December 29, 2012 and continued strong order flow in 2013. Certain low margin orders that shipped and were completed in fiscal 2012 contributed to improved sales prices and mix in 2013, as compared with 2012.

Operating income in fiscal 2013, as compared with 2012, increased due to the increase in sales volumes, improved sales pricing and mix and favorable leverage of fixed costs. In addition, the third

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quarter and first three quarters of fiscal 2012 included approximately \$1.3 million and \$8.4 million, respectively, of unanticipated production and rework costs associated with one large order. These costs did not recur in fiscal 2013, which contributed to the gross profit improvements in fiscal 2013, as compared with 2012. The increases in SG&A expense in the third quarter and first three quarters of fiscal 2013, as compared with fiscal 2012, were mainly due to increased employee compensation (\$1.0 million and \$2.3 million, respectively) and incentives (\$0.5 million and \$1.3 million, respectively) associated with the increase in business levels and operating income.

*Coatings segment*

Coatings segment sales increased in the third quarter and first three quarters of fiscal 2013, as compared with 2012, due mainly to the December 2012 PMG acquisition. North America experienced stable external demand for galvanizing services, although internal demand from our other segments was higher in the third quarter and first three quarters of 2013, as compared with 2012. Asia Pacific volumes in 2013 were lower than 2012 due to weak demand in Australia. Unit pricing in 2013 was comparable with 2012.

The increase in segment operating income in the third quarter and first three quarters of fiscal 2013, as compared with 2012, was mainly due to the gain on the sale of an Australian galvanizing operation in the second quarter of fiscal 2013 of \$4.6 million, and operating income provided by PMG (\$1.6 million and \$3.1 million, respectively). These two positive effects on fiscal 2013 operating income were offset to an extent by the effect of lower external demand for coatings services in Australia and the following non-recurring favorable events that occurred in fiscal 2012:

Insurance recoveries in the third quarter of fiscal 2012 related to fire and storm damages at one of our Australian galvanizing facilities of approximately \$0.8 million, and;

Settlement of a dispute with a vendor of approximately \$0.9 million in the second quarter of 2012.

*Irrigation segment*

The increase in Irrigation segment net sales in the third quarter and first three quarters of fiscal 2013, as compared with 2012, was mainly due to sales volume increases in both North American and International markets. The pricing and sales mix effect was generally due to sales price increases that took effect in 2012 to recover higher material costs in early 2012. In global markets, the sales growth was due to very strong agricultural economies around the world. Farm commodity prices continue to be favorable. We believe that farm commodity prices have been generally favorable due to strong demand, including consumption in the production of ethanol and other fuels, and traditionally low inventories of major farm commodities. In addition, in North America, we believe widespread drought throughout much of the country in 2012 further highlighted the benefits of center pivot irrigation and contributed to enhanced demand for our products. In international markets, sales improved in the third quarter and first three quarters of fiscal 2013, as compared with 2012, mainly due to increased activity in Brazil, Eastern Europe and Australia. On balance, sales in other international regions in the third quarter and first three quarters of fiscal 2013 were comparable to the same periods of a strong fiscal 2012.

Operating income for the segment improved in fiscal 2013 over 2012, due to improved global sales unit volumes and related price increases. Moderating raw material prices in light of higher selling prices also contributed to improved operating income in 2013, as compared with 2012. The most significant reasons for the increase in SG&A expense in 2013, as compared with 2012, related to employee compensation costs and incentives (approximately \$1.1 million and \$4.2 million, respectively), \$0.8 million and \$2.0 million in provisions for international receivables recorded in the third quarter and first three quarters of 2013 and other expenses to support the business activity levels and product development.

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***Other***

This unit includes the grinding media, industrial tubing, electrolytic manganese and industrial fasteners operations. The decrease in sales in the third quarter and first three quarters of fiscal 2013, as compared with 2012, was mainly due lower sales prices and exchange rate translation effects. Operating income in the third quarter and first three quarters of fiscal 2013 was comparable with the same periods in 2012, as lower raw material prices helped to dampen the effects of lower selling prices.

***Net corporate expense***

Net corporate expense in the third quarter and first three quarters of fiscal 2013 increased over the same periods in fiscal 2012. These increases were mainly due to:

higher employee incentives associated with improved net earnings and share price, which affected long-term incentive plans. Third quarter incentive expense in fiscal 2013 was comparable with 2012. On a year-to-date basis, incentive expenses in fiscal 2013 were \$5.3 million higher than 2012;

insurance settlements realized in the third quarter and first three quarters of 2012 related to a fire and storm damage to one of our galvanizing facilities in Australia of \$0.6 million and \$2.0 million, respectively, that did not recur in fiscal 2013;

higher compensation and employee benefit costs (approximately \$1.5 million and \$4.2 million, respectively), and;

increased expenses associated with the Delta Pension Plan (approximately \$0.6 million and \$1.9 million, respectively).

These increases were partially offset by 2012 stamp duties incurred in the first quarter of fiscal 2012 related to the 2011 Delta legal restructuring of \$1.2 million that did not recur in 2013.

**Liquidity and Capital Resources**

***Cash Flows***

***Working Capital and Operating Cash Flows*** Net working capital was \$1,166.6 million at September 28, 2013, as compared with \$1,013.5 million at December 29, 2012. The increase in net working capital in 2013 mainly resulted from increased cash on hand. Cash flow provided by operations was \$249.1 million in the first three quarters of fiscal 2013, as compared with \$117.7 million provided by operations in the first three quarters of fiscal 2012. The increase in operating cash flow in 2013 was the result of the improvement in net earnings and working capital management in 2013, as compared with 2012. Despite higher sales levels in the first three quarters of fiscal 2013, receivable levels were comparable and inventory slightly increased as compared to December 29, 2012. Receivable turnover was slightly better in 2013, as compared with 2012, in part due to strong sales in North America, where collections generally are faster than at international locations. Inventory levels at September 28, 2013 were slightly higher than December 29, 2012, due to seasonal trends and the addition of Locker in 2013.

***Investing Cash Flows*** Capital spending in the first three quarters of fiscal 2013 was \$75.1 million, as compared with \$58.7 million for the same period in 2012. The most significant capital spending projects in 2013 included certain capacity expansions in the Utility and Irrigation segments. We expect our capital spending for the 2013 fiscal year to be approximately \$110 million. The increase in expected capital spending over 2012 is mainly due to capacity increases to meet the growing need for utility structures in the U.S. and additional manufacturing investment in the Irrigation segment. In 2013, investing cash flows included proceeds from asset sales of \$39.6 million, principally consisting of \$29.2 million received from the sale of our 49% owned non-consolidated subsidiary in South Africa and

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\$8.2 million received from the sale of the Western Australia galvanizing operation. Investing cash flows also included \$53.2 million paid for the Locker acquisition.

*Financing Cash Flows* Our total interest-bearing debt increased slightly to \$488.7 million at September 28, 2013 from \$486.2 million at December 29, 2012. Financing cash flows overall were lower in the first three quarters of fiscal 2013, as compared with the same period in 2012. The main reason for the decrease related to higher dividend payments associated with an increase in per share dividends in fiscal 2013.

***Financing and Capital***

We have historically funded our growth, capital spending and acquisitions through a combination of operating cash flows and debt financing. We have an internal long-term objective to maintain long-term debt as a percent of invested capital at or below 40%. At September 28, 2013, our long-term debt to invested capital ratio was 22.0%, as compared with 23.9% at December 29, 2012. Subject to our level of acquisition activity and steel industry operating conditions (which could affect the levels of inventory we need to fulfill customer commitments), we plan to maintain this ratio below 40% in 2013.

Our debt financing at September 28, 2013 consisted primarily of long-term debt. We also maintain certain short-term bank lines of credit totaling \$102.5 million, \$85.3 million of which was unused at September 28, 2013. Our long-term debt principally consists of:

\$450 million face value (\$462 million carrying value) of senior unsecured notes that bear interest at 6.625% per annum and are due in April 2020. We are allowed to repurchase the notes at specified prepayment premiums. These notes are guaranteed by certain of our subsidiaries.

\$400 million revolving credit agreement with a group of banks. We may increase the credit facility by up to an additional \$200 million at any time, subject to participating banks increasing the amount of their lending commitments. The interest rate on our borrowings will be, at our option, either:

(a) LIBOR (based on a 1, 2, 3 or 6 month interest period, as selected by us) plus 125 to 225 basis points (inclusive of facility fees), depending on our ratio of debt to earnings before taxes, interest, depreciation and amortization (EBITDA), or;

(b) 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 100 basis points (inclusive of facility fees), depending on our ratio of debt to EBITDA, or

LIBOR (based on a 1 week interest period) plus 125 to 225 basis points (inclusive of facility fees), depending on our ratio of debt to EBITDA.

At September 28, 2013 and December 29, 2012, we 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 our additional borrowing capability under the agreement. At September 28, 2013, we had the ability to borrow \$384.3 million under this facility, after consideration of standby letters of credit of \$15.7 million associated with certain insurance obligations and international sales commitments.

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These debt agreements contain covenants that require us to maintain certain coverage ratios and may limit us with respect to certain business activities, including capital expenditures. Our key debt covenants are as follows:

Interest-bearing debt is not to exceed 3.5X EBITDA of the prior four quarters; and

EBITDA over the prior four quarters must be at least 2.5X our interest expense over the same period.

At September 28, 2013, we were in compliance with all covenants related to these debt agreements. The key covenant calculations at September 28, 2013 were as follows:

|                           |            |
|---------------------------|------------|
| Interest-bearing debt     | \$ 488,688 |
| EBITDA last four quarters | 561,912    |
| Leverage ratio            | 0.87       |

|                                     |            |
|-------------------------------------|------------|
| EBITDA last four quarters           | \$ 561,912 |
| Interest expense last four quarters | 32,332     |
| Interest earned ratio               | 17.38      |

The calculation of EBITDA last four quarters (September 29, 2012 through September 28, 2013) is as follows:

|  |            |
|--|------------|
| Net cash flows from operations                     | \$ 328,520 |
| Interest expense                                   | 32,332     |
| Income tax expense                                 | 165,550    |
| Deferred income tax benefit                        | (6,383)    |
| Noncontrolling interest                            | (6,418)    |
| Equity in earnings of nonconsolidated subsidiaries | 1,366      |
| Stock-based compensation                           | (6,311)    |
| Pension plan expense                               | (6,075)    |
| Contribution to pension plan                       | 16,755     |
| Changes in assets and liabilities                  | 38,023     |
| Other  | 4,553      |

|        |            |
|--------|------------|
| EBITDA | \$ 561,912 |
|--------|------------|

|   |            |
|---|------------|
| Net earnings attributable to Valmont Industries, Inc. | \$ 288,657 |
| Interest expense                                      | 32,332     |
| Income tax expense                                    | 165,550    |
| Depreciation and amortization expense                 | 75,373     |

|        |            |
|--------|------------|
| EBITDA | \$ 561,912 |
|--------|------------|

Our businesses are cyclical, but we have diversity in our markets, from a product, customer and a geographical standpoint. We have demonstrated the ability to effectively manage through business cycles and maintain liquidity. We have consistently generated operating cash flows in excess of our capital expenditures. Based on our available credit facilities, recent issuance of senior unsecured notes and our history of positive operational cash flows, we believe that we have adequate liquidity to meet our needs.

We have not made any provision for U.S. income taxes in our financial statements on approximately \$644.3 million of undistributed earnings of our foreign subsidiaries, as we intend to reinvest those earnings. Of our cash balances at September 28, 2013, approximately \$381.8 million is held in entities outside the United States. If we need to repatriate foreign cash balances to the United States to meet our cash needs, income taxes would be paid to the extent that those cash repatriations

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were undistributed earnings of our foreign subsidiaries. The income taxes that we would pay if cash were repatriated depends on the amounts to be repatriated and from which country. If all of our cash outside the United States were to be repatriated to the United States, we estimate that we would pay approximately \$38.6 million in income taxes to repatriate that cash.

**Financial Obligations and Financial Commitments**

There have been no material changes to our financial obligations and financial commitments as described on page 37 in our Form 10-K for the fiscal year ended December 29, 2012.

**Off Balance Sheet Arrangements**

There have been no changes in our off balance sheet arrangements as described on page 38 in our Form 10-K for the fiscal year ended December 29, 2012.

**Critical Accounting Policies**

There have been no changes in our critical accounting policies as described on pages 39-43 in our Form 10-K for the fiscal year ended December 29, 2012 during the quarter ended September 28, 2013.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

There were no material changes in the company's market risk during the quarter ended September 28, 2013. For additional information, refer to the section "Risk Management" in our Form 10-K for the fiscal year ended December 29, 2012.

**Item 4. Controls and Procedures**

The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports the Company files or submits under the Securities Exchange Act of 1934 is (1) accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures and (2) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms.

No changes in the Company's internal control over financial reporting occurred during the quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents**PART II. OTHER INFORMATION****Item 2. Unregistered Sales of Equity Securities and Use of Proceeds****Issuer Purchases of Equity Securities**

| Period                                  | (a)<br>Total<br>Number of<br>Shares<br>Purchased | (b)<br>Average Price<br>paid<br>per share | (c)<br>Total Number of<br>Shares<br>Purchased as<br>Part of<br>Publicly<br>Announced<br>Plans or<br>Programs | (d)<br>Maximum<br>Number of<br>Shares that May<br>Yet Be<br>Purchased<br>Under the<br>Plans or<br>Programs |
|---|--|---|--|--|
| June 30, 2013 to July 27, 2013          | 6,004  | \$ 146.09                                 |  |  |
| July 28, 2013 to August 31, 2013        | 1,181  | 139.91                                    |  |  |
| September 1, 2013 to September 28, 2013 |  |   |  |  |
| <b>Total</b>                            | <b>7,185</b>                                     | <b>\$ 145.07</b>                          |  |  |

During the third quarter, the only shares reflected above were those delivered to the Company by employees as part of stock option exercises, either to cover the purchase price of the option or the related taxes payable by the employee as part of the option exercise. The price paid per share was the market price at the date of exercise.

**Item 6. Exhibits**

(a) Exhibits

| Exhibit No. | Description  |
|-------------|--|
| 10.1        | Separation Agreement and Release dated August 13, 2013 between Richard P. Heyse and Valmont Industries, Inc. This document was filed as Exhibit 10.1 to Valmont's Current Report on Form 8-K dated August 13, 2013 and is incorporated herein by this reference.   |
| 31.1        | Section 302 Certificate of Chief Executive Officer   |
| 31.2        | Section 302 Certificate of Chief Financial Officer   |
| 32.1        | Section 906 Certifications of Chief Executive Officer and Chief Financial Officer  |
| 101         | The following financial information from Valmont's Quarterly Report on Form 10-Q for the quarter ended September 28, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Earnings, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Cash Flows, (v) the Condensed Consolidated Statements of Shareholders' Equity, (vi) Notes to Condensed Consolidated Financial Statements and (vii) document and entity information. |



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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf and by the undersigned hereunto duly authorized.

VALMONT INDUSTRIES, INC.  
(Registrant)

/s/ TERRY J. MCCLAIN

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Terry J. McClain  
*Chief Financial Officer (Principal Financial Officer)*

Dated this 23rd day of October, 2013.

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**Index of Exhibits**

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|--------------------|--|
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