

RTI INTERNATIONAL METALS INC  
Form 10-Q  
November 12, 2013  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended September 30, 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: 001-14437**

**RTI INTERNATIONAL METALS, INC.**

**(Exact name of registrant as specified in its charter)**

**Ohio**  
**(State or other jurisdiction of**

**incorporation or organization)**

**Westpointe Corporate Center One, 5<sup>th</sup> Floor**

**1550 Coraopolis Heights Road**

**Pittsburgh, Pennsylvania**  
**(Address of principal executive offices)**

**(412) 893-0026**

**52-2115953**  
**(I.R.S. Employer**

**Identification No.)**

**15108-2973**  
**(Zip Code)**

**Registrant's telephone number, including area code**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (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 the 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  (Do not check if a smaller company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

Number of shares of the Corporation's common stock ( Common Stock ) outstanding as of November 1, 2013 was 30,557,195.

**Table of Contents****RTI INTERNATIONAL METALS, INC. AND CONSOLIDATED SUBSIDIARIES**

As used in this report, the terms RTI, Company, Registrant, we, our, and us, mean RTI International Metals, predecessors, and consolidated subsidiaries, taken as a whole, unless the context indicates otherwise.

**INDEX**

	<b>Page</b>
<b><u>PART I FINANCIAL INFORMATION</u></b>	
Item 1. <u>Financial Statements</u>	1
<u>Condensed Consolidated Statements of Operations (Unaudited) for the Three and Nine Months Ended September 30, 2013 and 2012 (Restated)</u>	1
<u>Condensed Consolidated Statements of Comprehensive Income (Unaudited) for the Three and Nine Months Ended September 30, 2013 and 2012 (Restated)</u>	2
<u>Condensed Consolidated Balance Sheets (Unaudited) as of September 30, 2013 and December 31, 2012 (Restated)</u>	3
<u>Condensed Consolidated Statements of Cash Flows (Unaudited) for the Nine Months Ended September 30, 2013 and 2012 (Restated)</u>	4
<u>Condensed Consolidated Statement of Shareholders' Equity (Unaudited) for the Nine Months Ended September 30, 2013</u>	5
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	36
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	46
Item 4. <u>Controls and Procedures</u>	47
<b><u>PART II OTHER INFORMATION</u></b>	
Item 1A. <u>Risk Factors</u>	47
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	48
Item 6. <u>Exhibits</u>	48
<u>Signatures</u>	49
<u>Index to Exhibits</u>	50

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Operations****(Unaudited)****(In thousands, except share and per share amounts)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012 (As Restated)</b>	<b>2013</b>	<b>2012 (As Restated)</b>
Net sales	\$ 196,532	\$ 182,545	\$ 588,514	\$ 521,077
Cost and expenses:				
Cost of sales	151,435	148,895	460,192	420,901
Selling, general, and administrative expenses	22,491	21,725	70,040	65,236
Research, technical, and product development expenses	1,041	1,012	3,024	3,181
Asset and asset-related charges		1,617		1,617
Operating income	21,565	9,296	55,258	30,142
Other income (expense), net	(294)	16	965	318
Interest income	78	18	159	133
Interest expense	(7,387)	(4,708)	(32,876)	(13,195)
Income before income taxes	13,962	4,622	23,506	17,398
Provision for income taxes	1,670	1,423	3,507	6,048
Net income attributable to continuing operations	\$ 12,292	\$ 3,199	\$ 19,999	\$ 11,350
Net income (loss) attributable to discontinued operations, net of tax		389	(156)	1,413
Net income	\$ 12,292	\$ 3,588	\$ 19,843	\$ 12,763
Earnings per share attributable to continuing operations:				
Basic	\$ 0.40	\$ 0.11	\$ 0.66	\$ 0.37
Diluted	\$ 0.37	\$ 0.11	\$ 0.65	\$ 0.37

Earnings (loss) per share attributable to discontinued operations:				
Basic	\$	\$	0.01	\$ (0.01) \$ 0.05
Diluted	\$	\$	0.01	\$ (0.01) \$ 0.05
Weighted-average shares outstanding:				
Basic	30,325,662	30,137,187	30,285,004	30,117,204
Diluted	40,374,609	30,247,372	30,498,847	30,232,304

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

**Table of Contents****RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Comprehensive Income****(Unaudited)****(In thousands, except share and per share amounts)**

	<b>Three Months Ended September 30, 2012</b>		<b>Nine Months Ended September 30, 2012</b>	
	<b>2013</b>	<b>(As Restated)</b>	<b>2013</b>	<b>(As Restated)</b>
Net income	\$ 12,292	\$ 3,588	\$ 19,843	\$ 12,763
Other comprehensive income (loss):				
Foreign currency translation, net of tax of \$1,449, \$2,427, \$(2,471) and \$2,220	2,691	4,508	(4,589)	4,123
Unrealized gains (losses) on investments, net of tax of \$10, \$0, \$(2) and \$0	18		(4)	
Realized losses on investments, net of tax of \$0, \$0, \$0 and \$4				8
Benefit plan amortization, net of tax of \$767, \$725, \$4,572, and \$2,175	1,250	1,201	9,324	3,608
Other comprehensive income (loss), net of tax	3,959	5,709	4,731	7,739
Comprehensive income	\$ 16,251	\$ 9,297	\$ 24,574	\$ 20,502

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

**Table of Contents****RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Condensed Consolidated Balance Sheets****(Unaudited)****(In thousands, except share and per share amounts)**

	<b>September 30, 2013</b>	<b>December 31, 2012 (As Restated)</b>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 315,021	\$ 97,190
Short-term investments	45,187	
Receivables, less allowance for doubtful accounts of \$736 and \$722	118,827	105,317
Inventories, net	420,400	385,116
Costs in excess of billings	3,425	2,260
Deferred income taxes	31,406	31,380
Assets of discontinued operations		14,741
Other current assets	23,041	11,270
<b>Total current assets</b>	<b>957,307</b>	<b>647,274</b>
Property, plant, and equipment, net	367,849	375,949
Goodwill	129,838	130,610
Other intangible assets, net	53,042	56,495
Deferred income taxes	29,435	33,287
Other noncurrent assets	14,910	8,866
<b>Total assets</b>	<b>\$ 1,552,381</b>	<b>\$ 1,252,481</b>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>		
Current liabilities:		
Accounts payable	\$ 75,039	\$ 91,661
Accrued wages and other employee costs	29,801	34,096
Unearned revenues	38,467	24,998
Liabilities of discontinued operations		2,332
Other accrued liabilities	26,037	22,550
<b>Total current liabilities</b>	<b>169,344</b>	<b>175,637</b>
Long-term debt	419,249	198,337
Liability for post-retirement benefits	44,112	45,066
Liability for pension benefits	10,297	20,711
Deferred income taxes	73,882	46,384
Unearned revenues	12,033	13,013
Other noncurrent liabilities	12,134	11,798

Total liabilities	741,051	510,946
<b>Commitments and Contingencies</b>		
Shareholders' equity:		
Common stock, \$0.01 par value; 50,000,000 shares authorized; 31,360,663 and 31,136,899 shares issued; 30,554,253 and 30,354,324 shares outstanding	314	311
Additional paid-in capital	530,415	484,798
Treasury stock, at cost; 806,410 and 782,575 shares	(18,798)	(18,399)
Accumulated other comprehensive loss	(39,991)	(44,722)
Retained earnings	339,390	319,547
Total shareholders' equity.	811,330	741,535
Total liabilities and shareholders' equity	\$ 1,552,381	\$ 1,252,481

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*



Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Cash Flows****(Unaudited)****(In thousands, except per share amounts)**

	<b>Nine Months Ended September 30, 2012</b>	
	<b>2013</b>	<b>(As Restated)</b>
<b><u>OPERATING ACTIVITIES:</u></b>		
Net income	\$ 19,843	\$ 12,763
Adjustment for non-cash items included in net income:		
Depreciation and amortization	32,469	29,405
Asset and asset related charges		1,617
Goodwill impairments	484	
Deferred income taxes	349	(4,717)
Stock-based compensation	4,543	3,658
Excess tax benefits from stock-based compensation activity	(405)	(100)
Amortization of discount on long-term debt	10,592	7,192
Deferred financing cost writedown	1,498	
Other	1,115	1,498
Changes in assets and liabilities:		
Receivables	(14,169)	(11,799)
Inventories	(36,394)	(71,352)
Accounts payable	(11,866)	10,424
Income taxes payable	(11,566)	8,893
Unearned revenue	13,502	8,907
Cost in excess of billings	(1,165)	(1,751)
Other current assets and liabilities	(2,493)	(7,181)
Other assets and liabilities	3	(12,907)
Cash provided by (used in) operating activities	6,340	(25,450)
<b><u>INVESTING ACTIVITIES:</u></b>		
Purchase of investments	(128,324)	(4,037)
Maturity/sale of investments	82,957	176,809
Capital expenditures	(26,357)	(47,879)
Divestitures	10,475	
Acquisitions, net of cash acquired		(182,811)
Cash used in investing activities	(61,249)	(57,918)

**FINANCING ACTIVITIES:**

Borrowings on long-term debt	402,500	
Repayments on long-term debt	(120,590)	(543)
Deferred financing costs	(12,370)	(823)
Proceeds from exercise of employee stock options	1,960	335
Excess tax benefits from stock-based compensation activity	405	100
Purchase of common stock held in treasury	(399)	(742)
Cash provided by (used in) financing activities	271,506	(1,673)
Effect of exchange rate changes on cash and cash equivalents	1,234	1,588
Increase (decrease) in cash and cash equivalents	217,831	(83,453)
Cash and cash equivalents at beginning of period	97,190	156,842
Cash and cash equivalents at end of period	\$ 315,021	\$ 73,389

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

**Table of Contents**

**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES**

**Condensed Consolidated Statements of Shareholders' Equity**

**(Unaudited)**

**(In thousands, except per share amounts)**

**Comm**