

TITANIUM METALS CORP

Form 10-Q

May 08, 2012

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2012

OR

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

Commission file number 1-14368

Titanium Metals Corporation

(Exact name of registrant as specified in its charter)

Edgar Filing: TITANIUM METALS CORP - Form 10-Q

Delaware **13-5630895**
(State or other jurisdiction of **(IRS Employer**
incorporation or organization) **Identification No.)**
5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240-2697
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (972) 233-1700

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined by Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer Non-accelerated filer 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

Number of shares of common stock outstanding on April 27, 2012: 175,179,774

Table of Contents

TITANIUM METALS CORPORATION

INDEX

	Page Number
PART I. FINANCIAL INFORMATION	
Item 1. Condensed Consolidated Financial Statements	
<u>Condensed Consolidated Balance Sheets – December 31, 2011; March 31, 2012 (unaudited)</u>	2
<u>Condensed Consolidated Statements of Income – Three months ended March 31, 2011 and 2012 (unaudited)</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income – Three months ended March 31, 2011 and 2012 (unaudited)</u>	5
<u>Condensed Consolidated Statements of Cash Flows – Three months ended March 31, 2011 and 2012 (unaudited)</u>	6
<u>Condensed Consolidated Statement of Changes in Equity – Three months ended March 31, 2012 (unaudited)</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	8
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	16
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	21
Item 4. <u>Controls and Procedures</u>	22
<u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	22
Item 1A. <u>Risk Factors</u>	22
Item 6. <u>Exhibits</u>	23
Items 2, 3, 4 and 5 of Part II are omitted because there is no information to report.	

Table of Contents

TITANIUM METALS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

	December 31, 2011	March 31, 2012 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 47.3	\$ 39.4
Accounts and other receivables	156.1	180.4
Notes receivable from affiliates	27.0	13.8
Inventories	677.5	739.1
Refundable income taxes	0.8	0.3
Deferred income taxes	40.8	41.1
Other	10.0	7.0
Total current assets	959.5	1,021.1
Marketable securities	138.0	125.2
Notes receivable from affiliates	21.2	20.2
Property and equipment, net	385.8	385.2
Deferred income taxes	22.8	21.5
Other	94.7	98.9
Total assets	\$ 1,622.0	\$ 1,672.1

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

TITANIUM METALS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In millions)

	December 31, 2011	March 31, 2012 (Unaudited)
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 84.9	\$ 88.0
Accrued and other current liabilities	88.4	83.2
Income taxes payable	9.3	19.8
Current maturities of long-term debt		0.5
Total current liabilities	182.6	191.5
Long-term debt	2.5	31.0
Accrued OPEB cost	10.8	10.7
Accrued pension cost	110.0	110.5
Deferred income taxes	75.2	70.8
Other	9.5	9.6
Total liabilities	390.6	424.1
Equity:		
TIMET stockholders' equity:		
Common stock	1.8	1.8
Additional paid-in capital	428.0	428.0
Retained earnings	885.7	898.2
Accumulated other comprehensive loss	(97.2)	(95.1)
Total TIMET stockholders' equity	1,218.3	1,232.9
Noncontrolling interest in subsidiary	13.1	15.1
Total equity	1,231.4	1,248.0
Total liabilities and equity	\$ 1,622.0	\$ 1,672.1

Commitments and contingencies (Note 13)

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

TITANIUM METALS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share data)

	Three months ended March 31,	
	2011	2012
	(Unaudited)	
Net sales	\$ 252.0	\$ 276.7
Cost of sales	203.8	218.3
Gross margin	48.2	58.4
Selling, general, administrative and development expense	14.8	17.2
Other income, net	11.6	0.9
Operating income	45.0	42.1
Other non-operating expense, net	(0.4)	(1.6)
Income before income taxes	44.6	40.5
Provision for income taxes	14.9	13.4
Net income	29.7	27.1
Noncontrolling interest in net income of subsidiary	0.8	1.5
Net income attributable to TIMET stockholders	\$ 28.9	\$ 25.6
Basic and diluted earnings per share attributable to TIMET stockholders	\$ 0.16	\$ 0.15
Weighted average shares outstanding:		
Basic	180.2	175.2
Diluted	180.4	175.2
Cash dividends per common share	\$	\$ 0.075

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

TITANIUM METALS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

	Three months ended March 31, 2011	2012 (Unaudited)
Net income	\$ 29.7	\$ 27.1
Other comprehensive income, net of tax:		
Currency translation adjustment	9.6	9.8
Unrealized gain (loss) on marketable securities	6.5	(8.3)
Pension plans	1.7	1.4
OPEB plan	(0.2)	(0.3)
Total other comprehensive income	17.6	2.6
Comprehensive income	47.3	29.7
Comprehensive income attributable to noncontrolling interest	1.7	2.0
Comprehensive income attributable to TIMET stockholders	\$ 45.6	\$ 27.7

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**TITANIUM METALS CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In millions)**

	Three months ended March 31,	
	2011	2012
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$ 29.7	\$ 27.1
Depreciation and amortization	12.3	13.2
Gain on settlement	(10.6)	
Deferred income taxes	1.9	1.3
Other, net	0.1	1.2
Change in assets and liabilities:		
Receivables	(25.1)	(21.1)
Inventories	(36.5)	(55.0)
Accounts payable and accrued liabilities	14.7	(4.1)
Income taxes	11.9	10.6
Other, net	(4.6)	(6.7)
Net cash used in operating activities	(6.2)	(33.5)
Cash flows from investing activities:		
Capital expenditures	(7.6)	(9.7)
Marketable securities:		
Purchases of mutual funds and other	(205.9)	
Proceeds from the sale of mutual funds and other	13.2	0.1
Notes receivable from affiliates:		
Loans	(24.8)	(16.4)
Collections of principal payments	30.5	30.7
Other, net	(2.0)	3.8
Net cash (used in) provided by investing activities	(196.6)	8.5
Cash flows from financing activities:		
Indebtedness:		
Borrowings		63.1
Repayments		(34.1)
Common stock dividends		(13.1)
Net cash provided by financing activities		15.9
Effect of exchange rate changes on cash	2.5	1.2