

VALMONT INDUSTRIES INC
Form 10-Q
July 25, 2013

Use these links to rapidly review the document

[Table of Contents](#)

[Table of Contents](#)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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 June 29, 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)

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

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 ☒

26,772,121

Outstanding shares of common stock as of July 19, 2013

Table of Contents

**VALMONT INDUSTRIES, INC.
INDEX TO FORM 10-Q**

		Page No.
	<u>PART I. FINANCIAL INFORMATION</u>	
Item 1.	Financial Statements:	
	<u>Condensed Consolidated Statements of Earnings for the thirteen and twenty-six weeks ended June 29, 2013 and June 30, 2012</u>	3
	<u>Condensed Consolidated Statements of Comprehensive Income for the thirteen and twenty-six weeks ended June 29, 2013 and June 30, 2012</u>	4
	<u>Condensed Consolidated Balance Sheets as of June 29, 2013 and December 29, 2012</u>	5
	<u>Condensed Consolidated Statements of Cash Flows for the twenty-six weeks ended June 29, 2013 and June 30, 2012</u>	6
	<u>Condensed Consolidated Statements of Shareholders' Equity for the twenty-six weeks ended June 29, 2013 and June 30, 2012</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>	31
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	40
Item 4.	<u>Controls and Procedures</u>	40
	<u>PART II. OTHER INFORMATION</u>	
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	41
Item 6.	<u>Exhibits</u>	41
Signatures		42

Table of Contents

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		Twenty-six Weeks Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Product sales	\$ 794,341	\$ 688,693	\$ 1,534,788	\$ 1,330,680
Services sales	84,318	78,622	163,501	153,985
Net sales	878,659	767,315	1,698,289	1,484,665
Product cost of sales	563,306	519,438	1,092,467	1,002,146
Services cost of sales	53,882	48,482	108,982	96,810
Total cost of sales	617,188	567,920	1,201,449	1,098,956
Gross profit	261,471	199,395	496,840	385,709
Selling, general and administrative expenses	117,206	102,043	234,385	205,539
Operating income	144,265	97,352	262,455	180,170
Other income (expenses):				
Interest expense	(8,025)	(7,421)	(16,215)	(15,228)
Interest income	1,852	1,910	3,205	3,988
Other	123	(1,977)	1,679	(400)
	(6,050)	(7,488)	(11,331)	(11,640)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	138,215	89,864	251,124	168,530
Income tax expense (benefit):				
Current	48,210	35,985	86,870	63,014
Deferred	(1,042)	(5,193)	(4,729)	(4,456)
	47,168	30,792	82,141	58,558
Earnings before equity in earnings of nonconsolidated subsidiaries	91,047	59,072	168,983	109,972
Equity in earnings of nonconsolidated subsidiaries	269	2,087	473	3,775
Net earnings	91,316	61,159	169,456	113,747
Less: Earnings attributable to noncontrolling interests	(1,753)	(1,179)	(2,324)	(1,442)
Net earnings attributable to Valmont Industries, Inc.	\$ 89,563	\$ 59,980	\$ 167,132	112,305
Earnings per share:				
Basic	\$ 3.36	\$ 2.27	\$ 6.28	\$ 4.25

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

Diluted	\$	3.33	\$	2.24	\$	6.22	\$	4.20
Cash dividends declared per share	\$	0.250	\$	0.225	\$	0.475	\$	0.405
Weighted average number of shares of common stock outstanding Basic (000 omitted)		26,648		26,467		26,615		26,432
Weighted average number of shares of common stock outstanding Diluted (000 omitted)		26,910		26,758		26,884		26,718

See accompanying notes to condensed consolidated financial statements.

Table of Contents

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

(Unaudited)

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Net earnings	\$ 91,316	\$ 61,159	\$ 169,456	\$ 113,747
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments:				
Unrealized translation losses	(52,962)	(30,821)	(62,582)	(1,259)
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	200	200
Actuarial gain (loss) in defined benefit pension plan	42	(1,238)	(894)	633
Other comprehensive income (loss)	(52,820)	(31,959)	(68,470)	(426)
Comprehensive income	38,496	29,200	100,986	113,321
Comprehensive loss (income) attributable to noncontrolling interests	1,549	2,533	3,189	(2,481)
Comprehensive income attributable to Valmont Industries, Inc.	\$ 40,045	\$ 31,733	\$ 104,175	\$ 110,840

See accompanying notes to condensed consolidated financial statements.

Table of Contents**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Dollars in thousands, except shares and per share amounts)****(Unaudited)**

	June 29, 2013	December 29, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 490,477	\$ 414,129
Receivables, net	513,766	515,902
Inventories	413,408	412,384
Prepaid expenses	33,587	25,144
Refundable and deferred income taxes	68,168	58,381
Total current assets	1,519,406	1,425,940
Property, plant and equipment, at cost	1,018,988	994,774
Less accumulated depreciation and amortization	488,506	482,162
Net property, plant and equipment	530,482	512,612
Goodwill	332,367	330,791
Other intangible assets, net	168,470	172,270
Other assets	100,898	126,938
Total assets	\$ 2,651,623	\$ 2,568,551

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Current installments of long-term debt	\$ 457	\$ 224
Notes payable to banks	16,004	13,375
Accounts payable	212,097	212,424
Accrued employee compensation and benefits	100,536	101,905
Accrued expenses	80,988	78,503
Dividends payable	6,693	6,002
Total current liabilities	416,775	412,433
Deferred income taxes	80,151	88,300
Long-term debt, excluding current installments	471,662	472,593
Defined benefit pension liability	98,707	112,043
Deferred compensation	37,117	31,920
Other noncurrent liabilities	48,854	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	1,458,326	1,300,529
Accumulated other comprehensive income (loss)	(19,019)	43,938
Treasury stock	(21,317)	(22,455)

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

Total Valmont Industries, Inc. shareholders' equity	1,445,890	1,349,912
Noncontrolling interest in consolidated subsidiaries	52,467	57,098
Total shareholders' equity	1,498,357	1,407,010
Total liabilities and shareholders' equity	\$ 2,651,623	\$ 2,568,551

See accompanying notes to condensed consolidated financial statements.

Table of Contents

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

	Twenty-six Weeks Ended June 29, 2013	June 30, 2012
Cash flows from operating activities:		
Net earnings	\$ 169,456	\$ 113,747
Adjustments to reconcile net earnings to net cash flows from operations:		
Depreciation and amortization	38,186	34,367
Stock-based compensation	3,342	3,067
Defined benefit pension plan expense	3,245	2,050
Contribution to defined benefit pension plan	(10,346)	(10,750)
Gain on sale of property, plant and equipment	(5,071)	(164)
Equity in earnings in nonconsolidated subsidiaries	(473)	(3,775)
Deferred income taxes	(4,729)	(4,456)
Changes in assets and liabilities (net of acquisitions):		
Receivables	(3,331)	(69,922)
Inventories	(2,491)	(48,498)
Prepaid expenses	(5,910)	(4,060)
Accounts payable	736	1,976
Accrued expenses	2,916	(621)
Other noncurrent liabilities	1,873	(408)
Income taxes payable	(11,810)	(16,090)
Net cash flows from operating activities	175,593	(3,537)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(54,258)	(39,221)
Proceeds from sale of assets	39,054	4,867
Acquisitions, net of cash acquired	(53,152)	
Other, net	(133)	1,837
Net cash flows from investing activities	(68,489)	(32,517)
Cash flows from financing activities:		
Net borrowings under short-term agreements	2,620	5,931
Proceeds from long-term borrowings	68	39,126
Principal payments on long-term borrowings	(303)	(39,232)
Proceeds from sale of partial ownership interest		1,404
Dividends paid	(12,021)	(9,545)
Dividends to noncontrolling interest	(1,767)	(1,379)
Proceeds from exercises under stock plans	14,098	15,153
Excess tax benefits from stock option exercises	305	3,211
Purchase of common treasury shares stock plan exercises	(13,602)	(14,086)
Net cash flows from financing activities	(10,602)	583
Effect of exchange rate changes on cash and cash equivalents	(20,154)	958

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

Net change in cash and cash equivalents	76,348	(34,513)
Cash and cash equivalents beginning of year	414,129	362,894
Cash and cash equivalents end of period	\$ 490,477	\$ 328,381

See accompanying notes to condensed consolidated financial statements.

Table of Contents

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Dollars in thousands)

(Unaudited)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Noncontrolling interest in consolidated subsidiaries	Total shareholders' equity
Balance at December 31, 2011	\$ 27,900	\$	\$ 1,079,698	\$ 64,052	\$ (24,688)	\$ 50,949	\$ 1,197,911
Net earnings			112,305			1,442	113,747
Other comprehensive income (loss)				(1,465)		1,039	(426)
Cash dividends declared			(10,763)				(10,763)
Dividends to noncontrolling interests						(1,379)	(1,379)
Sale of partial ownership interest		(610)				2,014	1,404
Stock plan exercises; 119,928 shares acquired					(14,086)		(14,086)
Stock options exercised; 230,141 shares issued		(5,576)	5,363		15,366		15,153
Tax benefit from stock option exercises		3,211					3,211
Stock option expense		2,490					2,490
Stock awards; 402 shares issued		485			92		577
Balance at June 30, 2012	\$ 27,900	\$	\$ 1,186,603	\$ 62,587	\$ (23,316)	\$ 54,065	\$ 1,307,839
Balance at December 29, 2012	\$ 27,900	\$	\$ 1,300,529	\$ 43,938	\$ (22,455)	\$ 57,098	\$ 1,407,010
Net earnings			167,132			2,324	169,456
Other comprehensive loss				(62,957)		(5,513)	(68,470)
Cash dividends declared			(12,713)				(12,713)
Dividends to noncontrolling interests						(1,767)	(1,767)
Acquisition of Locker						325	325
Stock plan exercises; 85,874 shares acquired					(13,602)		(13,602)
Stock options exercised; 177,902 shares issued		(3,647)	3,378		14,367		14,098
Tax benefit from stock option exercises		305					305
Stock option expense		2,627					2,627
Stock awards; 2,667 shares issued		715			373		1,088
Balance at June 29, 2013	\$ 27,900	\$	\$ 1,458,326	\$ (19,019)	\$ (21,317)	\$ 52,467	\$ 1,498,357

See accompanying notes to condensed consolidated financial statements.

Table of Contents

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 June 29, 2013, the Condensed Consolidated Statements of Earnings and Comprehensive Income for the thirteen and twenty-six weeks ended June 29, 2013 and June 30, 2012, and the Condensed Consolidated Statements of Cash Flows and Shareholders' Equity for the twenty-six 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 June 29, 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. In 2013, those sales were recorded as part of the Engineered Infrastructure Products (EIP) segment. In 2012, these sales were recorded in the Utility Support Structures segment. 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 twenty-six weeks ended June 30, 2012 increased by \$10,034 and \$16,062, 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 June 29, 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 June 29, 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 \$42,468 and \$45,822 at June 29, 2013 and December 29, 2012, respectively.

Table of Contents

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:

	June 29, 2013	December 29, 2012
Raw materials and purchased parts	\$ 182,907	\$ 199,808
Work-in-process	39,385	36,114
Finished goods and manufactured goods	233,584	222,284
Subtotal	455,876	458,206
Less: LIFO reserve	42,468	45,822
	\$ 413,408	\$ 412,384

Income Taxes

Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries for the thirteen and twenty-six weeks ended June 29, 2013 and June 30, 2012, were as follows:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	2013	2012	2013	2012
United States	\$ 98,684	\$ 68,132	\$ 187,421	\$ 130,827
Foreign	39,531	21,732	63,703	37,703
	\$ 138,215	\$ 89,864	\$ 251,124	\$ 168,530

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 twenty-six weeks ended June 29, 2013 and June 30, 2012 were as follows:

	2013	2012
Net periodic benefit expense:		
Interest cost	\$ 13,058	\$ 11,594
Expected return on plan assets	(9,813)	(9,544)
Net periodic benefit expense	\$ 3,245	\$ 2,050

Table of Contents

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 June 29, 2013, 1,700,000 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 twenty-six weeks ended June 29, 2013 and June 30, 2012, respectively, were as follows:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	2013	2012	2013	2012
Compensation expense	\$ 1,314	\$ 1,245	\$ 2,627	\$ 2,490
Income tax benefits	505	479	1,011	959

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 broadly to the assumptions that market participants would use in pricing the asset or liability, including

Table of Contents

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)

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 June 29, 2013	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Trading Securities	\$ 24,562	\$ 24,562	\$	\$

	Carrying Value December 29, 2012	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (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

Table of Contents**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 June 29, 2013 and December 29, 2012:

	Foreign Currency Translation Adjustments	Unrealized Loss on Cash Flow Hedge	Defined Benefit Pension Plan	Accumulated Other Comprehensive Income
Balance at December 29, 2012	\$ 30,576	\$ (2,935)	\$ 16,297	\$ 43,938
Current-period comprehensive income (loss)	(62,263)	200	(894)	(62,957)
Balance at June 29, 2013	\$ (31,687)	\$ (2,735)	\$ 15,403	\$ (19,019)

(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 preliminary fair value measurement was completed at June 29, 2013, subject to final independent reviews of the fair value assessments of assets acquired and liabilities assumed. The Company expects the fair value measurement process to be completed in the third quarter of 2013.

The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed as of the date of acquisition.

	At February 5, 2013
Current assets	\$ 25,584
Property, plant and equipment	20,412
Intangible assets	11,199
Goodwill	13,326
Total fair value of assets acquired	\$ 70,521
Current liabilities	9,595
Deferred income taxes	481
Other non-current liabilities	677
Non-controlling interests	325
Total fair value of liabilities assumed and non-controlling interests	11,078

Net assets acquired	\$	59,443
---------------------	----	--------

Table of Contents

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 twenty-six weeks ended June 29, 2013 included net sales of \$18,082 and \$29,936, respectively, and net earnings of \$288 and \$539, respectively, resulting from Locker's operations from February 5, 2013 to June 29, 2013.

Based on the fair value assessments, the Company allocated \$11,199 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 Average Amortization Period (Years)
Trade Names	\$ 4,116	Indefinite
Customer Relationships	6,047	10.0
Software and Technology	1,036	5.0

\$ 11,199

(3) GOODWILL AND INTANGIBLE ASSETS

Amortized Intangible Assets

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

	June 29, 2013		Weighted Average Life
	Gross Carrying Amount	Accumulated Amortization	
Customer Relationships	\$ 171,290	\$ 68,632	13 years
Proprietary Software & Database	3,949	2,824	6 years
Patents & Proprietary Technology	9,592	6,084	8 years
Non-compete Agreements	1,793	1,582	6 years
	\$ 186,624	\$ 79,122	

	December 29, 2012		Weighted Average Life
	Gross Carrying Amount	Accumulated 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
----	---------	----	--------

Table of Contents**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 twenty-six weeks ended June 29, 2013 and June 30, 2012, respectively was as follows:

Thirteen Weeks Ended		Twenty-six Weeks Ended	
2013	2012	2013	2012
\$ 3,458	\$ 3,624	\$ 7,696	\$ 7,169

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

	Estimated Amortization Expense
2013	\$ 15,715
2014	14,898
2015	14,053
2016	13,518
2017	13,479

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 June 29, 2013 and December 29, 2012 were as follows:

	June 29, 2013	December 29, 2012	Year Acquired
Webforge	\$ 16,456	\$ 17,411	2010
Newmark	11,111	11,111	2004
Ingal EPS/Ingal Civil Products	8,685	9,189	2010
Donhad	6,552	6,932	2010
Industrial Galvanizers	3,809	4,030	2010
Other	14,355	11,019	
	\$ 60,968	\$ 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.

Table of Contents

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 2012. 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 June 29, 2013 and December 29, 2012 was as follows:

	Engineered Infrastructure Products Segment	Utility Support Structures Segment	Coatings Segment	Irrigation Segment	Other	Total
Balance at December 29, 2012	\$ 155,185	\$ 77,141	\$ 77,053	\$ 2,517	\$ 18,895	\$ 330,791
Acquisitions	13,326					13,326
Foreign currency translation	(9,663)		(998)	(54)	(1,035)	(11,750)
Other	1,737	(1,737)				
Balance at June 29, 2013	\$ 160,585	\$ 75,404	\$ 76,055	\$ 2,463	\$ 17,860	\$ 332,367

The goodwill from acquisitions arose from the acquisition of Locker. The Company's goodwill was tested for impairment during the third quarter of 2012. 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 twenty-six weeks ended June 29, 2013 and June 30, 2012 were as follows:

	2013	2012
Interest	\$ 16,329	\$ 15,494
Income taxes	103,604	73,105

Table of Contents

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 Effect of Stock Options	Diluted EPS
Thirteen weeks ended June 29, 2013:			
Net earnings attributable to Valmont Industries, Inc.	\$ 89,563	\$	\$ 89,563
Shares outstanding	26,648	262	26,910
Per share amount	\$ 3.36	\$ (0.03)	\$ 3.33
Thirteen weeks ended June 30, 2012:			
Net earnings attributable to Valmont Industries, Inc.	\$ 59,980	\$	\$ 59,980
Shares outstanding	26,467	291	26,758
Per share amount	\$ 2.27	\$ (0.03)	\$ 2.24
Twenty-six weeks ended June 29, 2013:			
Net earnings attributable to Valmont Industries, Inc.	\$ 167,132	\$	\$ 167,132
Shares outstanding	26,615	269	26,884
Per share amount	\$ 6.28	\$ (0.06)	\$ 6.22
Twenty-six weeks ended June 30, 2012:			
Net earnings attributable to Valmont Industries, Inc.	\$ 112,305	\$	\$ 112,305
Shares outstanding	26,432	286	26,718
Per share amount	\$ 4.25	\$ (0.05)	\$ 4.20

At June 29, 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 twenty-six weeks ending June 29, 2013. At June 30, 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;

UTILITY SUPPORT STRUCTURES: This segment consists of the manufacture of engineered steel and concrete structures for the global utility industry;

Table of Contents

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(6) BUSINESS SEGMENTS (Continued)

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.

Table of Contents

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		Twenty-six Weeks Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
SALES:				
Engineered Infrastructure Products segment:				
Lighting, Traffic, and Roadway Products	\$ 161,487	\$ 158,575	\$ 308,657	\$ 297,900
Communication Products	34,771	36,488	63,393	63,183
Access Systems	54,378	40,753	102,256	78,660
Engineered Infrastructure Products segment	250,636	235,816	474,306	439,743
Utility Support Structures segment:				
Steel	201,164	185,079	411,661	352,043
Concrete	27,079	27,158	56,220	51,426
Utility Support Structures segment	228,243	212,237	467,881	403,469
Coatings segment	93,798	84,837	183,043	167,684
Irrigation segment	270,175	194,496	514,882	390,762
Other	83,679	87,194	161,548	173,257
Total	926,531	814,580	1,801,660	1,574,915
INTERSEGMENT SALES:				
Engineered Infrastructure Products segment	22,169	24,726	51,621	43,146
Utility Support Structures segment	299	467	710	2,447
Coatings segment	14,448	13,252	28,778	25,949
Irrigation segment	1	6	1	431
Other	10,955	8,814	22,261	18,277
Total	47,872	47,265	103,371	90,250
NET SALES:				
Engineered Infrastructure Products segment	228,467	211,090	422,685	396,597
Utility Support Structures segment	227,944	211,770	467,171	401,022
Coatings segment	79,350	71,585	154,265	141,735
Irrigation segment	270,174	194,490	514,881	390,331
Other	72,724	78,380	139,287	154,980
Total	\$ 878,659	\$ 767,315	\$ 1,698,289	\$ 1,484,665
OPERATING INCOME:				
Engineered Infrastructure Products segment	\$ 22,603	\$ 14,168	\$ 35,337	\$ 22,192
Utility Support Structures segment	42,121	26,574	88,276	51,678
Coatings segment	23,552	19,517	36,972	36,029
Irrigation segment	64,174	37,607	118,733	76,015
Other	13,025	12,259	23,812	23,670
Corporate	(21,210)	(12,773)	(40,675)	(29,414)

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

Total	\$	144,265	\$	97,352	\$	262,455	\$	180,170
-------	----	---------	----	--------	----	---------	----	---------

18

Table of Contents

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 June 29, 2013

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$ 426,817	\$ 169,027	\$ 360,802	\$ (77,987)	\$ 878,659
Cost of sales	297,949	126,290	273,482	(80,533)	617,188
Gross profit	128,868	42,737	87,320	2,546	261,471
Selling, general and administrative expenses	55,720	14,347	47,139		117,206
Operating income	73,148	28,390	40,181	2,546	144,265
Other income (expense):					
Interest expense	(7,636)	(11,944)	(390)	11,945	(8,025)
Interest income	8	237	13,552	(11,945)	1,852
Other	394	31	(302)		123
	(7,234)	(11,676)	12,860		(6,050)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	65,914	16,714	53,041	2,546	138,215
Income tax expense (benefit):					
Current	24,824	6,546	16,182	658	48,210
Deferred	(750)	1,399	(1,691)		(1,042)
	24,074	7,945	14,491	658	47,168
Earnings before equity in earnings of nonconsolidated subsidiaries	41,840	8,769	38,550	1,888	91,047
Equity in earnings of nonconsolidated subsidiaries	47,723	23,234		(70,688)	269
Net earnings	89,563	32,003	38,550	(68,800)	91,316
Less: Earnings attributable to noncontrolling interests			(1,753)		(1,753)
Net earnings attributable to Valmont Industries, Inc	\$ 89,563	\$ 32,003	\$ 36,797	\$ (68,800)	\$ 89,563

Table of Contents

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 Twenty-six Weeks Ended June 29, 2013

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$ 843,430	\$ 339,876	\$ 686,211	\$ (171,228)	\$ 1,698,289
Cost of sales	598,629	255,288	521,865	(174,333)	1,201,449
Gross profit	244,801	84,588	164,346	3,105	496,840
Selling, general and administrative expenses	105,746	28,341	100,298		234,385
Operating income	139,055	56,247	64,048	3,105	262,455
Other income (expense):					
Interest expense	(15,391)	(24,574)	(824)	24,574	(16,215)
Interest income	15	490	27,274	(24,574)	3,205
Other	1,802	46	(169)		1,679
	(13,574)	(24,038)	26,281		(11,331)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	125,481	32,209	90,329	3,105	251,124
Income tax expense (benefit):					
Current	45,999	13,382	26,652	837	86,870
Deferred	(2,504)	1,702	(3,927)		(4,729)
	43,495	15,084	22,725	837	82,141
Earnings before equity in earnings of nonconsolidated subsidiaries	81,986	17,125	67,604	2,268	168,983
Equity in earnings of nonconsolidated subsidiaries	85,146	42,385	207	(127,265)	473
Net earnings	167,132	59,510	67,811	(124,997)	169,456
Less: Earnings attributable to noncontrolling interests			(2,324)		(2,324)
Net earnings attributable to Valmont Industries, Inc	167,132	59,510	65,487	(124,997)	167,132

Table of Contents

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 June 30, 2012

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$ 347,643	\$ 152,159	\$ 333,171	\$ (65,658)	\$ 767,315
Cost of sales	249,557	121,658	261,374	(64,669)	567,920
Gross profit	98,086	30,501	71,797	(989)	199,395
Selling, general and administrative expenses	43,762	13,177	45,104		102,043
Operating income	54,324	17,324	26,693	(989)	97,352
Other income (expense):					
Interest expense	(7,573)	(12,244)	152	12,244	(7,421)
Interest income	5	129	14,020	(12,244)	1,910
Other	(454)	11	(1,534)		(1,977)
	(8,022)	(12,104)	12,638		(7,488)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	46,302	5,220	39,331	(989)	89,864
Income tax expense (benefit):					
Current	19,363	6,197	10,425		35,985
Deferred	(2,963)	(1,031)	(1,199)		(5,193)
	16,400	5,166	9,226		30,792
Earnings before equity in earnings of nonconsolidated subsidiaries	29,902	54	30,105	(989)	59,072
Equity in earnings of nonconsolidated subsidiaries	30,078	23,253	2,276	(53,520)	2,087
Net earnings	\$ 59,980	\$ 23,307	\$ 32,381	\$ (54,509)	\$ 61,159
Less: Earnings attributable to noncontrolling interests			(1,179)		(1,179)
Net earnings attributable to Valmont Industries, Inc	\$ 59,980	\$ 23,307	\$ 31,202	\$ (54,509)	\$ 59,980

Table of Contents

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 Twenty-six Weeks Ended June 30, 2012

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	712,483	280,871	627,113	(135,802)	1,484,665
Cost of sales	517,069	225,300	491,297	(134,710)	1,098,956
Gross profit	195,414	55,571	135,816	(1,092)	385,709
Selling, general and administrative expenses	87,034	26,965	91,540		205,539
Operating income	108,380	28,606	44,276	(1,092)	180,170
Other income (expense):					
Interest expense	(15,255)	(24,501)	27	24,501	(15,228)
Interest income	14	323	28,152	(24,501)	3,988
Other	1,005	25	(1,430)		(400)
	(14,236)	(24,153)	26,749		(11,640)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	94,144	4,453	71,025	(1,092)	168,530
Income tax expense (benefit):					
Current	36,548	5,296	21,170		63,014
Deferred	(2,769)	139	(1,826)		(4,456)
	33,779	5,435	19,344		58,558
Earnings before equity in earnings of nonconsolidated subsidiaries	60,365	(982)	51,681	(1,092)	109,972
Equity in earnings of nonconsolidated subsidiaries	51,940	46,361	3,932	(98,458)	3,775
Net earnings	112,305	45,379	55,613	(99,550)	113,747
Less: Earnings attributable to noncontrolling interests			(1,442)		(1,442)
Net earnings attributable to Valmont Industries, Inc	\$ 112,305	\$ 45,379	\$ 54,171	\$ (99,550)	\$ 112,305

Table of Contents

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 June 29, 2013

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net earnings	\$ 89,563	\$ 32,003	\$ 38,550	\$ (68,800)	\$ 91,316
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments:					
Unrealized gains (losses) arising during the period		65,807	(118,769)		(52,962)
Realized (loss) included in net earnings during the period					
		65,807	(118,769)		(52,962)
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			42		42
Equity in other comprehensive income	(49,618)			49,618	
Other comprehensive income (loss)	(49,518)	65,807	(118,727)	49,618	(52,820)
Comprehensive income	40,045	97,810	(80,177)	(19,182)	38,496
Comprehensive income attributable to noncontrolling interests			1,549		1,549
Comprehensive income attributable to Valmont Industries, Inc.	\$ 40,045	\$ 97,810	\$ (78,628)	\$ (19,182)	\$ 40,045

Table of Contents

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 Twenty-six Weeks Ended June 29, 2013

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net earnings	\$ 167,132	\$ 59,510	\$ 67,811	\$ (124,997)	\$ 169,456
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments:					
Unrealized gains (losses) arising during the period		27,486	(90,068)		(62,582)
Realized (loss) included in net earnings during the period			(5,194)		(5,194)
		27,486	(95,262)		(67,776)
Unrealized loss on cash flow hedge:					
Amortization cost included in interest expense	200				200
	200				200
Actuarial gain (loss) in defined benefit pension plan liability			(894)		(894)
Equity in other comprehensive income	(63,157)			63,157	
Other comprehensive income (loss)	(62,957)	27,486	(96,156)	63,157	(68,470)
Comprehensive income	104,175	86,996	(28,345)	(61,840)	100,986
Comprehensive income attributable to noncontrolling interests			3,189		3,189
Comprehensive income attributable to Valmont Industries, Inc.	\$ 104,175	\$ 86,996	\$ (25,156)	\$ (61,840)	\$ 104,175

Table of Contents

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 June 30, 2012

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net earnings	\$ 59,980	\$ 23,307	\$ 32,381	\$ (54,509)	\$ 61,159
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments:					
Unrealized gains (losses) arising during the period		14,123	(38,433)	(6,511)	(30,821)
		14,123	(38,433)	(6,511)	(30,821)
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			(1,238)		(1,238)
Equity in other comprehensive income	(28,347)			28,347	
Other comprehensive income (loss)	(28,247)	14,123	(39,671)	21,836	(31,959)
Comprehensive income	31,733	37,430	(7,290)	(32,673)	29,200
Comprehensive income attributable to noncontrolling interests			2,533		2,533
Comprehensive income attributable to Valmont Industries, Inc.	\$ 31,733	\$ 37,430	\$ (4,757)	\$ (32,673)	\$ 31,733

Table of Contents

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 Twenty-six Weeks Ended June 30, 2012

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net earnings	\$ 112,305	\$ 45,379	\$ 55,613	\$ (99,550)	\$ 113,747
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments:					
Unrealized gains (losses) arising during the period		(2,244)	7,496	(6,511)	(1,259)
		(2,244)	7,496	(6,511)	(1,259)
Unrealized loss on cash flow hedge:					
Amortization cost included in interest expense	200				200
	200				200
Actuarial gain in defined benefit pension plan liability			633		633
Equity in other comprehensive income	(1,665)			1,665	
Other comprehensive income (loss)	(1,465)	(2,244)	8,129	(4,846)	(426)
Comprehensive income	110,840	43,135	63,742	(104,396)	113,321
Comprehensive income attributable to noncontrolling interests			(2,481)		(2,481)
Comprehensive income attributable to Valmont Industries, Inc.	\$ 110,840	\$ 43,135	\$ 61,261	\$ (104,396)	\$ 110,840

Table of Contents

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

June 29, 2013

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 135,336	\$ 29,738	\$ 325,403	\$	\$ 490,477
Receivables, net	143,707	81,159	288,900		513,766
Inventories	135,396	70,345	207,667		413,408
Prepaid expenses	6,573	712	26,302		33,587
Refundable and deferred income taxes	38,155	5,605	24,408		68,168
Total current assets	459,167	187,559	872,680		1,519,406
Property, plant and equipment, at cost	476,731	141,114	401,143		1,018,988
Less accumulated depreciation and amortization	296,524	58,723	133,259		488,506
Net property, plant and equipment	180,207	82,391	267,884		530,482
Goodwill	20,108	107,542	204,717		332,367
Other intangible assets	419	50,869	117,182		168,470
Investment in subsidiaries and intercompany accounts	1,446,491	1,348,693	556,568	(3,351,752)	
Other assets	36,588		64,310		100,898
Total assets	\$ 2,142,980	\$ 1,777,054	\$ 2,083,341	\$ (3,351,752)	\$ 2,651,623
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current installments of long-term debt	\$ 188	\$	\$ 269	\$	\$ 457
Notes payable to banks			16,004		16,004
Accounts payable	66,559	19,128	126,410		212,097
Accrued employee compensation and benefits	58,734	9,046	32,756		100,536
Accrued expenses	37,575	4,227	39,186		80,988
Dividends payable	6,693				6,693
Total current liabilities	169,749	32,401	214,625		416,775
Deferred income taxes	19,182	28,254	32,715		80,151
Long-term debt, excluding current installments	470,919	532,852	743	(532,852)	471,662
Defined benefit pension liability			98,707		98,707
Deferred compensation	29,689		7,428		37,117

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

Other noncurrent liabilities	7,551		41,303		48,854
Shareholders' equity:					
Common stock of \$1 par value	27,900	457,950	254,982	(712,932)	27,900
Additional paid-in capital		150,286	894,239	(1,044,525)	
Retained earnings	1,458,326	526,750	505,878	(1,032,628)	1,458,326
Accumulated other comprehensive income (loss)	(19,019)	48,561	(19,746)	(28,815)	(19,019)
Treasury stock	(21,317)				(21,317)
Total Valmont Industries, Inc. shareholders' equity	1,445,890	1,183,547	1,635,353	(2,818,900)	1,445,890
Noncontrolling interest in consolidated subsidiaries			52,467		52,467
Total shareholders' equity	1,445,890	1,183,547	1,687,820	(2,818,900)	1,498,357
Total liabilities and shareholders' equity	\$ 2,142,980	\$ 1,777,054	\$ 2,083,341	\$ (3,351,752)	\$ 2,651,623

Table of Contents

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
ASSETS					
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
LIABILITIES AND SHAREHOLDERS' EQUITY					
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

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

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

Table of Contents

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 Twenty-six Weeks Ended June 29, 2013

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Cash flows from operating activities:					
Net earnings	\$ 167,132	\$ 59,510	\$ 67,811	\$ (124,997)	\$ 169,456
Adjustments to reconcile net earnings to net cash flows from operations:					
Depreciation and amortization	9,834	6,452	21,900		38,186
Stock-based compensation	3,342				3,342
Defined benefit pension plan expense			3,245		3,245
Contribution to defined benefit pension plan			(10,346)		(10,346)
Gain on sale of property, plant and equipment	337	36	(5,444)		(5,071)
Equity in earnings in nonconsolidated subsidiaries	(266)		(207)		(473)
Deferred income taxes	(2,504)	1,702	(3,927)		(4,729)
Changes in assets and liabilities (net of acquisitions):					
Receivables	453	5,235	(9,019)		(3,331)
Inventories	10,524	1,643	(14,658)		(2,491)
Prepaid expenses	579	318	(6,807)		(5,910)
Accounts payable	(6,052)	(2,877)	9,665		736
Accrued expenses	4,471	(1,932)	377		2,916
Other noncurrent liabilities	3,058		(1,185)		1,873
Income taxes payable (refundable)	(10,415)	(1,943)	(277)	825	(11,810)
Net cash flows from operating activities	180,493	68,144	51,128	(124,172)	175,593
Cash flows from investing activities:					
Purchase of property, plant and equipment	(22,826)	(18,569)	(12,863)		(54,258)
Proceeds from sale of assets	1,466	32	37,556		39,054
Acquisitions, net of cash acquired			(53,152)		(53,152)
Other, net	(53,317)	(99,472)	28,484	124,172	(133)
Net cash flows from investing activities	(74,677)	(118,009)	25	124,172	(68,489)
Cash flows from financing activities:					
Net borrowings under short-term agreements			2,620		2,620
Proceeds from long-term borrowings			68		68
Principal payments on long-term borrowings	(186)		(117)		(303)
Dividends paid	(12,021)				(12,021)
Dividends to noncontrolling interest			(1,767)		(1,767)
Proceeds from exercises under stock plans	14,098				14,098
Excess tax benefits from stock option exercises	305				305
Purchase of common treasury shares stock plan exercises:	(13,602)				(13,602)
Net cash flows from financing activities	(11,406)		804		(10,602)

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

Effect of exchange rate changes on cash and cash equivalents		(3,600)	(16,554)	(20,154)
Net change in cash and cash equivalents	94,410	(53,465)	35,403	76,348
Cash and cash equivalents beginning of year	40,926	83,203	290,000	414,129
Cash and cash equivalents end of period	\$ 135,336	\$ 29,738	\$ 325,403	\$ 490,477

Table of Contents

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 Twenty-six Weeks Ended June 30, 2012

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Cash flows from operations:					
Net earnings	\$ 112,305	\$ 45,379	\$ 55,613	\$ (99,550)	\$ 113,747
Adjustments to reconcile net earnings to net cash flows from operations:					
Depreciation and amortization	9,121	6,341	18,905		34,367
Stock-based compensation	3,067				3,067
Defined benefit pension plan expense			2,050		2,050
Contribution to defined benefit pension plan			(10,750)		(10,750)
Gain on sale of property, plant and equipment	(65)	(44)	(55)		(164)
Equity in earnings of nonconsolidated subsidiaries	157		(3,932)		(3,775)
Deferred income taxes	(2,769)	139	(1,826)		(4,456)
Changes in assets and liabilities:					
Receivables	(11,412)	(27,844)	(30,666)		(69,922)
Inventories	(10,063)	(7,131)	(31,471)	167	(48,498)
Prepaid expenses	(1,332)	266	(2,994)		(4,060)
Accounts payable	(13,913)	5,395	10,494		1,976
Accrued expenses	3,009	(1,227)	(2,403)		(621)
Other noncurrent liabilities	719		(1,127)		(408)
Income taxes payable (refundable)	(13,249)	38	(2,879)		(16,090)
Net cash flows from operations	75,575	21,312	(1,041)	(99,383)	(3,537)
Cash flows from investing activities:					
Purchase of property, plant and equipment	(15,037)	(6,017)	(18,167)		(39,221)
Proceeds from sale of assets	98	52	4,717		4,867
Other, net	(59,181)	6,599	(44,964)	99,383	1,837
Net cash flows from investing activities	(74,120)	634	(58,414)	99,383	(32,517)
Cash flows from financing activities:					
Net borrowings under short-term agreements			5,931		5,931
Proceeds from long-term borrowings	39,000		126		39,126
Principal payments on long-term borrowings	(39,191)		(41)		(39,232)
Proceeds from sale of partial ownership interest			1,404		1,404
Dividends paid	(9,545)				(9,545)
Dividend to noncontrolling interests			(1,379)		(1,379)
Proceeds from exercises under stock plans	15,153				15,153
Excess tax benefits from stock option exercises	3,211				3,211
Purchase of common treasury shares stock plan exercises	(14,086)				(14,086)
Net cash flows from financing activities	(5,458)		6,041		583

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

Effect of exchange rate changes on cash and cash equivalents		270	688	958
Net change in cash and cash equivalents	(4,003)	22,216	(52,726)	(34,513)
Cash and cash equivalents beginning of year	27,545	18,257	317,092	362,894
Cash and cash equivalents end of period	\$ 23,542	\$ 40,473	\$ 264,366	\$ 328,381

30

Table of Contents

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.

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

Table of Contents

Results of Operations

Dollars in millions, except per share amounts

	Thirteen Weeks Ended			Twenty-six Weeks Ended		
	June 29, 2013	June 30, 2012	% Incr. (Decr.)	June 29, 2013	June 30, 2012	% Incr. (Decr.)
Consolidated						
Net sales	\$ 878.7	\$ 767.3	14.5%	\$ 1,698.3	\$ 1,484.7	14.4%
Gross profit	261.5	199.4	31.1%	496.8	385.7	28.8%
<i>as a percent of sales</i>	29.8%	26.0%		29.3%	26.0%	
SG&A expense	117.2	102.0	14.9%	234.4	205.5	14.1%
<i>as a percent of sales</i>	13.3%	13.3%		13.8%	13.8%	
Operating income	144.3	97.4	48.2%	262.5	180.2	45.7%
<i>as a percent of sales</i>	16.4%	12.7%		15.5%	12.1%	
Net interest expense	6.2	5.5	12.7%	13.0	11.2	16.1%
Effective tax rate	34.1%	34.3%		32.7%	34.7%	
Net earnings	\$ 89.6	\$ 60.0	49.3%	\$ 167.1	\$ 112.3	48.8%
Diluted earnings per share	\$ 3.33	\$ 2.24	48.7%	\$ 6.22	\$ 4.20	48.1%
Engineered Infrastructure						
Products						
Net sales	\$ 228.5	\$ 211.1	8.2%	\$ 422.7	\$ 396.6	6.6%
Gross profit	64.8	54.5	18.9%	118.4	101.1	17.1%
SG&A expense	42.2	40.3	4.7%	83.1	78.9	5.3%
Operating income	22.6	14.2	59.2%	35.3	22.2	59.0%
Utility Support Structures						
Net sales	\$ 227.9	\$ 211.7	7.7%	\$ 467.2	\$ 401.0	16.5%
Gross profit	62.1	44.3	40.2%	128.0	86.6	47.8%
SG&A expense	20.0	17.7	13.0%	39.7	34.9	13.8%
Operating income	42.1	26.6	58.3%	88.3	51.7	70.8%
Coatings						
Net sales	\$ 79.4	\$ 71.6	10.9%	\$ 154.3	\$ 141.8	8.8%
Gross profit	29.1	27.4	6.2%	52.2	52.7	(0.9)%
SG&A expense	5.5	7.9	(30.4)%	15.2	16.7	(9.0)%
Operating income	23.6	19.5	21.0%	37.0	36.0	2.8%
Irrigation						
Net sales	\$ 270.2	\$ 194.5	38.9%	\$ 514.9	\$ 390.3	31.9%
Gross profit	87.1	55.9	55.8%	163.5	111.9	46.1%
SG&A expense	22.9	18.3	25.1%	44.8	35.9	24.8%
Operating income	64.2	37.6	70.7%	118.7	76.0	56.2%
Other						
Net sales	\$ 72.7	\$ 78.4	(7.3)%	\$ 139.2	\$ 155.0	(10.2)%
Gross profit	18.3	17.1	7.0%	34.4	33.4	3.0%
SG&A expense	5.3	4.8	10.4%	10.6	9.7	9.3%
Operating income	13.0	12.3	5.7%	23.8	23.7	0.4%
Net corporate expense						
Gross profit	\$ 0.1	\$ 0.2	NM	\$ 0.3	\$	NM
SG&A expense	21.3	13.0	63.8%	41.0	29.4	39.5%
Operating loss	(21.2)	(12.8)	(65.6)%	(40.7)	(29.4)	(38.4)%

NM=Not meaningful

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

Table of Contents

Overview

On a consolidated basis, the increase in net sales in the second quarter and first half 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 twenty-six and thirteen week periods ended June 29, 2013 and fiscal 2012 refers to the twenty-six and thirteen week periods ended June 30, 2012. The increase in net sales in 2013, as compared with 2012, was due to the following factors:

	Second Quarter					
	Total	EIP	Utility	Coatings	Irrigation	Other
Sales 2012	\$ 767.3	\$ 211.1	\$ 211.7	\$ 71.6	\$ 194.5	\$ 78.4
Volume	63.4	(0.9)	(4.7)	(2.1)	70.5	0.6
Pricing/mix	25.7		20.8	1.3	7.3	(3.7)
Acquisitions	27.1	18.1		9.0		
Currency translation	(4.8)	0.2	0.1	(0.4)	(2.1)	(2.6)
Sales 2013	\$ 878.7	\$ 228.5	\$ 227.9	\$ 79.4	\$ 270.2	\$ 72.7

	Year-to-date					
	Total	EIP	Utility	Coatings	Irrigation	Other
Sales 2012	\$ 1,484.7	\$ 396.6	\$ 401.0	\$ 141.8	\$ 390.3	\$ 155.0
Volume	119.0	(4.0)	22.8	(4.9)	110.2	(5.1)
Pricing/mix	56.7	0.5	43.3	1.4	18.9	(7.4)
Acquisitions	46.9	29.9		17.0		
Currency translation	(9.0)	(0.3)	0.1	(1.0)	(4.5)	(3.3)
Sales 2013	\$ 1,698.3	\$ 422.7	\$ 467.2	\$ 154.3	\$ 514.9	\$ 139.2

Acquisitions included Locker Holdings Group ("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.

The decrease in operating profit due to currency translation effects in the second quarter and first half of 2013, as compared with 2012 was \$0.5 million and \$1.2 million, respectively.

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 sales volumes and lower raw material costs in 2013, as compared with 2012. In general, our cost of steel and other raw materials were slightly lower in the second quarter and first half of 2013, as compared with the same periods in 2012.

Selling, general and administrative (SG&A) spending in the second quarter and first half 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 second quarter of 2012, of \$5.0 million and \$9.6 million, respectively;

Increased compensation expenses of \$2.1 million and \$4.7 million, respectively, mainly associated with increased employment levels and salary increases, and;

Increased employee incentive accruals of \$6.0 million and \$8.7 million, respectively, due to improved operating results and increased share price in valuing long-term incentive plans.

Table of Contents

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 the second quarter of 2012 related to a fire in one of our galvanizing facilities in Australia resulted in a non-recurring reduction in SG&A of \$1.4 million.

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

Net interest expense increased in the the second quarter and first half 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.

Our effective income tax rate in the second quarter of fiscal 2013 was comparable with 2012. The year-to-date effective tax rate in fiscal 2013 was lower than 2012, mainly due to approximately \$3.2 million of non-cash tax benefits associated with the first quarter 2013 sale of our nonconsolidated investment in South Africa and \$1.0 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 \$175.6 million in fiscal 2013, as compared with \$3.5 million used by operations in 2012. The increase in operating cash flow in 2013 was the result of improved in net earnings and lower working capital increase in 2013, as compared with 2012.

Engineered Infrastructure Products (EIP) segment

The increase in net sales in the second quarter and first half of fiscal 2013 as compared with 2012 was mainly due to the acquisition of Locker in February 2013. Global lighting sales in the second quarter and first half of fiscal 2013 were comparable with the same periods in fiscal 2012, and slightly improved sales in North America were offset by lower sales in Europe. The transportation market for lighting and traffic structures in the U.S., while stable, continues to be challenging. Sales in other market channels such as sales to lighting fixture manufacturers and commercial construction projects in the second quarter and first half of fiscal 2013 improved somewhat as compared with the same periods in 2012. In Europe, 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 in fiscal 2013 were improved over 2012, mainly due to higher sales in North America of \$4.1 million and \$8.5 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 second quarter and first half of fiscal 2013 were lower than the same periods in fiscal 2012.

Access systems product line sales improved in 2013, as compared with 2012, mainly due to the Locker acquisition in February 2013. Highway safety product sales in 2013 were comparable with 2012, as spending for roads and highways in Australia continues to be relatively weak due to budgetary restrictions.

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

Table of Contents

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

improved operating performance of our pole structures operations in Europe and Asia Pacific, due to better sales mix, better factory operating performance and lower SG&A spending;

improved North American communication product sales, and;

operating profit generated from Locker (approximately \$0.9 million and \$1.3 million, respectively).

The increase in SG&A spending was attributable to Locker (approximately \$3.6 million and \$6.6 million, respectively). SG&A spending otherwise was lower in 2013, as compared with 2012, mainly associated with cost cutting measures taken in Europe in the latter part of 2012.

Utility Support Structures (Utility) segment

In the Utility segment, the sales increase in the second quarter and first half 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 second quarter of 2013, as compared with the same period of 2012, year-to-date international sales in 2013 improved over 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. In international markets, the year-to-date sales increase was related to higher sales in the Asia Pacific region and certain project sales in Africa.

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 second quarter and first half of fiscal 2012 included approximately \$5.8 million and \$7.1 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 second quarter and first half of fiscal 2013, as compared with fiscal 2012, were mainly due to increased employee compensation (\$0.5 million and \$1.3 million, respectively) and incentives (\$0.3 million and \$0.8 million, respectively) associated with the increase in business levels and operating income.

Coatings segment

Coatings segment sales increased in the second quarter and first half of fiscal 2013, as compared with 2012, due mainly to the December 2012 PMG acquisition. In North America, we experienced slightly lower external demand for galvanizing services, although internal demand from our other segments was higher in the second quarter and first half 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 second quarter and first half 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 (\$1.2 million and \$1.5 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 and a non-recurring favorable settlement with a vendor in the second quarter of fiscal 2012 of approximately \$0.9 million.

Table of Contents

Irrigation segment

The increase in Irrigation segment net sales in the second quarter and first half 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 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 second quarter and first half of fiscal 2013, as compared with 2012, mainly due to increased activity in Brazil and Eastern Europe. On balance, sales in other international regions in the second quarter and first half 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 sales unit volumes in North America 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 reason for the increase in SG&A expense in 2013, as compared with 2012, related to employee compensation costs and incentives (approximately \$2.3 million and \$3.1 million, respectively), \$1.2 million in bad debt provisions for international receivables recorded in the second quarter of 2013 and other expenses to support the business activity levels and product development.

Other

This unit includes the grinding media, industrial tubing, electrolytic manganese and industrial fasteners operations. The decrease in sales in the second quarter and first half of fiscal 2013, as compared with 2012, was mainly due lower sales volumes and sales prices. Operating income in the second quarter and first half 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 second quarter and first half 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 (approximately \$3.9 million and \$5.6 million, respectively);

insurance settlements realized in the second quarter of 2012 related to a fire and storm damage to one of our galvanizing facilities in Australia of \$1.4 million that did not recur in fiscal 2013;

higher compensation and employee benefit costs (approximately \$1.0 million and \$2.7 million, respectively), and;

increased expenses associated with the Delta Pension Plan (approximately \$0.6 million and \$1.2 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.

Table of Contents

Liquidity and Capital Resources

Cash Flows

Working Capital and Operating Cash Flows Net working capital was \$1,102.6 million at June 29, 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 \$175.6 million in fiscal 2013, as compared with \$3.5 million used by operations in 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, receivable and inventory levels were comparable with December 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 in June 2013 were comparable with December 2012, due to generally improved material lead times and has resulted in us being able to maintain lower inventory stocks at June 2013, as compared with December 2012.

Investing Cash Flows Capital spending in the first half of fiscal 2013 was \$54.3 million, as compared with \$39.2 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 \$39.1 million, principally consisting of \$29.2 million received from the sale of our 49% owned non-consolidated subsidiary in South Africa and \$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 \$488.1 million at June 29, 2013 from \$486.2 million at December 29, 2012. Financing cash flows overall were lower in fiscal 2013, as compared with 2012. The main reasons for the decrease related to higher dividend payments associated with an increase in per share dividends in fiscal 2013 and lower excess tax benefits related to stock option exercises.

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 June 29, 2013, our long-term debt to invested capital ratio was 22.8%, 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 June 29, 2013 consisted primarily of long-term debt. We also maintain certain short-term bank lines of credit totaling \$106.6 million, \$90.6 million of which was unused at June 29, 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

Table of Contents

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 June 29, 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 June 29, 2013, we had the ability to borrow \$384.5 million under this facility, after consideration of standby letters of credit of \$15.5 million associated with certain insurance obligations.

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 June 29, 2013, we were in compliance with all covenants related to these debt agreements. The key covenant calculations at June 29, 2013 were as follows:

Interest-bearing debt	\$ 488,123
EBITDA last four quarters	545,633
Leverage ratio	0.89

EBITDA last four quarters	\$ 545,633
Interest expense last four quarters	32,612
Interest earned ratio	16.73

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

Table of Contents

The calculation of EBITDA last four quarters (June 30, 2012 through June 29, 2013) is as follows:

Net cash flows from operations	\$ 376,227
Interest expense	32,612
Income tax expense	150,085
Deferred income tax benefit	(3,448)
Noncontrolling interest	(5,727)
Equity in earnings of nonconsolidated subsidiaries	2,826
Stock-based compensation	(6,104)
Pension plan expense	(5,476)
Contribution to pension plan	11,187
Changes in assets and liabilities	(11,136)
Other	4,587

EBITDA	\$ 545,633
--------	------------

Net earnings attributable to Valmont Industries, Inc.	\$ 288,899
Interest expense	32,612
Income tax expense	150,085
Depreciation and amortization expense	74,037

EBITDA	\$ 545,633
--------	------------

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 \$620.4 million of undistributed earnings of our foreign subsidiaries, as we intend to reinvest those earnings. Of our cash balances at June 29, 2013, approximately \$352.0 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 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 \$42.4 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 June 29, 2013.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There were no material changes in the company's market risk during the quarter ended June 29, 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**

	(a)	(b)	(c)	(d)
Period	Total Number of Shares Purchased	Average Price paid per share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
March 31, 2013 to April 27, 2013				
April 28, 2013 to June 1, 2013	7,919	154.91		
June 2, 2013 to June 29, 2013				
Total	7,919	\$ 154.91		

During the second 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
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 June 29, 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.

Table of Contents

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/ RICHARD P. HEYSE

Richard P. Heyse
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Dated this 25th day of July, 2013.

Table of Contents

Index of Exhibits

Exhibit No.	Description
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 June 29, 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.