

CASTLE A M & CO  
Form 8-K  
November 01, 2005

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934**

Date of November 1,  
Report (Date 2005  
of earliest  
event  
reported)

A. M. Castle & Co.  
(Exact name of registrant as specified in its charter)

Maryland  
(State or other jurisdiction  
of incorporation)

1-5415  
(Commission  
File Number)

36-0879160  
(IRS Employer  
Identification No.)

3400 N. Wolf Road, Franklin Park, 60131  
Illinois  
(Address of principal executive (Zip Code)  
offices)

Registrant's 847/455-7111  
telephone  
number  
including  
area code

(Former name or former address if changed since last report.)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13 e-4(c) under the Exchange Act (17 CFR 240.13 e-4(c))
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A. M. Castle & Co.

**Item 2.02 Results of Operation and Financial Condition**

On Tuesday, November 1, 2005 the Company disseminated a press release, attached as Exhibit A, announcing the Company's operational results for the Third Quarter ending September 30, 2005.

As part of the press release there is a bridge of non-GAAP financial measurement of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) to reported net income. It is shown below the disclosure of the GAAP figures for Operating income, Net income and Diluted earnings per share. This reconciliation of EBITDA to Net income is for the Nine Months Ended September 30, 2005 and September 30, 2004.

The Company believes, however, that EBITDA is an important term and concept because of its use by the professional investment community, including the Company's primary lenders. The Company believes the use of this Term is necessary to a proper understanding of the changes in the Company's earnings.

Exhibits:

Correspondence - Press Release

**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 by the undersigned hereunto duly authorized.

A. M. Castle & Co.

/s/ Lawrence A. Boik  
Lawrence A. Boik  
Vice President, Controller/Treasurer

Date: November 1, 2005

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A. M. CASTLE & CO.

3400 North Wolf Road  
Franklin Park, Illinois 60131  
(847) 455-7111  
(847) 455-6930 (Fax)

**For Further Information:**

—————**AT THE COMPANY**—————

G. Thomas McKane  
Chairman & C.E.O.  
(847) 349-2502  
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—————**AT ASHTON PARTNERS**—————

Investors:  
Katie Pyra  
(312) 553-6717  
Email: kpyra@ashtonpartners.com

Traded: AMEX, CSE (CAS)  
Member: S&P SmallCap 600 Index

**FOR IMMEDIATE RELEASE**  
**TUESDAY, NOVEMBER 1, 2005**

**A. M. Castle & Co.**  
**Reports Third Quarter Results Earnings Increase 72% Over Prior Year;**  
**Announces 2006 Expansion Plans**

**FRANKLIN PARK, IL, November 1st - A. M. Castle & Co. (AMEX: CAS)**, one of North America's leading metals and plastics distributors, today reported for the quarter ended September 30, 2005, net earnings after tax of \$10.0 million, a 72% increase over the prior year. Basic earnings per share for the same period were \$0.63 (\$0.56 diluted) as compared to \$0.37 per share (\$0.36 diluted) during the same quarter of the prior year. Sales for the third quarter 2005 increased 17.7% over the prior period to \$234.6 million. Year-to-date, net earnings were \$34.7 million, a 154% increase over the prior year's results. Sales for the nine-months ended September 30, 2005 were \$731.7 million, an increase of 29.9% over the prior year. "We are pleased with the results of the quarter as the Company continues its strong sales and earnings levels," said G. Thomas McKane, A. M. Castle's Chairman and CEO. "Demand for our products from the durable goods manufacturing industry, our principle customer base, continues at a high level." "Our debt, net of cash, position improved by \$34 million during the quarter. As a result our debt-to-total capital is down to 33.1%," reported Larry Boik, A. M. Castle's CFO. "In addition, we reduced our interest rate on long-term debt by 150 basis points," continued Boik.

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### **Service Center Expansion**

The Company also announced it will open a new service center in Northern Alabama and significantly expand its Montreal, Canada facility during the first half of 2006. "These investments increase our presence in two strong growth markets" stated Stephen Hooks, President of the Company's Castle Metals business unit. "The new Alabama site along with our existing Charlotte, North Carolina operation will allow us to better serve the durable goods manufacturing growth occurring in the southeastern United States," stated Hooks. "Additionally, our Montreal facility will expand approximately 50%, in order to meet our Canadian customers expectations and growing market needs," continued Hooks.

### **Webcast Information**

Shareholders and other interested parties are invited to listen to A. M. Castle's conference call hosted by Mr. McKane and scheduled for 11:00 a.m. (EDT) today, Tuesday, November 1, 2005. Those interested may access the call at the Company's website, <http://www.amcastle.com>, and it will also be available for 14 days following the call.

### **About A. M. Castle & Co.**

Founded in 1890, A. M. Castle & Co. is a specialty metals and plastics distribution company serving the North American market, principally within the producer durable equipment sector. Its customer base includes many Fortune 500 companies as well as thousands of medium and smaller-sized firms spread across a wide spectrum of industries. Within its core metals business, it specializes in the distribution of carbon, alloy and stainless steels; nickel alloy; aluminum; copper and brass. Through its subsidiary, Total Plastics, Inc., the Company also distributes a broad range of value-added industrial plastics. Together, Castle operates over 50 locations throughout North America. Its common stock is traded on the American and Chicago Stock Exchange under the ticker symbol "CAS".

### **Safe Harbor Statement / Regulation G Disclosure**

This release may contain forward-looking statements relating to future financial results. Actual results may differ materially as a result of factors over which the Company has no control. These risk factors and additional information are included in the Company's reports on file with the Securities Exchange Commission.

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The financial statements included in this release contain a non-GAAP disclosure, EBITDA, which consists of income before provision for income taxes plus depreciation and amortization, and interest expense (including discount on accounts receivable sold), less interest income. EBITDA is presented as a supplemental disclosure because this measure is widely used by the investment community for evaluation purposes and provides the reader with additional information in analyzing the Company's operating results. EBITDA should not be considered as an alternative to net income or any other item calculated in accordance with U.S. GAAP, or as an indicator of operating performance. Our definition of EBITDA used here may differ from that used by other companies. A reconciliation of EBITDA to net income is provided per U.S. Securities and Exchange Commission requirements.

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**CONSOLIDATED  
STATEMENTS OF  
INCOME**

*(Dollars in thousands, except  
per share data)*

*Unaudited*

|   | For the Three<br>Months Ended<br>Sep 30 |            | For the Nine<br>Months Ended<br>Sep 30 |            |
|---|---|------------|--|------------|
|   | 2005                                    | 2004       | 2005                                   | 2004       |
| Net sales   | \$ 234,551                              | \$ 199,341 | \$ 731,721                             | \$ 563,195 |
| Cost of material sold                                   | (163,956)                               | (142,033)  | (512,706)                              | (398,378)  |
| Gross margin  | 70,595                                  | 57,308     | 219,015                                | 164,817    |
| Plant and delivery expense                              | (27,920)                                | (23,665)   | (81,635)                               | (70,667)   |
| Sales, general, and<br>administrative expense           | (23,591)                                | (20,345)   | (70,263)                               | (59,117)   |
| Depreciation and amortization<br>expense                | (2,205)                                 | (2,245)    | (6,752)                                | (6,736)    |
| Total operating expense                                 | (53,716)                                | (46,255)   | (158,650)                              | (136,520)  |
| Operating income  | 16,879                                  | 11,053     | 60,365                                 | 28,297     |
| Interest expense, net                                   | (1,765)                                 | (2,175)    | (5,875)                                | (6,706)    |
| Discount on sale of accounts<br>receivable              | (127)                                   | (167)      | (1,127)                                | (684)      |
| Income before income tax and<br>equity in joint venture | 14,987                                  | 8,711      | 53,363                                 | 20,907     |
| Income tax expense                                      |   |            |  |            |
| Federal   | (4,393)                                 | (2,135)    | (15,617)                               | (4,971)    |
| State   | (938)                                   | (554)      | (3,014)                                | (1,283)    |
| Foreign   | 132                                     | (819)      | (1,377)                                | (2,201)    |
|   | (5,199)                                 | (3,508)    | (20,008)                               | (8,455)    |
| Net income before equity in<br>joint venture            | 9,788                                   | 5,203      | 33,355                                 | 12,452     |
| Equity earnings of joint<br>venture                     | 817                                     | 1,458      | 3,342                                  | 3,197      |
| Income taxes - joint<br>venture                         | (321)                                   | (574)      | (1,314)                                | (1,259)    |
| Net income  | 10,284                                  | 6,087      | 35,383                                 | 14,390     |
| Preferred dividends                                     | (240)                                   | (240)      | (720)                                  | (720)      |
| Net income applicable to<br>common stock                | \$ 10,044                               | \$ 5,847   | \$ 34,663                              | \$ 13,670  |
| Basic earnings per share                                | \$ 0.63                                 | \$ 0.37    | \$ 2.18                                | \$ 0.87    |
| Diluted earnings per share                              | \$ 0.56                                 | \$ 0.36    | \$ 1.96                                | \$ 0.87    |

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|          |    |        |    |        |    |        |    |        |
|----------|----|--------|----|--------|----|--------|----|--------|
| EBITDA * | \$ | 19,901 | \$ | 14,756 | \$ | 70,459 | \$ | 38,230 |
|----------|----|--------|----|--------|----|--------|----|--------|

*\*Earnings before interest, discount on sale of accounts receivable, taxes, depreciation and amortization*

Reconciliation of EBITDA to net income:

|   | For the Three Months Ended |        |      |        | For the Nine Months Ended |        |      |        |
|---|----------------------------|--------|------|--------|---------------------------|--------|------|--------|
|   | Sept 30                    |        |      |        | Sept 30                   |        |      |        |
|   | 2005                       |        | 2004 |        | 2005                      |        | 2004 |        |
| Net income                                  | \$                         | 10,284 | \$   | 6,087  | \$                        | 35,383 | \$   | 14,390 |
| Depreciation and amortization               |                            | 2,205  |      | 2,245  |                           | 6,752  |      | 6,736  |
| Interest, net                               |                            | 1,765  |      | 2,175  |                           | 5,875  |      | 6,706  |
| Discount on accounts receivable sold        |                            | 127    |      | 167    |                           | 1,127  |      | 684    |
| Provision from income taxes                 |                            | 5,199  |      | 3,508  |                           | 20,008 |      | 8,455  |
| Provision from income taxes - joint venture |                            | 321    |      | 574    |                           | 1,314  |      | 1,259  |
| EBITDA                                      | \$                         | 19,901 | \$   | 14,756 | \$                        | 70,459 | \$   | 38,230 |

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**CONSOLIDATED BALANCE  
SHEETS**

*(Dollars in thousands)*

*Unaudited\**

|  | Sep 30<br>2005 | As of<br>Dec. 31<br>2004 | Sep 30<br>2004 |
|--|----------------|--------------------------|----------------|
| <b>ASSETS</b>  |                |                          |                |
| Current assets   |                |                          |                |
| Cash and equivalents   | \$ 11,956      | \$ 3,106                 | \$ 5,435       |
| Accounts receivable, less allowances of<br>\$1,937 in September 2005,<br>\$1,760 in December 2004, and \$423 in<br>September 2004  | 116,497        | 80,323                   | 99,073         |
| Inventories (principally on last-in, first-out<br>basis)<br>(latest cost higher by approximately<br>\$97,432 in September 2005,<br>\$92,500 in December 2004, and \$79,569<br>in September 2004) | 117,698        | 135,588                  | 121,297        |
| Income tax receivable  | 144            | 169                      | 310            |
| Assets held for sale   | -              | 995                      | 995            |
| Other current assets   | 6,662          | 7,325                    | 7,926          |
| Total current assets   | 252,957        | 227,506                  | 235,036        |
| Investment in joint venture  | 10,149         | 8,463                    | 7,024          |
| Goodwill   | 32,296         | 32,201                   | 31,959         |
| Pension assets   | 41,275         | 42,262                   | 42,216         |
| Other assets   | 4,748          | 7,586                    | 7,517          |
| Assets held for sale   | 995            | -                        | -              |
| Property, plant and equipment, at cost   |                |                          |                |
| Land   | 4,772          | 4,771                    | 4,768          |
| Building   | 45,719         | 45,514                   | 47,255         |
| Machinery and equipment  | 127,513        | 124,641                  | 121,092        |
|  | 178,004        | 174,926                  | 173,115        |
| Less - accumulated depreciation  | (114,848)      | (109,928)                | (107,528)      |
|  | 63,156         | 64,998                   | 65,587         |
| Total assets   | \$ 405,576     | \$ 383,016               | \$ 389,339     |

**LIABILITIES AND STOCKHOLDERS'**

**EQUITY**

Current liabilities

|  |           |           |            |
|--|-----------|-----------|------------|
| Accounts payable                       | \$ 85,161 | \$ 93,342 | \$ 102,893 |
| Accrued liabilities and deferred gains | 27,441    | 23,016    | 23,990     |
| Current and deferred income taxes      | 8,076     | 4,349     | 2,954      |
| Current portion of long-term debt      | 16,390    | 11,607    | 11,676     |
| Total current liabilities              | 137,068   | 132,314   | 141,513    |
| Long-term debt, less current portion   | 67,374    | 89,771    | 89,450     |
| Deferred income taxes                  | 21,484    | 19,668    | 19,942     |
| Deferred gain on sale of assets        | 5,826     | 6,465     | 6,673      |
| Minority interest                      | 1,419     | 1,644     | 1,268      |

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|   |            |            |            |
|---|------------|------------|------------|
| Postretirement benefits obligations   | 3,083      | 2,905      | 2,834      |
| Stockholders' equity  |            |            |            |
| Preferred stock, no par value - 10,000,000 shares authorized; 12,000 shares issued and outstanding  | 11,239     | 11,239     | 11,239     |
| Common stock, \$0.01 par value - authorized 30,000,000 shares; issued and outstanding 15,981,952 at September 2005, 15,806,366 at December 2004, and 15,796,437 at September 2005 | 160        | 159        | 159        |
| Additional paid in capital  | 40,922     | 35,082     | 35,025     |
| Earnings reinvested in the business   | 117,064    | 82,400     | 80,147     |
| Accumulated other comprehensive income  | 2,631      | 1,616      | 1,350      |
| Other - deferred compensation   | -          | (2)        | (16)       |
| Treasury stock, at cost - 219,748 shares at September 2005, 62,065 shares at December 2004, and 59,260 shares at September 2004   | (2,694)    | (245)      | (245)      |
| Total stockholders' equity  | 169,322    | 130,249    | 127,659    |
| Total liabilities and stockholders' equity  | \$ 405,576 | \$ 383,016 | \$ 389,339 |

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**CONSOLIDATED STATEMENTS OF  
CASH FLOWS**

*(Dollars in thousands)*  
*Unaudited*

For the Nine Months  
Ended September 30  
2005                      2004

|   |           |          |
|---|-----------|----------|
| Cash flows from operating activities:                                     |           |          |
| Net income  | \$ 35,383 | \$ 4,390 |
| Adjustments to reconcile net income to net cash from operating activities |           |          |
| Depreciation and amortization   | 6,752     | 6,736    |
| Amortization of deferred gain   | (639)     | (631)    |
| Equity in earnings from joint venture                                     | (3,342)   | (3,197)  |
| Deferred income taxes   | 241       | 1,367    |
| Non-cash pension and postretirement benefit expense                       | 1,685     | 315      |
| Deferred stock compensation expense                                       | 2,796     | -        |
| Other   | (390)     | 643      |
| Increase (decrease) from changes in:                                      |           |          |
| Accounts receivable sold (purchased)                                      | (16,500)  | (8,000)  |
| Accounts receivable   | (19,276)  | (35,224) |
| Inventory   | 18,205    | (1,905)  |
| Accounts payable and accrued liabilities                                  | (3,781)   | 38,875   |
| Other current assets  | 316       | (953)    |
| Income taxes payable  | 5,265     | 3,080    |
| Net cash from operating activities  | 26,715    | 15,495   |
| Cash flows from investing activities:                                     |           |          |
| Investments and acquisitions, net of cash acquired                        | (236)     | (1,744)  |
| Dividends from joint venture  | 1,705     | 624      |
| Capital expenditures  | (4,784)   | (3,419)  |
| Collection of note receivable   | 2,639     | -        |
| Net cash from investing activities  | (676)     | (4,539)  |
| Cash flows from financing activities:                                     |           |          |
| Proceeds from issuance of long-term debt                                  | 4,000     | -        |
| Repayment of long-term debt   | (21,542)  | (7,337)  |
| Preferred stock dividend  | (720)     | (720)    |
| Other   | 597       | (85)     |
| Net cash from financing activities  | (17,665)  | (8,142)  |
| Effect of exchange rate changes on cash                                   | 476       | 166      |
| Net increase in cash  | 8,850     | 2,980    |

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|                          |    |        |    |       |
|--------------------------|----|--------|----|-------|
| Cash - beginning of year | \$ | 3,106  | \$ | 2,455 |
| Cash - end of period     | \$ | 11,956 | \$ | 5,435 |

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