

VALMONT INDUSTRIES INC  
Form 10-Q  
April 29, 2011

Table of Contents

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

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**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 March 26, 2011

Or

**TRANSITION REPORT UNDER 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)

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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

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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       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

**26,414,248**

Outstanding shares of common stock as of April 19, 2011

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

INDEX TO FORM 10-Q

|   | Page No.     |
|---|--------------|
| <b><u>PART I. FINANCIAL INFORMATION</u></b>   |              |
| Item 1. Financial Statements:   |              |
| <u>Condensed Consolidated Statements of Operations for the thirteen weeks ended March 26, 2011 and March 27, 2010</u>           | <u>3</u>     |
| <u>Condensed Consolidated Balance Sheets as of March 26, 2011 and December 25, 2010</u>   | <u>4</u>     |
| <u>Condensed Consolidated Statements of Cash Flows for the thirteen weeks ended March 26, 2011 and March 27, 2010</u>           | <u>5</u>     |
| <u>Condensed Consolidated Statements of Shareholders' Equity for the thirteen weeks ended March 26, 2011 and March 27, 2010</u> | <u>6</u>     |
| <u>Notes to Condensed Consolidated Financial Statements</u>   | <u>7-20</u>  |
| <u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                            | <u>21-28</u> |
| <u>Item 3. Quantitative and Qualitative Disclosure about Market Risk</u>  | <u>28</u>    |
| <u>Item 4. Controls and Procedures</u>  | <u>29</u>    |
| <b><u>PART II. OTHER INFORMATION</u></b>  |              |
| <u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>  | <u>30</u>    |
| <u>Item 5. Other Information</u>  | <u>30</u>    |
| <u>Item 6. Exhibits</u>   | <u>31</u>    |
| <u>Signatures</u>   | <u>32</u>    |

Table of Contents

## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## PART I. FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

(Unaudited)

|   | Thirteen Weeks Ended |                   |
|---|----------------------|-------------------|
|   | March 26,<br>2011    | March 27,<br>2010 |
| Product sales   | \$ 501,168           | \$ 339,820        |
| Services sales  | 66,781               | 27,582            |
| Net sales   | 567,949              | 367,402           |
| Product cost of sales   | 385,000              | 248,643           |
| Services cost of sales  | 46,456               | 18,029            |
| Total cost of sales   | 431,456              | 266,672           |
| Gross profit  | 136,493              | 100,730           |
| Selling, general and administrative expenses  | 91,192               | 69,080            |
| Operating income  | 45,301               | 31,650            |
| Other income (expenses):  |                      |                   |
| Interest expense  | (8,271)              | (5,962)           |
| Interest income   | 1,787                | 356               |
| Other   | 390                  | (77)              |
|   | (6,094)              | (5,683)           |
| Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries | 39,207               | 25,967            |
| Income tax expense:   |                      |                   |
| Current   | 12,504               | 6,706             |
| Deferred  | 784                  | 2,740             |
|   | 13,288               | 9,446             |
| Earnings before equity in earnings of nonconsolidated subsidiaries                  | 25,919               | 16,521            |
| Equity in earnings of nonconsolidated subsidiaries                                  | 954                  | 114               |
| Net earnings  | 26,873               | 16,635            |
| Less: Earnings attributable to noncontrolling interests                             | (1,264)              | (172)             |
| Net earnings attributable to Valmont Industries, Inc.                               | \$ 25,609            | \$ 16,463         |

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|   |          |         |
|---|----------|---------|
| Earnings per share attributable to Valmont Industries, Inc. Basic                   | \$ 0.98  | \$ 0.63 |
| Earnings per share attributable to Valmont Industries, Inc. Diluted                 | \$ 0.97  | \$ 0.62 |
| Cash dividends per share  | \$ 0.165 | \$ 0.15 |
| Weighted average number of shares of common stock outstanding Basic (000 omitted)   | 26,271   | 26,031  |
| Weighted average number of shares of common stock outstanding Diluted (000 omitted) | 26,537   | 26,419  |

See accompanying notes to condensed consolidated financial statements.

Table of Contents

## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)

|   | March 26,<br>2011 | December 25,<br>2010 |
|---|-------------------|----------------------|
| <b>ASSETS</b>                                   |                   |                      |
| Current assets:                                 |                   |                      |
| Cash and cash equivalents                       | \$ 358,271        | \$ 346,904           |
| Receivables, net                                | 425,853           | 410,566              |
| Inventories                                     | 323,964           | 280,223              |
| Prepaid expenses                                | 29,438            | 23,806               |
| Refundable and deferred income taxes            | 30,858            | 32,727               |
| <br>Total current assets                        | <br>1,168,384     | <br>1,094,226        |
| Property, plant and equipment, at cost          | 887,056           | 865,287              |
| Less accumulated depreciation and amortization  | 444,097           | 425,678              |
| <br>Net property, plant and equipment           | <br>442,959       | <br>439,609          |
| Goodwill  | 322,831           | 314,847              |
| Other intangible assets, net                    | 187,530           | 185,535              |
| Other assets                                    | 57,839            | 56,526               |
| <br>Total assets                                | <br>\$ 2,179,543  | <br>\$ 2,090,743     |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>     |                   |                      |
| Current liabilities:                            |                   |                      |
| Current installments of long-term debt          | \$ 272            | \$ 238               |
| Notes payable to banks                          | 9,911             | 8,824                |
| Accounts payable                                | 206,768           | 179,814              |
| Accrued employee compensation and benefits      | 56,172            | 75,981               |
| Accrued expenses                                | 81,417            | 77,705               |
| Dividends payable                               | 4,358             | 4,352                |
| <br>Total current liabilities                   | <br>358,898       | <br>346,914          |
| Deferred income taxes                           | 93,485            | 89,922               |
| Long-term debt, excluding current installments  | 484,548           | 468,596              |
| Defined benefit pension liability               | 110,900           | 104,171              |
| Deferred compensation                           | 30,469            | 23,300               |
| Other noncurrent liabilities                    | 47,786            | 47,713               |
| Shareholders' equity:                           |                   |                      |
| Preferred stock                                 |                   |                      |
| 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                               | 868,396           | 850,269              |
| Accumulated other comprehensive income          | 85,149            | 63,645               |
| Treasury stock                                  | (25,465)          | (25,922)             |

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|  |              |              |
|--|--------------|--------------|
| Total Valmont Industries, Inc. shareholders' equity  | 955,980      | 915,892      |
| Noncontrolling interest in consolidated subsidiaries | 97,477       | 94,235       |
| Total shareholders' equity                           | 1,053,457    | 1,010,127    |
| Total liabilities and shareholders' equity           | \$ 2,179,543 | \$ 2,090,743 |

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)

|   | Thirteen Weeks Ended |                   |
|---|----------------------|-------------------|
|   | March 26,<br>2011    | March 27,<br>2010 |
| Cash flows from operating activities:                                     |                      |                   |
| Net earnings  | \$ 26,873            | \$ 16,635         |
| Adjustments to reconcile net earnings to net cash flow from operations:   |                      |                   |
| Depreciation and amortization   | 17,165               | 11,209            |
| Stock-based compensation  | 1,312                | 1,599             |
| Defined benefit pension plan expense                                      | 1,497                |                   |
| Loss on sales of property, plant and equipment                            | 67                   | 64                |
| Equity in earnings of nonconsolidated subsidiaries                        | (954)                | (114)             |
| Deferred income taxes   | 784                  | 2,740             |
| Other   |                      | 20                |
| Changes in assets and liabilities (net of the effects from acquisitions): |                      |                   |
| Receivables   | (9,850)              | (345)             |
| Inventories   | (40,044)             | (2,796)           |
| Prepaid expenses  | (4,746)              | 1,463             |
| Accounts payable  | 22,952               | (2,131)           |
| Accrued expenses  | (11,451)             | (10,748)          |
| Other noncurrent liabilities  | (1,490)              | (160)             |
| Income taxes payable/refundable   | 3,572                | 1,832             |
| Net cash flows from operating activities                                  | 5,687                | 19,268            |
| Cash flows from investing activities:                                     |                      |                   |
| Purchase of property, plant and equipment                                 | (12,609)             | (4,555)           |
| Proceeds from sale of assets  | 99                   | 96                |
| Acquisitions  |                      | (7,460)           |
| Cash restricted for acquisitions  |                      | (264,000)         |
| Dividends to noncontrolling interests                                     |                      | (295)             |
| Other, net  | 999                  | 2,547             |
| Net cash flows from investing activities                                  | (11,511)             | (273,667)         |
| Cash flows from financing activities:                                     |                      |                   |
| Net payments under short-term agreements                                  | 816                  | (1,458)           |
| Proceeds from long-term borrowings  | 23,000               | 191,000           |
| Principal payments on long-term obligations                               | (7,040)              | (39)              |
| Dividends paid  | (4,358)              | (3,944)           |
| Proceeds from exercises under stock plans                                 | 15,993               | 1,803             |
| Excess tax benefits from stock option exercises                           | 2,659                | 1,010             |
| Purchase of treasury shares   | (4,802)              | (877)             |
| Purchase of common treasury shares stock plan exercises                   | (18,153)             | (1,595)           |



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|  |            |            |
|--|------------|------------|
| Net cash flows from financing activities                     | 8,115      | 185,900    |
| Effect of exchange rate changes on cash and cash equivalents | 9,076      | (2,300)    |
| Net change in cash and cash equivalents                      | 11,367     | (70,799)   |
| Cash and cash equivalents beginning of year                  | 346,904    | 180,786    |
| Cash and cash equivalents end of period                      | \$ 358,271 | \$ 109,987 |

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<br>stock | Additional<br>paid-in<br>capital | Retained<br>earnings | Accumulated<br>other<br>comprehensive<br>income<br>(loss) | Treasury<br>stock | Noncontrolling<br>interest in<br>consolidated<br>subsidiaries | Total<br>shareholders'<br>equity |
|--|-----------------|----------------------------------|----------------------|---|-------------------|---|----------------------------------|
| <b>Balance at<br/>December 26, 2009</b>          | \$ 27,900       | \$                               | \$ 767,398           | \$ 16,953   | \$ (25,990)       | \$ 22,046   | \$ 808,307                       |
| Comprehensive income:                            |                 |                                  |                      |   |                   |   |                                  |
| Net earnings                                     |                 |                                  | 16,463               |   |                   | 172   | 16,635                           |
| Currency translation<br>adjustment               |                 |                                  |                      | (6,615)   |                   | (263)   | (6,878)                          |
| Total comprehensive<br>income                    |                 |                                  |                      |   |                   |   | 9,757                            |
| Cash dividends (\$0.15<br>per share)             |                 |                                  | (3,947)              |   |                   |   | (3,947)                          |
| Dividends to<br>noncontrolling interests         |                 |                                  |                      |   |                   | (295)   | (295)                            |
| Purchase of<br>noncontrolling interests          |                 | (1,875)                          |                      |   |                   | (1,520)   | (3,395)                          |
| Purchase of 12,351<br>treasury shares            |                 |                                  |                      |   | (877)             |   | (877)                            |
| Stock plan exercises;<br>44,088 shares issued    |                 | (733)                            | 500                  |   | 2,036             |   | 1,803                            |
| Stock plan exercises;<br>22,317 shares purchased |                 |                                  |                      |   | (1,595)           |   | (1,595)                          |
| Tax benefit from exercise<br>of stock options    |                 | 1,010                            |                      |   |                   |   | 1,010                            |
| Stock option expense                             |                 | 1,228                            |                      |   |                   |   | 1,228                            |
| Stock awards; 9,088<br>shares issued             |                 | 370                              |                      |   | 650               |   | 1,020                            |
| <b>Balance at March 27,<br/>2010</b>             | \$ 27,900       | \$                               | \$ 780,414           | \$ 10,338   | \$ (25,776)       | \$ 20,140   | \$ 813,016                       |
| <b>Balance at<br/>December 25, 2010</b>          | \$ 27,900       | \$                               | \$ 850,269           | \$ 63,645   | \$ (25,922)       | \$ 94,235   | \$ 1,010,127                     |
| Comprehensive income:                            |                 |                                  |                      |   |                   |   |                                  |
| Net earnings                                     |                 |                                  | 25,609               |   |                   | 1,264   | 26,873                           |
| Currency translation<br>adjustment               |                 |                                  |                      | 21,504  |                   | 1,978   | 23,482                           |
| Total comprehensive<br>income                    |                 |                                  |                      |   |                   |   | 50,355                           |
| Cash dividends (\$0.165<br>per share)            |                 |                                  | (4,358)              |   |                   |   | (4,358)                          |
| Purchase of 53,847<br>treasury shares            |                 |                                  |                      |   | (4,802)           |   | (4,802)                          |

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|   |         |         |          |          |
|---|---------|---------|----------|----------|
| Stock plan exercises;<br>253,133 shares issued    | (3,971) | (3,124) | 23,088   | 15,993   |
| Stock plan exercises;<br>165,735 shares purchased |         |         | (18,153) | (18,153) |
| Tax benefit from exercise<br>of stock options     | 2,659   |         |          | 2,659    |
| Stock option expense                              | 1,252   |         |          | 1,252    |
| Stock awards; 2,992<br>shares issued              | 60      |         | 324      | 384      |

**Balance at March 26,  
2011**                    \$ 27,900   \$                    \$ 868,396   \$   85,149   \$ (25,465)   \$   97,477   \$ 1,053,457

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 March 26, 2011, the Condensed Consolidated Statements of Operations, Cash Flows and Shareholders' Equity for the thirteen week periods ended March 26, 2011 and March 27, 2010 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 March 26, 2011 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 25, 2010. 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 25, 2010. The results of operations for the period ended March 26, 2011 are not necessarily indicative of the operating results for the full year.

*Inventories*

At March 26, 2011, approximately 36% of inventory is valued at the lower of cost, determined on the last-in, first-out (LIFO) method, or market. 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 was approximately \$53,000 and \$42,500 at March 26, 2011 and December 25, 2010, respectively.

Inventories consisted of the following:

|                                       | March 26,<br>2011 | December 25,<br>2010 |
|---------------------------------------|-------------------|----------------------|
| Raw materials and purchased parts     | \$ 161,014        | \$ 133,380           |
| Work-in-process                       | 26,239            | 25,891               |
| Finished goods and manufactured goods | 189,745           | 163,511              |
| Subtotal                              | 376,998           | 322,782              |
| LIFO reserve                          | 53,034            | 42,559               |
| Net inventory                         | \$ 323,964        | \$ 280,223           |

*Stock Plans*

The Company maintains stock-based compensation plans approved by the shareholders, which provide that the Human Resources 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 March 26, 2011, 861,332 shares of common stock remained available for issuance under the plans. Shares and options issued and available are subject to changes in capitalization. The



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)**

Company's policy is to issue shares upon stock option exercises from treasury shares held by the Company.

Under the plans, the exercise price of each option equals the 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 recorded \$1,252 and \$1,228 of compensation expense (included in selling, general and administrative expenses) in the quarters ended March 26, 2011 and March 27, 2010, respectively, related to stock options. The associated tax benefits recorded were \$482 and \$472, respectively.

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

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)

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<br>Value<br>March 26,<br>2011 | Fair Value Measurement Using:  |   |  |
|--------------------|--|--|---|--|
|                    |  | Quoted Prices in<br>Active Markets<br>for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Assets:            |  |  |   |  |
| Trading Securities | \$ 19,203                              | \$ 19,203  | \$  | \$   |

|                    | Carrying<br>Value<br>December 25,<br>2010 | Fair Value Measurement Using:  |   |  |
|--------------------|---|--|---|--|
|                    |   | Quoted Prices in<br>Active Markets<br>for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Assets:            |   |  |   |  |
| Trading Securities | \$ 18,433                                 | \$ 18,433  | \$  | \$   |

*Accumulated Other Comprehensive Income (Loss)*

Results of operations for foreign subsidiaries are translated using the average exchange rates during the period. Assets and liabilities are translated at the exchange rates in effect on the balance sheet dates. "Accumulated other comprehensive income (loss)" consisted of the following at March 26, 2011 and December 25, 2010:

|  | March 26, 2011 | December 25, 2010 |
|--|----------------|-------------------|
| Foreign currency translation adjustment        | \$ 54,786      | \$ 34,693         |
| Actuarial gain in defined benefit pension plan | 30,363         | 28,952            |
| Balance, end of period                         | \$ 85,149      | \$ 63,645         |

## 2. Acquisition of Delta plc

On May 12, 2010, the Company acquired Delta, plc. ("Delta") a public limited company incorporated in Great Britain, and listed on the London Stock Exchange (LSE: DLTA). The price paid per share was 185 pence in cash for each Delta share, or £284,463, or \$436,736 based on the contracted average exchange rate of \$1.5353 / £. Delta has manufacturing operations employing over 2,500 people in Australia, Asia, South Africa and the United States. Delta's businesses include engineered steel products, galvanizing services and manganese materials.

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 Delta plc (Continued)**

The Company's pro forma results of operations for the quarter ended March 27, 2010, assuming that the acquisition occurred at the beginning of fiscal 2010 were as follows:

|                            | <b>Thirteen weeks<br/>Ended<br/>March 27, 2010</b> |
|----------------------------|--|
| Net sales                  | \$ 495,840   |
| Net earnings               | 20,037   |
| Earnings per share diluted | \$ 0.76  |

**3. Goodwill and Intangible Assets**

The Company's annual impairment testing of goodwill and intangible assets was performed during the third quarter of 2010. As a result of that testing, it was determined the goodwill and other intangible assets on the Company's Condensed Consolidated Balance Sheet were not impaired. The Company continues to monitor changes in the global economy and its reporting units that could impact future operating results of its reporting units and related components.

*Amortized Intangible Assets*

The components of amortized intangible assets at March 26, 2011 and December 25, 2010 were as follows:

|                                  | <b>As of March 26, 2011</b>          |                                     | <b>Weighted<br/>Average<br/>Life</b> |
|----------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|
|                                  | <b>Gross<br/>Carrying<br/>Amount</b> | <b>Accumulated<br/>Amortization</b> |                                      |
| Customer Relationships           | \$ 159,293                           | \$ 41,346                           | 13 years                             |
| Proprietary Software & Database  | 2,609                                | 2,603                               | 6 years                              |
| Patents & Proprietary Technology | 9,781                                | 2,775                               | 8 years                              |
| Non-compete Agreements           | 1,698                                | 1,122                               | 6 years                              |
|                                  | <b>\$ 173,381</b>                    | <b>\$ 47,846</b>                    |                                      |

|                                  | <b>As of December 25, 2010</b>       |                                     | <b>Weighted<br/>Average<br/>Life</b> |
|----------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|
|                                  | <b>Gross<br/>Carrying<br/>Amount</b> | <b>Accumulated<br/>Amortization</b> |                                      |
| Customer Relationships           | \$ 155,664                           | \$ 37,932                           | 13 years                             |
| Proprietary Software & Database  | 2,609                                | 2,568                               | 6 years                              |
| Patents & Proprietary Technology | 9,486                                | 2,336                               | 8 years                              |
| Non-compete Agreements           | 1,674                                | 1,054                               | 6 years                              |
|                                  | <b>\$ 169,433</b>                    | <b>\$ 43,890</b>                    |                                      |



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 during the first quarter of 2011 and 2010 was \$3,532 and \$2,040, respectively. Estimated amortization expense related to amortized intangible assets is as follows:

|      | Estimated<br>Amortization<br>Expense |
|------|--------------------------------------|
| 2011 | \$ 14,262                            |
| 2012 | 14,254                               |
| 2013 | 13,359                               |
| 2014 | 12,938                               |
| 2015 | 12,050                               |

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 March 26, 2011 and December 25, 2010 were as follows:

|                                 | March 26,<br>2011 | December 25,<br>2010 |
|---------------------------------|-------------------|----------------------|
| Webforge                        | \$ 17,409         | \$ 16,478            |
| Newmark                         | 11,111            | 11,111               |
| Ingal EPS/ Ingal Civil Products | 9,231             | 8,795                |
| Donhad                          | 6,964             | 6,635                |
| PiRod                           | 4,750             | 4,750                |
| Industrial Galvanizers          | 4,858             | 4,632                |
| Other                           | 7,672             | 7,591                |
|                                 | \$ 61,995         | \$ 59,992            |

The Company's trade names were tested for impairment separately from goodwill in the third quarter of 2010. 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.

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)***Goodwill*

The carrying amount of goodwill as of March 26, 2011 was as follows:

|                                 | Engineered<br>Support<br>Structures<br>Segment | Utility<br>Support<br>Structures<br>Segment | Coatings<br>Segment | Irrigation<br>Segment | Other     | Total      |
|---------------------------------|--|---|---------------------|-----------------------|-----------|------------|
| Balance December 25,<br>2010    | \$ 152,062                                     | \$ 77,141                                   | \$ 64,868           | \$ 2,064              | \$ 18,712 | \$ 314,847 |
| Foreign currency<br>translation | 5,647  |   | 1,556               |                       | 781       | 7,984      |
| Balance March 26, 2011          | \$ 157,709                                     | \$ 77,141                                   | \$ 66,424           | \$ 2,064              | \$ 19,493 | \$ 322,831 |

**4. Cash Flows**

The Company considers all highly liquid temporary cash investments purchased with a maturity of three months or less to be cash equivalents. Cash payments for interest and income taxes (net of refunds) for the thirteen weeks ended were as follows:

|              | March 26,<br>2011 | March 27,<br>2010 |
|--------------|-------------------|-------------------|
| Interest     | \$ 366            | \$ 2,856          |
| Income taxes | 5,296             | 3,833             |

**5. Earnings Per Share**

The following table reconciles Basic and Diluted earnings per share (EPS):

|   | Basic EPS | Dilutive Effect of<br>Stock Options | Diluted EPS |
|---|-----------|-------------------------------------|-------------|
| Thirteen weeks ended March 26, 2011:                  |           |                                     |             |
| Net earnings attributable to Valmont Industries, Inc. | \$ 25,609 |                                     | \$ 25,609   |
| Shares outstanding                                    | 26,271    | 266                                 | 26,537      |
| Per share amount                                      | \$ 0.98   | \$ (0.01)                           | \$ 0.97     |
| Thirteen weeks ended March 27, 2010:                  |           |                                     |             |
| Net earnings attributable to Valmont Industries, Inc. | \$ 16,463 |                                     | \$ 16,463   |
| Shares outstanding                                    | 26,031    | 388                                 | 26,419      |
| Per share amount                                      | \$ 0.63   | \$ (0.01)                           | \$ 0.62     |

At March 26, 2011 there were 8,962 shares of outstanding stock options with exercise prices exceeding the market price of common stock that were therefore excluded from the computation of fully diluted shares earnings per share for the thirteen weeks ended March 26, 2011. At March 27, 2010 there were 44,767 of outstanding stock options with exercise prices exceeding the market price of common stock that were therefore excluded from the computation of fully diluted shares earnings per share for the thirteen weeks ended March 27, 2010.

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**

The Company aggregates its operating segments into four reportable segments. Aggregation is based on similarity of operating segments as to economic characteristics, products, production processes, types or classes of customer and the methods of distribution. 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;

*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, the electrolytic manganese dioxide for disposable batteries and the distribution of industrial fasteners and are reported in the "Other" category.

In the fourth quarter of 2010, the Company reorganized its segment reporting structure to reflect the management structure as a result of the acquisition of Delta plc. The main business units of Delta are organized as follows in the reportable segment structure:

Engineered Infrastructure Products segment includes Delta's lighting, communication, access systems and roadway safety products;

Coatings segment includes Delta's galvanizing operations in the U.S., Australia and Asia;

Delta's forged steel grinding media and electrolytic manganese dioxide operations are included an "Other", and;

Delta's management administration expenses are included in "Net corporate expense".

It was not necessary to reclassify fiscal 2010 to conform to the fiscal 2011 presentation as Delta plc was acquired on May 12, 2010 which was subsequent to the Company's first quarter end for fiscal 2010.

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)

|   | Thirteen Weeks Ended |                   |
|---|----------------------|-------------------|
|   | March 26,<br>2011    | March 27,<br>2010 |
| Sales:                                      |                      |                   |
| Engineered Infrastructure Products segment: |                      |                   |
| Lighting, Traffic, and Roadway Products     | \$ 117,311           | \$ 88,111         |
| Communication Products                      | 20,423               | 18,895            |
| Access Systems                              | 31,196               | 0                 |
| Engineered Infrastructure Products segment  | 168,930              | 107,006           |
| Utility Support Structures segment:         |                      |                   |
| Steel                                       | 109,898              | 99,073            |
| Concrete                                    | 15,749               | 14,155            |
| Utility Support Structures segment          | 125,647              | 113,228           |
| Coatings segment                            | 73,450               | 27,930            |
| Irrigation segment                          | 151,048              | 108,639           |
| Other                                       | 73,986               | 22,289            |
| Total                                       | 593,061              | 379,092           |
| Intersegment Sales:                         |                      |                   |
| Engineered Infrastructure Products          | 5,944                | 1,102             |
| Utility Support Structures                  | 308                  | 299               |
| Coatings                                    | 11,505               | 5,764             |
| Irrigation                                  | 3                    | 3                 |
| Other                                       | 7,352                | 4,522             |
| Total                                       | 25,112               | 11,690            |
| Net Sales:                                  |                      |                   |
| Engineered Infrastructure Products segment  | 162,986              | 105,904           |
| Utility Support Structures segment          | 125,339              | 112,929           |
| Coatings segment                            | 61,945               | 22,166            |
| Irrigation segment                          | 151,045              | 108,636           |
| Other                                       | 66,634               | 17,767            |
| Total                                       | \$ 567,949           | \$ 367,402        |
| Operating Income (Loss):                    |                      |                   |
| Engineered Infrastructure Products segment  | \$ 2,203             | \$ 2,611          |
| Utility Support Structures segment          | 13,499               | 14,706            |
| Coatings segment                            | 10,292               | 4,532             |
| Irrigation segment                          | 23,894               | 15,398            |
| Other                                       | 8,914                | 4,264             |
| Net corporate expense                       | (13,501)             | (9,861)           |
| Total                                       | \$ 45,301            | \$ 31,650         |



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**

On April 8, 2010, the Company issued \$300,000 of senior unsecured notes at a coupon 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 owned 100% by the Company.

On May 4, 2004, the Company completed a \$150,000 offering of 6<sup>7</sup>/<sub>8</sub>% Senior Subordinated Notes. The Notes are guaranteed, jointly, severally, fully and unconditionally, on a senior subordinated basis by the Guarantors.

Condensed consolidated financial information for the Company ("Parent"), the Guarantor subsidiaries and the Non-Guarantor subsidiaries is as follows:

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**For the Thirteen Weeks Ended March 26, 2011**

|  | Parent     | Guarantors | Non-Guarantors | Eliminations | Total      |
|--|------------|------------|----------------|--------------|------------|
| Net sales  | \$ 262,646 | \$ 73,841  | \$ 270,069     | \$ (38,607)  | \$ 567,949 |
| Cost of sales  | 198,303    | 58,306     | 213,385        | (38,538)     | 431,456    |
| Gross profit   | 64,343     | 15,535     | 56,684         | (69)         | 136,493    |
| Selling, general and administrative expenses   | 37,109     | 10,751     | 43,332         |              | 91,192     |
| Operating income   | 27,234     | 4,784      | 13,352         | (69)         | 45,301     |
| Other income (expenses):   |            |            |                |              |            |
| Interest expense   | (8,189)    |            | (82)           |              | (8,271)    |
| Interest income  | 5          |            | 1,782          |              | 1,787      |
| Other  | 371        | 11         | 8              |              | 390        |
|  | (7,813)    | 11         | 1,708          |              | (6,094)    |
| Earnings before income taxes and equity in earnings/(losses) of nonconsolidated subsidiaries | 19,421     | 4,795      | 15,060         | (69)         | 39,207     |
| Income tax expense (benefit):  |            |            |                |              |            |
| Current  | 6,489      | 2,104      | 3,911          |              | 12,504     |
| Deferred   | 60         | (261)      | 985            |              | 784        |
|  | 6,549      | 1,843      | 4,896          |              | 13,288     |
| Earnings before equity in earnings/(losses) of nonconsolidated subsidiaries                  | 12,872     | 2,952      | 10,164         | (69)         | 25,919     |
| Equity in earnings/(losses) of nonconsolidated subsidiaries                                  | 12,737     | 6,367      | 886            | (19,036)     | 954        |

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|   |           |          |          |             |           |
|---|-----------|----------|----------|-------------|-----------|
| Net Earnings  | 25,609    | 9,319    | 11,050   | (19,105)    | 26,873    |
| Less: Earnings attributable to noncontrolling interests |           |          | (1,264)  |             | (1,264)   |
| Net Earnings attributable to Valmont Industries, Inc.   | \$ 25,609 | \$ 9,319 | \$ 9,786 | \$ (19,105) | \$ 25,609 |



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 OPERATIONS  
For the Thirteen Weeks Ended March 27, 2010

|  | Parent     | Guarantors | Non-Guarantors | Eliminations | Total      |
|--|------------|------------|----------------|--------------|------------|
| Net sales  | \$ 199,088 | \$ 64,464  | \$ 131,492     | \$ (27,642)  | \$ 367,402 |
| Cost of sales  | 147,273    | 48,929     | 98,543         | (28,073)     | 266,672    |
| Gross profit   | 51,815     | 15,535     | 32,949         | 431          | 100,730    |
| Selling, general and administrative expenses   | 35,692     | 11,433     | 21,955         |              | 69,080     |
| Operating income   | 16,123     | 4,102      | 10,994         | 431          | 31,650     |
| Other income (expenses):   |            |            |                |              |            |
| Interest expense   | (5,754)    |            | (208)          |              | (5,962)    |
| Interest income  | 11         |            | 345            |              | 356        |
| Other  | 158        | 25         | (260)          |              | (77)       |
|  | (5,585)    | 25         | (123)          |              | (5,683)    |
| Earnings before income taxes and equity in earnings/(losses) of nonconsolidated subsidiaries | 10,538     | 4,127      | 10,871         | 431          | 25,967     |
| Income tax expense (benefit):  |            |            |                |              |            |
| Current  | 2,803      | 1,594      | 2,309          |              | 6,706      |
| Deferred   | 1,585      | (29)       | 1,184          |              | 2,740      |
|  | 4,388      | 1,565      | 3,493          |              | 9,446      |
| Earnings before equity in earnings/(losses) of nonconsolidated subsidiaries                  | 6,150      | 2,562      | 7,378          | 431          | 16,521     |
| Equity in earnings/(losses) of nonconsolidated subsidiaries                                  | 10,313     |            |                | (10,199)     | 114        |
| Net Earnings   | 16,463     | 2,562      | 7,378          | (9,768)      | 16,635     |
| Less: Earnings attributable to noncontrolling interests                                      |            |            | (172)          |              | (172)      |
| Net Earnings attributable to Valmont Industries, Inc.  | \$ 16,463  | \$ 2,562   | \$ 7,206       | \$ (9,768)   | \$ 16,463  |

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

March 26, 2011

|  | Parent       | Guarantors | Non-Guarantors | Eliminations | Total        |
|--|--------------|------------|----------------|--------------|--------------|
| <b>ASSETS</b>  |              |            |                |              |              |
| Current assets:                                      |              |            |                |              |              |
| Cash and cash equivalents                            | \$ 15,380    | \$ 1,181   | \$ 341,710     |              | \$ 358,271   |
| Receivables, net                                     | 129,932      | 36,724     | 259,197        |              | 425,853      |
| Inventories  | 83,256       | 37,305     | 203,403        |              | 323,964      |
| Prepaid expenses                                     | 4,079        | 1,009      | 24,350         |              | 29,438       |
| Refundable and deferred income taxes                 | 13,574       | 3,173      | 14,111         |              | 30,858       |
| Total current assets                                 | 246,221      | 79,392     | 842,771        |              | 1,168,384    |
| Property, plant and equipment, at cost               | 414,599      | 102,084    | 370,373        |              | 887,056      |
| Less accumulated depreciation and amortization       | 273,942      | 51,966     | 118,189        |              | 444,097      |
| Net property, plant and equipment                    | 140,657      | 50,118     | 252,184        |              | 442,959      |
| Goodwill   | 20,108       | 107,542    | 195,181        |              | 322,831      |
| Other intangible assets                              | 782          | 66,809     | 119,939        |              | 187,530      |
| Investment in subsidiaries and intercompany accounts | 1,170,254    | 603,744    | 9,079          | (1,783,077)  |              |
| Other assets   | 30,130       |            | 27,709         |              | 57,839       |
| Total assets   | \$ 1,608,152 | \$ 907,605 | \$ 1,446,863   | (1,783,077)  | \$ 2,179,543 |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>          |              |            |                |              |              |
| Current liabilities:                                 |              |            |                |              |              |
| Current installments of long-term debt               | \$ 187       |            | \$ 85          |              | \$ 272       |
| Notes payable to banks                               |              |            | 9,911          |              | 9,911        |
| Accounts payable                                     | 58,154       | 15,470     | 133,144        |              | 206,768      |
| Accrued expenses                                     | 58,461       | 8,376      | 70,752         |              | 137,589      |
| Dividends payable                                    | 4,358        |            |                |              | 4,358        |
| Total current liabilities                            | 121,160      | 23,846     | 213,892        |              | 358,898      |
| Deferred income taxes                                | 18,259       | 25,320     | 49,906         |              | 93,485       |
| Long-term debt, excluding current installments       | 483,511      |            | 1,037          |              | 484,548      |
| Other noncurrent liabilities                         | 29,242       |            | 159,913        |              | 189,155      |
| Commitments and contingencies                        |              |            |                |              |              |
| Shareholders' equity:                                |              |            |                |              |              |
| Common stock of \$1 par value                        | 27,900       | 457,950    | 2,582          | (460,532)    | 27,900       |
| Additional paid-in capital                           |              | 181,542    | 156,188        | (337,730)    |              |
| Retained earnings                                    | 868,396      | 218,947    | 680,719        | (899,666)    | 868,396      |
| Accumulated other comprehensive income               | 85,149       |            | 85,149         | (85,149)     | 85,149       |
| Treasury stock                                       | (25,465)     |            |                |              | (25,465)     |

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|  |              |            |              |                |              |
|--|--------------|------------|--------------|----------------|--------------|
| Total Valmont Industries, Inc. shareholders' equity  | 955,980      | 858,439    | 924,638      | (1,783,077)    | 955,980      |
| Noncontrolling interest in consolidated subsidiaries |              |            | 97,477       |                | 97,477       |
| Total shareholders' equity                           | 955,980      | 858,439    | 1,022,115    | (1,783,077)    | 1,053,457    |
| Total liabilities and shareholders' equity           | \$ 1,608,152 | \$ 907,605 | \$ 1,446,863 | \$ (1,783,077) | \$ 2,179,543 |

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 25, 2010

|  | Parent       | Guarantors | Non-Guarantors | Eliminations   | Total        |
|--|--------------|------------|----------------|----------------|--------------|
| <b>ASSETS</b>  |              |            |                |                |              |
| Current assets:                                      |              |            |                |                |              |
| Cash and cash equivalents                            | \$ 8,015     | \$ 619     | \$ 338,270     | \$             | \$ 346,904   |
| Receivables, net                                     | 106,181      | 50,663     | 253,722        |                | 410,566      |
| Inventories  | 63,887       | 32,030     | 184,306        |                | 280,223      |
| Prepaid expenses                                     | 3,478        | 920        | 19,408         |                | 23,806       |
| Refundable and deferred income taxes                 | 14,978       | 2,597      | 15,152         |                | 32,727       |
| Total current assets                                 | 196,539      | 86,829     | 810,858        |                | 1,094,226    |
| Property, plant and equipment, at cost               | 413,149      | 98,019     | 354,119        |                | 865,287      |
| Less accumulated depreciation and amortization       | 269,831      | 50,406     | 105,441        |                | 425,678      |
| Net property, plant and equipment                    | 143,318      | 47,613     | 248,678        |                | 439,609      |
| Goodwill   | 20,108       | 107,542    | 187,197        |                | 314,847      |
| Other intangible assets                              | 823          | 68,310     | 116,402        |                | 185,535      |
| Investment in subsidiaries and intercompany accounts | 1,146,364    | 587,231    | 30,017         | (1,742,468)    | 21,144       |
| Other assets   | 24,426       |            | 10,956         |                | 35,382       |
| Total assets   | \$ 1,531,578 | \$ 897,525 | \$ 1,404,108   | \$ (1,742,468) | \$ 2,090,743 |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>          |              |            |                |                |              |
| Current liabilities:                                 |              |            |                |                |              |
| Current installments of long-term debt               | \$ 187       | \$         | \$ 51          | \$             | \$ 238       |
| Notes payable to banks                               |              |            | 8,824          |                | 8,824        |
| Accounts payable                                     | 45,854       | 15,254     | 118,706        |                | 179,814      |
| Accrued expenses                                     | 54,368       | 8,147      | 91,171         |                | 153,686      |
| Dividends payable                                    | 4,352        |            |                |                | 4,352        |
| Total current liabilities                            | 104,761      | 23,401     | 218,752        |                | 346,914      |
| Deferred income taxes                                | 16,083       | 25,004     | 48,835         |                | 89,922       |
| Long-term debt, excluding current installments       | 467,511      |            | 1,085          |                | 468,596      |
| Other noncurrent liabilities                         | 27,331       |            | 147,853        |                | 175,184      |
| Commitments and contingencies                        |              |            |                |                |              |
| Shareholders' equity:                                |              |            |                |                |              |
| Common stock of \$1 par value                        | 27,900       | 457,950    | 2,582          | (460,532)      | 27,900       |
| Additional paid-in capital                           |              | 181,542    | 156,188        | (337,730)      |              |
| Retained earnings                                    | 850,269      | 209,628    | 670,933        | (880,561)      | 850,269      |
| Accumulated other comprehensive income               | 63,645       |            | 63,645         | (63,645)       | 63,645       |
| Treasury stock                                       | (25,922)     |            |                |                | (25,922)     |

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|  |              |            |              |                |              |
|--|--------------|------------|--------------|----------------|--------------|
| Total Valmont Industries, Inc. shareholders' equity  | 915,892      | 849,120    | 893,348      | (1,742,468)    | 915,892      |
| Noncontrolling interest in consolidated subsidiaries |              |            | 94,235       |                | 94,235       |
| Total shareholders' equity                           | 915,892      | 849,120    | 987,583      | (1,742,468)    | 1,010,127    |
| Total liabilities and shareholders' equity           | \$ 1,531,578 | \$ 897,525 | \$ 1,404,108 | \$ (1,742,468) | \$ 2,090,743 |

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 Thirteen Weeks Ended March 26, 2011

|   | Parent   | Guarantors | Non-Guarantors | Eliminations | Total    |
|---|----------|------------|----------------|--------------|----------|
| Cash flows from operations:   |          |            |                |              |          |
| Net earnings  | 25,609   | 9,319      | 11,050         | (19,105)     | 26,873   |
| Adjustments to reconcile net earnings to net cash flow from operations: |          |            |                |              |          |
| Depreciation  | 5,002    | 3,130      | 9,033          |              | 17,165   |
| Stock-based compensation  | 1,312    |            |                |              | 1,312    |
| Defined benefit pension plan expense                                    |          |            | 1,497          |              | 1,497    |
| Loss on sales of property, plant and equipment                          | (13)     | (13)       | 93             |              | 67       |
| Equity in losses of nonconsolidated subsidiaries                        | (67)     |            | (887)          |              | (954)    |
| Deferred income taxes   | 59       | (260)      | 985            |              | 784      |
| Other adjustments   |          |            |                |              |          |
| Changes in assets and liabilities:                                      |          |            |                |              |          |
| Receivables   | (23,751) | 13,938     | (37)           |              | (9,850)  |
| Inventories   | (19,368) | (5,276)    | (15,400)       |              | (40,044) |
| Prepaid expenses  | (602)    | (89)       | (4,055)        |              | (4,746)  |
| Accounts payable  | 11,238   | 216        | 11,498         |              | 22,952   |
| Accrued expenses  | 4,418    | 229        | (16,098)       |              | (11,451) |
| Other noncurrent liabilities  | (1,063)  |            | (427)          |              | (1,490)  |
| Income taxes payable/refundable   | 15,143   |            | (11,571)       |              | 3,572    |
| Net cash flows from operations  | 17,917   | 21,194     | (14,319)       | (19,105)     | 5,687    |
| Cash flows from investing activities:                                   |          |            |                |              |          |
| Purchase of property, plant and equipment                               | (2,024)  | (4,133)    | (6,452)        |              | (12,609) |
| Proceeds from sale of property and equipment                            | 14       | 13         | 72             |              | 99       |
| Acquisitions, net of cash acquired                                      |          |            |                |              |          |
| Cash restricted for acquisitions  |          |            |                |              |          |
| Dividends to noncontrolling interests                                   |          |            |                |              |          |
| Other, net  | (15,881) | (16,512)   | 14,287         | 19,105       | 999      |
| Net cash flows from investing activities                                | (17,891) | (20,632)   | 7,907          | 19,105       | (11,511) |
| Cash flows from financing activities:                                   |          |            |                |              |          |
| Net repayments under short-term agreements                              |          |            | 816            |              | 816      |
| Proceeds from long-term borrowings                                      | 23,000   |            |                |              | 23,000   |
| Principal payments on long-term obligations                             | (7,000)  |            | (40)           |              | (7,040)  |
| Dividends paid  | (4,358)  |            |                |              | (4,358)  |
| Proceeds from exercises under stock plans                               | 15,993   |            |                |              | 15,993   |
| Excess tax benefits from stock option exercises                         | 2,659    |            |                |              | 2,659    |
| Purchase of treasury shares   | (4,802)  |            |                |              | (4,802)  |
| Purchase of common treasury shares stock plan exercises                 | (18,153) |            |                |              | (18,153) |

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|  |           |          |            |    |            |
|--|-----------|----------|------------|----|------------|
| Net cash flows from financing activities                     | 7,339     |          | 776        |    | 8,115      |
| Effect of exchange rate changes on cash and cash equivalents |           |          | 9,076      |    | 9,076      |
| Net change in cash and cash equivalents                      | 7,365     | 562      | 3,440      |    | 11,367     |
| Cash and cash equivalents beginning of year                  | 8,015     | 619      | 338,270    |    | 346,904    |
| Cash and cash equivalents end of period                      | \$ 15,380 | \$ 1,181 | \$ 341,710 | \$ | \$ 358,271 |

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 Thirteen Weeks Ended March 27, 2010

|   | Parent    | Guarantors | Non-Guarantors | Eliminations | Total     |
|---|-----------|------------|----------------|--------------|-----------|
| <b>Cash flows from operations:</b>                                      |           |            |                |              |           |
| Net earnings  | \$ 16,635 | \$ 2,562   | \$ 7,550       | \$ (10,112)  | \$ 16,635 |
| Adjustments to reconcile net earnings to net cash flow from operations: |           |            |                |              |           |
| Depreciation  | 4,988     | 3,183      | 3,038          |              | 11,209    |
| Stock-based compensation  | 1,599     |            |                |              | 1,599     |
| Loss on sales of property, plant and equipment                          | 8         |            | 56             |              | 64        |
| Equity in losses of nonconsolidated subsidiaries                        | (114)     |            |                |              | (114)     |
| Deferred income taxes   | 1,585     | (29)       | 1,184          |              | 2,740     |
| Other adjustments   |           |            | 20             |              | 20        |
| Changes in assets and liabilities:                                      |           |            |                |              |           |
| Receivables   | (12,826)  | 8,433      | 4,048          |              | (345)     |
| Inventories   | (514)     | 3,200      | (5,482)        |              | (2,796)   |
| Prepaid expenses  | (243)     | (55)       | 1,761          |              | 1,463     |
| Accounts payable  | 1,429     | (2,647)    | (913)          |              | (2,131)   |
| Accrued expenses  | (5,071)   | (7,554)    | 1,877          |              | (10,748)  |
| Other noncurrent liabilities  | 111       |            | (271)          |              | (160)     |
| Income taxes payable/refundable   | 1,851     |            | (19)           |              | 1,832     |
| Net cash flows from operations  | 9,438     | 7,093      | 12,849         | (10,112)     | 19,268    |
| <b>Cash flows from investing activities:</b>                            |           |            |                |              |           |
| Purchase of property, plant and equipment                               | (2,605)   | (48)       | (1,902)        |              | (4,555)   |
| Proceeds from sale of property and equipment                            |           | 3          | 93             |              | 96        |
| Acquisitions, net of cash acquired                                      |           |            | (7,460)        |              | (7,460)   |
| Cash restricted for acquisitions  | (264,000) |            |                |              | (264,000) |
| Dividends to noncontrolling interests                                   |           |            | (295)          |              | (295)     |
| Other, net  | 2,958     | (7,997)    | (2,526)        | 10,112       | 2,547     |
| Net cash flows from investing activities                                | (263,647) | (8,042)    | (12,090)       | 10,112       | (273,667) |
| <b>Cash flows from financing activities:</b>                            |           |            |                |              |           |
| Net repayments under short-term agreements                              |           |            | (1,458)        |              | (1,458)   |
| Proceeds from long-term borrowings                                      | 191,000   |            |                |              | 191,000   |
| Principal payments on long-term obligations                             |           |            | (39)           |              | (39)      |
| Dividends paid  | (3,944)   |            |                |              | (3,944)   |
| Proceeds from exercises under stock plans                               | 1,803     |            |                |              | 1,803     |
| Excess tax benefits from stock option exercises                         | 1,010     |            |                |              | 1,010     |
| Purchase of treasury shares   | (877)     |            |                |              | (877)     |
| Purchase of common treasury shares stock plan exercises                 | (1,595)   |            |                |              | (1,595)   |



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|  |           |        |           |            |
|--|-----------|--------|-----------|------------|
| Net cash flows from financing activities                     | 187,397   |        | (1,497)   | 185,900    |
| Effect of exchange rate changes on cash and cash equivalents |           |        | (2,300)   | (2,300)    |
| Net change in cash and cash equivalents                      | (66,812)  | (949)  | (3,038)   | (70,799)   |
| Cash and cash equivalents beginning of year                  | 82,017    | 1,666  | 97,103    | 180,786    |
| Cash and cash equivalents end of period                      | \$ 15,205 | \$ 717 | \$ 94,065 | \$ 109,987 |

Table of Contents

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**PART 1. FINANCIAL INFORMATION**

**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 the 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 25, 2010.

In the fourth quarter of 2010, we reorganized our segment reporting structure to reflect our management structure as a result of the acquisition of Delta plc. The main business units of Delta are organized as follows in our segment structure:

Engineered Infrastructure Products (previously referred to as Engineered Support Structures) segment includes Delta's lighting, communication, access systems and roadway safety products;

Coatings segment includes Delta's galvanizing operations in the U.S., Australia and Asia;

Delta's forged steel grinding media and electrolytic manganese dioxide operations are included an "Other", and;

Delta's management administration expenses are included in "Net corporate expense".

It was not necessary to reclassify fiscal 2010 to conform to the fiscal 2011 presentation.

Table of Contents**Results of Operations**

Dollars in thousands, except per share amounts

|  | Thirteen Weeks Ended |                   |                          |
|--|----------------------|-------------------|--------------------------|
|  | March 26,<br>2011    | March 27,<br>2010 | % Increase<br>(Decrease) |
| <b>Consolidated</b>  |                      |                   |                          |
| Net sales  | \$ 567,949           | \$ 367,402        | 54.6%                    |
| Gross profit   | 136,493              | 100,730           | 35.5%                    |
| <i>as a percent of sales</i>   | 24.0%                | 27.4%             |                          |
| SG&A expense   | 91,192               | 69,080            | 32.0%                    |
| <i>as a percent of sales</i>   | 16.1%                | 18.8%             |                          |
| Operating income   | 45,301               | 31,650            | 43.1%                    |
| <i>as a percent of sales</i>   | 8.0%                 | 8.6%              |                          |
| Net interest expense   | 6,484                | 5,606             | 15.7%                    |
| Effective tax rate   | 33.9%                | 36.4%             |                          |
| Net earnings attributable to<br>Valmont Industries, Inc.                 | 25,609               | 16,463            | 55.6%                    |
| Earnings per share<br>attributable to Valmont<br>Industries, Inc diluted | \$ 0.97              | \$ 0.62           | 54.8%                    |
| <b>Engineered Infrastructure<br/>Products segment</b>                    |                      |                   |                          |
| Net sales  | \$ 162,986           | \$ 105,904        | 53.9%                    |
| Gross profit   | 36,163               | 27,904            | 29.6%                    |
| SG&A expense   | 33,960               | 25,293            | 34.3%                    |
| Operating income   | 2,203                | 2,611             | -15.6%                   |
| <b>Utility Support Structures<br/>segment</b>                            |                      |                   |                          |
| Net sales  | \$ 125,339           | \$ 112,929        | 11.0%                    |
| Gross profit   | 29,302               | 30,474            | -3.8%                    |
| SG&A expense   | 15,803               | 15,768            | 0.2%                     |
| Operating income   | 13,499               | 14,706            | -8.2%                    |
| <b>Coatings segment</b>  |                      |                   |                          |
| Net sales  | \$ 61,945            | \$ 22,166         | 179.5%                   |
| Gross profit   | 18,643               | 7,657             | 143.5%                   |
| SG&A expense   | 8,351                | 3,125             | 167.2%                   |
| Operating income   | 10,292               | 4,532             | 127.1%                   |
| <b>Irrigation segment</b>  |                      |                   |                          |
| Net sales  | \$ 151,045           | \$ 108,636        | 39.0%                    |
| Gross profit   | 38,415               | 28,377            | 35.4%                    |
| SG&A expense   | 14,521               | 12,979            | 11.9%                    |
| Operating income   | 23,894               | 15,398            | 55.2%                    |
| <b>Other</b>   |                      |                   |                          |
| Net sales  | \$ 66,634            | \$ 17,767         | 275.0%                   |
| Gross profit   | 13,871               | 6,186             | 124.2%                   |
| SG&A expense   | 4,957                | 1,922             | 157.9%                   |
| Operating income   | 8,914                | 4,264             | 109.1%                   |
| <b>Net Corporate expense</b>   |                      |                   |                          |
| Gross profit   | 99                   | 132               | -25.0%                   |
| SG&A expense   | 13,600               | 9,993             | 36.1%                    |
| Operating loss   | (13,501)             | (9,861)           | -36.9%                   |

Table of Contents

*Acquisition of Delta plc*

On May 12, 2010, we acquired Delta plc (Delta). The total amount of the acquisition was \$436.7 million and was financed by a combination of cash, borrowings under our revolving credit agreement of \$85.0 million and \$300.0 million of senior unsecured notes.

We began consolidating Delta's financial results in our consolidated financial statements beginning on May 12, 2010. Therefore, Delta's operating results were not included in our first quarter 2010 results. Delta's sales and operating income included in our statement of earnings in the first quarter of 2011 was \$133.2 million. Delta's operating income in the first quarter of 2011 was \$6.2 million, including \$2.0 million in depreciation and amortization expenses related to the acquisition.

On a segment reporting basis, Delta's operations are included in our results as follows:

Engineered Infrastructure Products Segment manufacture of poles, roadway safety systems and access systems;

Coatings Segment galvanizing operations in Australia, the U.S. and Asia; and

Other manufacture of steel grinding media and electrolytic manganese dioxide

Delta's sales and operating income by segment in the first quarter of 2011 were as follows (in millions):

|                                    | Net Sales       | Operating Income |
|------------------------------------|-----------------|------------------|
| Engineered Infrastructure Products | \$ 50.8         | \$ 3.9           |
| Coatings                           | 37.2            | 3.8              |
| Other                              | 45.2            | 2.6              |
| Net corporate expense              |                 | (4.1)            |
| <b>Total</b>                       | <b>\$ 133.2</b> | <b>\$ 6.2</b>    |

*Overview*

On a consolidated basis, the increase in net sales in the first quarter of fiscal 2011, as compared with 2010, were mainly due to the Delta acquisition (\$133.2 million) and improved sales in the Irrigation (\$42.4 million), Utility (\$12.4 million) and Coatings (\$2.6 million, exclusive of Delta) segments. Aside from the impact of the Delta acquisition, sales in the Engineered Infrastructure Products (EIP) segment were \$6.3 million higher in 2011, as compared with the first quarter of fiscal 2010.

For the company as a whole, without consideration of Delta sales, our first quarter 2011 sales increase over 2010 was mainly due to increased sales unit volumes. On a reportable segment basis, the most significant sales unit volume increase was in the Irrigation and Utility Support Structures (Utility) segments. Sales prices overall were about 3% higher in the first quarter of 2011, mainly in response to rising steel prices.

The decrease in gross profit margin (gross profit as a percent of sales) in 2011, as compared with 2010, was due to the following factors:

Raw material inflation in 2011 was higher than 2010. In particular, steel prices have been rising significantly in 2011. This factor has resulted in an increase in LIFO expense of \$7.0 million in our operations that report their inventory on a last-in, first-out basis.

Competitive pricing environments in the U.S. and European EIP markets in light of rising raw material prices have compressed gross profit margins in this segment.



Table of Contents

Our Australian operations were adversely impacted by heavy rains and flooding, which negatively affected sales volumes and factory utilization. While our operations themselves did not sustain material damage, the flooding disrupted our customers and suppliers which, in turn, affected our operations.

Selling, general and administrative (SG&A) spending for the first quarter of fiscal 2011, as compared with 2010, increased due to the following factors:

Expenses related to the Delta operations (\$21.4 million), which was not included in our 2010 first quarter consolidated amounts; and

Increased employee incentive accruals of \$1.7 million, due to improved operating results.

These increases were somewhat offset by \$1.8 million in lower acquisition and integration costs associated with the Delta acquisition.

On a reportable segment basis, the Irrigation and Coatings segments reported increased operating income and the EIP and Utility segments reported slightly lower operating income in the first quarter of fiscal 2011, as compared with 2010.

The increase in net interest expense in the first quarter of fiscal 2011, as compared with 2010, was mainly due to \$5.0 million in interest associated with the \$300 million in senior unsecured notes issued in April 2010, less \$2.9 million of bank fees incurred in the first quarter of fiscal 2010 related to providing the required bridge loan funding commitment for the Delta acquisition and additional interest income from Delta's cash balances.

The decrease in the effective income tax rate in first quarter of fiscal 2011, as compared with 2010, was mainly due to the non-deductibility of a portion of the Delta acquisition expenses incurred in 2010.

Our cash flows provided by operations were approximately \$5.7 million in 2011, as compared with \$19.3 million in 2010. Despite increased net earnings in 2011, as compared with 2010, increased working capital in 2011 was the main reasons for the lower operating cash flow in 2011.

***Engineered Infrastructure Products (EIP) segment***

The increase in net sales in the first quarter of fiscal 2011 as compared with 2010 was mainly due to the Delta EIP operations and improved international sales volumes. Global lighting markets experienced weak demand, resulting in increased price competition, despite rising raw material prices. In the Lighting product line, 2011 North American first quarter sales were down slightly as compared with 2010. Market conditions in North America continue to be weak, especially in the market that is funded through federal, state and local governments. We believe sales demand in the transportation market was dampened by the lack of a long-term federal highway funding legislation and state budget deficits, as the lack of long-term funding legislation does not give the various states ample visibility to implement long-term initiatives. Furthermore, highway spending sponsored under the federal program requires the various states to provide part of required funding. Many states are in budget deficits, which may constrain their ability to access federal matching funds to implement roadway projects. Commercial lighting market sales in the first quarter of 2011 were comparable with 2010. In Europe, sales were higher in the first quarter of 2011, as compared with 2010. However, pricing and product mix generally was unfavorable due to weak demand, as the European economy was sluggish.

Sales in the communication structures product line were higher in the first quarter of fiscal 2011, as compared with 2010. Sales were flat in North America. In China, sales of wireless communication structures likewise were higher in 2011, as compared with 2010. In 2010, annual supply contracts with Chinese wireless carriers were settled later than in the past and 2011 was more in line with what we believe is a more normal demand pattern.

Table of Contents

Operating income for the segment was slightly lower in the first quarter of fiscal 2011, as compared with 2010. While operating income was enhanced by the addition of the Delta operations, the impact of rising raw material prices that were not able to be recovered through sales price increases hampered operating income for the segment, included LIFO expense that was \$1.3 million higher in fiscal 2011 than in 2010. The impact of lower sales on operating profit was mitigated to an extent by factory operational improvements. The increase in SG&A expense in fiscal 2011 was mainly due to the acquisition of the Delta operations (\$9.8 million), offset to a degree by lower spending levels in North America and Asia.

***Utility Support Structures (Utility) segment***

In the Utility segment, the sales increase in fiscal 2011, as compared with 2010, was due to improved unit sales volumes in the U.S., offset to a degree by lower sales volumes in international markets. In U.S. markets, electrical utility companies are increasing their investment in the electrical grid over a relatively slow 2010. We believe this increase in investment is due in part to an improving U.S. economy. Pricing continues to be very competitive, which is reflective of depressed market conditions when utility structures projects were bid out in 2010. In international markets, the sales decrease was mainly due to lower project sales into emerging markets and lower sales volumes in China.

Despite higher sales, operating income was slightly lower in fiscal 2011, as compared with 2010, mainly due to lower international sales volumes. Gross profit margins were negatively affected by an unfavorable product mix in North America and rising steel costs, which mitigated the effect of higher sales volumes on operating income. SG&A expenses for the segment in fiscal 2011 were comparable with 2010.

***Coatings segment***

Net sales in the Coatings segment increased in fiscal 2011, as compared with 2010. Aside from the effect from the galvanizing operations acquired in the Delta transaction, the sales increase for the segment was due to stronger unit sales demand in our operations. We believe this increase in sales volume is reflective of an overall stronger U.S. economy, especially among agricultural equipment manufacturers.

The increase in segment operating income in fiscal 2011, as compared with 2010, was due to the effect of the acquired Delta businesses, improved sales volume and the associated operating leverage. SG&A expenses for the segment in 2011 increased over 2010, mainly due to the effect of the Delta businesses (\$4.7 million).

***Irrigation segment***

Irrigation segment net sales in fiscal 2011 improved over 2010, mainly due to stronger sales volumes in both North American and international markets. In global markets, the sales growth was due to a very strong agricultural economy. Farm commodity prices are very favorable and projected net farm income is projected to be strong in 2011. In addition, weather conditions in North America in 2011 were generally drier than 2010, further enhancing demand for irrigation machines and related service parts. In international markets, the sales improvement in fiscal 2011, as compared with 2010, was realized in most markets, particularly Australia and Brazil.

Operating income for the segment improved in 2011 over 2010, due to improved sales unit volumes in North America and the associated operational leverage. Rising raw material prices resulted in \$4.1 million in increased LIFO expense in fiscal 2011, as compared with 2010, which negatively affected gross profit margins. SG&A expenses increased mainly due to employee compensation costs to support the increase in sales activity and future initiatives (\$0.8 million).

Table of Contents

**Other**

This unit includes the Delta grinding media and electrolytic manganese operations and our industrial tubing and fasteners operations. The increase in sales and operating income in 2011, as compared with 2010, was due to the addition of the Delta operations and stronger sales demand for tubing products.

***Net corporate expense***

The increase in net corporate expense in the first quarter of 2011, as compared with 2010 was mainly due to Delta (\$4.1 million). The Delta expenses include pension plan expenses of \$1.5 million, and various central administration costs. The London office, which was closed during the first quarter of fiscal 2011, incurred expenses of \$1.0 million during the quarter. Aside from the Delta expenses, net corporate expense decreased slightly in 2011, as compared with 2010. The decrease mainly resulting from lower costs associated with the acquisition and integration of Delta of \$1.8 million, offset somewhat by \$0.8 million in higher employee incentive accruals associated with an increase in profitability in 2011.

**Liquidity and Capital Resources**

***Cash Flows***

***Working Capital and Operating Cash Flows*** Net working capital was \$809.5 million at March 26, 2011, as compared with \$747.3 million at December 25, 2010. The increase in net working capital in 2011 mainly resulted from increased inventories to support the increase in sales, especially in the Irrigation and Utility Support Structures segments. Operating cash flow was \$5.7 million in fiscal 2011, as compared with \$19.3 million for the same period in 2010. The decrease in operating cash flow in 2011 mainly was the result of the increase in working capital as compared with 2010.

***Investing Cash Flows*** Capital spending in the fiscal 2011 was \$12.6 million, as compared with \$4.6 million in 2010. We expect our capital spending for the 2011 fiscal year to be approximately \$60 to \$70 million. Investing cash flows for fiscal 2010 included \$264.0 million of restricted cash to provide funding related to the Delta acquisition and an aggregate of \$7.5 million associated with increasing our ownership interest in West Coast Engineering, Ltd. from 70% to 80% and the additional purchase price paid to the former shareholders of Stainton related to the performance of the operation after its acquisition in November 2008.

***Financing Cash Flows*** Our total interest-bearing debt increased from \$477.7 million at December 25, 2010 to \$494.7 million as of March 26, 2011. The increase in borrowings in 2011 was a seasonal increase in borrowings due to the increase in working capital in the U.S.

***Sources of 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 March 26, 2011, our long-term debt to invested capital ratio was 26.5%, as compared with 26.7% at December 25, 2010. 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 2011.



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### Table of Contents

Our debt financing at March 26, 2011 consisted primarily of long-term debt. We also maintain certain short-term bank lines of credit totaling \$52.5 million, \$47.5 million of which was unused at March 26, 2011. Our long-term debt principally consists of:

\$150 million of senior subordinated notes that bear interest at 6.875% per annum and are due in May 2014. We are allowed to repurchase the notes at specified prepayment premiums. These notes are guaranteed by certain of our subsidiaries. We are allowed to repurchase all or a portion of the notes at the following redemption prices (stated as a percentage of face value):

|                                    | <b>Redemption<br/>Price</b> |
|------------------------------------|-----------------------------|
| Until May 1, 2011                  | 102.292%                    |
| From May 1, 2011 until May 1, 2012 | 101.146%                    |
| After May 1, 2012                  | 100.000%                    |

\$300 million 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 the same subsidiaries as our senior subordinated notes.

\$280 million revolving credit agreement with a group of banks. We may increase the credit facility by up to an additional \$100 million at any time, subject to participating banks increasing 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 200 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 200 basis points (inclusive of facility fees), depending on our ratio of debt to EBITDA

At March 26, 2011, we had \$24.0 million in outstanding borrowings under the revolving credit agreement, at a weighted average annual interest rate of 2.54%, not including facility fees. These outstanding borrowings were associated with funding requirements related to the Delta acquisition. The revolving credit agreement has a termination date of October 16, 2013 and contains certain financial covenants that may limit our additional borrowing capability under the agreement. At March 26, 2011, we had the ability to borrow an additional \$236.9 million under this facility.

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 that interest-bearing debt is not to exceed 3.75x EBITDA of the prior four quarters and that our EBITDA over our prior four quarters must be at least 2.50x our interest expense over the same period. At March 26, 2011, we were in compliance with all covenants related to these debt agreements. The key covenant calculations at March 26, 2011 were as follows:

|                                 |         |
|---------------------------------|---------|
| Interest-bearing debt           | 494,731 |
| EBITDA last 12 months           | 260,558 |
| Leverage ratio                  | 1.90    |
| EBITDA last 12 months           | 260,558 |
| Interest expense last 12 months | 26,850  |

Interest earned ratio

7.83

27

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Table of Contents

The calculation of EBITDA last 12 months (March 27, 2010 - March 26, 2011) is as follows:

|   |                |
|---|----------------|
| Net cash flows from operations                              | \$ 138,639     |
| Interest expense  | 33,256         |
| Income tax expense  | 58,850         |
| Deferred income tax benefit                                 | (3,061)        |
| Noncontrolling interest                                     | (7,126)        |
| Equity in earnings/(losses) in nonconsolidated subsidiaries | 3,279          |
| Stock-based compensation                                    | (6,867)        |
| Changes in assets and liabilities, net of acquisitions      | 50,862         |
| Other   | 477            |
| <br>EBITDA  | <br>\$ 260,558 |

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 \$388 million of undistributed earnings of our foreign subsidiaries, as we intend to reinvest those earnings. Therefore, 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.

**Financial Obligations and Financial Commitments**

There have been no material changes to our financial obligations and financial commitments as described beginning on page 35 in our Form 10-K for the year ended December 25, 2010.

**Off Balance Sheet Arrangements**

There have been no changes in our off balance sheet arrangements as described on page 36 in our Form 10-K for the fiscal year ended December 25, 2010.

**Critical Accounting Policies**

There have been no changes in our critical accounting policies as described on pages 37-41 on our Form 10-K for the fiscal year ended December 25, 2010 during the quarter ended March 26, 2011.

**Item 3. Quantitative and Qualitative Disclosure about Market Risk**

There were no material changes in the company's market risk during the quarter ended March 27, 2010. For additional information, refer to the section "Risk Management" beginning on page 36 in our Form 10-K for the fiscal year ended December 25, 2010.

Table of Contents

**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**

| Period   | (a)<br>Total Number of<br>Shares<br>Purchased | (b)<br>Average Price<br>paid per share | (c)<br>Total Number<br>of Shares<br>Purchased<br>as Part of<br>Publicly<br>Announced<br>Plans or<br>Programs | (d)<br>Maximum<br>Number<br>of Shares that<br>May Yet Be<br>Purchased<br>Under<br>the Plans or<br>Programs |
|--|---|--|--|--|
| December 26,<br>2010 to<br>January 22,<br>2011 |   |  |  |  |
| January 23,<br>2011 to<br>February 26,<br>2011 | 163,436                                       | \$ 109.66                              |  |  |
| February 27,<br>2011 to<br>March 26, 2011      | 2,299   | \$ 100.17                              |  |  |
| <b>Total</b>                                   | <b>165,735</b>                                | <b>\$ 109.53</b>                       |  |  |

During the first 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 5. Other Information**

Valmont's annual meeting of stockholders was held on April 26, 2011. The stockholders elected three directors to serve three-year terms and ratified the appointment of Deloitte & Touche LLP to audit the Company's financial statements for fiscal 2011. For the annual meeting there were 26,388,998 shares outstanding and eligible to vote of which 24,584,538 were present at the meeting in person or by proxy. The tabulation for each matter voted upon at the meeting was as follows:

## Election of Directors:

|                     | For        | Withheld | Broker Non-Votes |
|---------------------|------------|----------|------------------|
| Mogens C. Bay.      | 22,555,069 | 282,330  | 1,747,139        |
| Walter Scott, Jr.   | 22,706,006 | 131,393  | 1,747,139        |
| Clark T. Randt, Jr. | 22,764,302 | 73,097   | 1,747,139        |

Proposal to ratify the appointment of Deloitte & Touche LLP as independent auditors for fiscal 2011:

|         |            |
|---------|------------|
| For     | 24,373,263 |
| Against | 192,217    |
| Abstain | 19,058     |

Advisory vote on executive compensation:

|         |            |
|---------|------------|
| For     | 22,488,602 |
| Against | 148,686    |
| Abstain | 200,111    |

Broker non-votes

1,747,139

30

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Table of Contents

Advisory vote on the frequency of holding an advisory vote on executive compensation:

|                  |            |
|------------------|------------|
| 1 year           | 21,540,783 |
| 2 years          | 26,692     |
| 3 years          | 1,211,887  |
| Abstain          | 58,037     |
| Broker non-votes | 1,747,139  |

**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 the Company's Quarterly Report on Form 10-Q for the quarter ended March 26, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Cash Flows, (iv) the Condensed Consolidated Statements of Shareholders' Equity, (v) Notes to Condensed Financial Statements (tagged as blocks of text). |

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/ TERRY J. MCCLAIN

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Terry J. McClain  
*Senior Vice President and Chief Financial Officer*  
*(Principal Financial Officer)*

Dated this 29th day of April, 2011.



Table of Contents

**Index of Exhibits**

| <b>Exhibit No.</b> | <b>Description</b>   |
|--------------------|--|
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| 31.2               | Section 302 Certificate of Chief Financial Officer   |
| 32.1               | Section 906 Certifications of Chief Executive Officer and Chief Financial Officer  |
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