

## Reliance Steel & Aluminum Co. Reports 2012 Third Quarter Financial Results

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LOS ANGELES--([BUSINESS WIRE](#))--Reliance Steel & Aluminum Co. (NYSE:RS) today reported its financial results for the third quarter and nine months ended September 30, 2012.

### Third Quarter 2012 Financial Highlights

- Sales were \$2.06 billion, down 3.9% from \$2.14 billion in the third quarter of 2011 and down 7.0% from \$2.21 billion in the second quarter of 2012. Tons sold were up 2.0% from the third quarter of 2011 and down 3.5% from the second quarter of 2012.
- Net income was \$98.1 million, up 15.5% from \$84.9 million in the third quarter of 2011 and down 9.8% from \$108.8 million in the second quarter of 2012.
- Earnings per diluted share were \$1.30, up 15.0% from \$1.13 in the third quarter of 2011 and down 9.7% from \$1.44 in the second quarter of 2012.
- The 2012 third quarter financial results include in cost of sales a pre-tax LIFO credit, or income, of \$27.0 million, compared with a pre-tax LIFO charge, or expense, of \$22.5 million for the third quarter of 2011 and a credit of \$7.5 million for the second quarter of 2012.
- Cash flow from operations was \$247.6 million in the 2012 third quarter.
- Quarterly dividend rate was increased to \$.25 per share, an increase of 67%.

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### Management Commentary

"Overall demand in the third quarter was in-line with expectations after taking into account normal seasonal fluctuations and one less shipping day compared to the prior quarter and same period last year," said David H. Hannah, Chairman and CEO of Reliance. "Driven mostly by increased sales of our stainless steel and aluminum products, as well as contributions from our 2011 and 2012 acquisitions, total tons sold increased 2.0% over last year's third quarter. Additionally, our sales related to the auto industry through our toll processing operations were up significantly compared to last year. However, our net sales reflect downward pressure on pricing, as our average price per ton sold fell 3.8% sequentially and 6.3% year-over-year. While we expected economic uncertainty to continue as we entered the third quarter, price decreases in the quarter were greater than expected for all of our products. Similar to last quarter, pricing trends for our products were supply—not demand—driven, as underlying cost inputs at the producer level continued to decrease, imports remained at high levels and domestic overcapacity persisted. As such, sales momentum continued to decelerate in the quarter relative to the second quarter of 2012. On a year-to-date basis, our tons sold are up 8.5%, operating income is up 13.7%, net income of \$323.1 million is up 17.1%, and earnings per diluted share of \$4.28 were up 16.3%."

Mr. Hannah continued, "Looking at our balance sheet, Reliance continues to operate from a position of financial strength. At September 30, 2012, our net debt-to-total capital ratio improved to 26.4% with \$788 million available on our \$1.5 billion credit facility. Moreover, our cash flow from operations was \$247.6 million during the 2012 third quarter. The liquidity available on our credit facility provides ample room to re-invest in our business and create long-term shareholder value. In addition to completing the recent acquisitions of GH Metal Solutions, Inc. and Sunbelt Steel Texas, LLC, during the third quarter, we maintained our recently increased quarterly cash dividend of \$0.25 per share."

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### End-market Commentary

Relative strength in aerospace, energy (oil and gas), farm and heavy equipment, and auto (through the Company's toll processing business), continue to offset weakness in non-residential construction.

- Commercial aerospace, consistent with the first half of 2012, continues to perform well, led by strength in both demand and pricing.
- Energy (oil and gas) continues to be among the Company's strongest end-markets. Demand, while still solid, has softened compared to the first half of the year. Pricing has also weakened.

- Heavy industry performed well in the third quarter of 2012, albeit at a slower pace than the first half of 2012, due partly to increasingly conservative inventory management among industry OEM's, as well as a general slowing in the industrial economy.
- Automotive, supported by the company's toll processing businesses in the U.S. and Mexico, exhibited robust demand in the third quarter.
- Non-residential construction continued to show signs of a recovery, although at significantly reduced demand levels from its peak in 2006. Consistent with the first half of 2012, North American industrial construction related to manufacturing and energy continued to exhibit the most improvement.

## **Balance Sheet & Liquidity**

As of September 30, 2012, total debt outstanding at quarter end was \$1.37 billion, or a net debt-to-total capital ratio of 26.4%. The Company currently has \$788 million available on its \$1.5 billion credit facility. The Company is pleased with its overall financial position and believes it has sufficient liquidity and financial flexibility to continue executing on its growth strategy and enhancing shareholder returns.

## **Corporate Developments**

Effective October 1, 2012, Reliance completed the acquisition of all the outstanding capital stock of GH Metal Solutions, Inc. (formerly known as Gas House, Inc.), a value added processor and fabricator of carbon steel products located in Fort Payne, Alabama. For the year 2011, GH's sales were approximately \$44 million.

Effective October 1, 2012, Reliance acquired all the outstanding limited liability company interests of Sunbelt Steel Texas, LLC ("Sunbelt"), a value added distributor of special alloy steel bar and heavy-wall tubing products to the oil and gas industry. Sunbelt was founded in 1986 and is now headquartered in Houston, Texas with an additional location in Lafayette, Louisiana. Net sales of Sunbelt for the year 2011 were approximately \$48 million.

On July 24, 2012, Reliance's Board of Directors increased the Company's regular quarterly cash dividend by 67% to \$.25 per share of common stock from \$.15 per share for the first and second quarters of 2012. The new quarterly cash dividend rate is more than double the 2011 rate.

On October 23, 2012, the Board of Directors declared a regular quarterly cash dividend of \$0.25 per share of common stock. The dividend is payable on December 20, 2012 to shareholders of record November 29, 2012. The Company has increased its dividend 18 times since its initial public offering in 1994 and has paid regular quarterly dividends for 53 consecutive years.

## **Business Outlook**

The Company expects that global economic uncertainty will continue to impact the industry in the fourth quarter. In addition, fewer shipping days because of the holidays and extended holiday-related closures at various of our customers will lower our tons sold in the fourth quarter as compared to the 2012 third quarter, which is a normal seasonal trend. Carbon steel prices are still fragile, while stainless and aluminum prices are anticipated to increase slightly. As a result, for the fourth quarter ending December 31, 2012, management currently expects earnings per diluted share to be in the range of \$.90 to \$1.00.

## **Conference Call Details**

A conference call and simultaneous webcast to discuss third quarter financial results and business outlook will be held today, October 25, 2012, at 11:00 a.m. Eastern / 8:00 a.m. Pacific. David Hannah, Reliance Steel & Aluminum Co.'s Chairman of the Board and Chief Executive Officer, Gregg Mollins, President and Chief Operating Officer and Karla Lewis, Executive Vice President and Chief Financial Officer, will host the call. To listen to the live call by telephone, please dial (973) 413-6104 approximately 10 minutes prior to the start time and use the conference entry code: 1799. Additionally, a live webcast of the call will be available on Reliance Steel & Aluminum Co.'s web site at [www.rsac.com](http://www.rsac.com). Participants are encouraged to visit the web site at least 15 minutes prior to the start of the call to register and to download and install any necessary audio software.

For those unable to participate during the live broadcast, a replay of the call will also be available beginning that same day at 1:30 p.m. Eastern Time until 11:59 p.m. Eastern Time on Thursday, November 8, 2012 by dialing (973) 528-0005 and entering the conference entry code: 1799. The webcast will remain posted on the investor relations portion of Reliance's web site at

[www.rsac.com](http://www.rsac.com) for 90 days.

### **About Reliance Steel & Aluminum Co.**

Reliance Steel & Aluminum Co., headquartered in Los Angeles, California, is the largest metals service center company in North America. Through a network of more than 220 locations in 38 states and Australia, Belgium, Canada, China, Malaysia, Mexico, Singapore, South Korea, the U.A.E. and the United Kingdom, the Company provides value-added metals processing services and distributes a full line of over 100,000 metal products to more than 125,000 customers in a broad range of industries.

Reliance Steel & Aluminum Co.'s press releases and additional information are available on the Company's web site at [www.rsac.com](http://www.rsac.com). The Company was named to the 2012 "*Fortune 500*" List and the 2012 *Fortune* List of "*The World's Most Admired Companies*."

This release may contain forward-looking statements. Actual results and events may differ materially as a result of a variety of factors, many of which are outside of Reliance Steel & Aluminum Co.'s control. Risk factors and additional information are included in Reliance Steel & Aluminum Co.'s reports on file with the Securities and Exchange Commission, including Reliance Steel & Aluminum Co.'s Annual Report on Form 10-K for the year ended December 31, 2011 and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2012 and June 30, 2012.

**[View entire release with tables](#)**

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