

EAGLE MATERIALS INC
Form 10-Q
July 30, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended

June 30, 2018

Commission File Number 1-12984

EAGLE MATERIALS INC.

(Exact name of registrant as specified in its charter)

Delaware (State of Incorporation)

75-2520779 (I.R.S. Employer Identification No.)

3811 Turtle Creek Blvd., Suite 1100, Dallas, Texas 75219 (Address of principal executive offices)

(214) 432-2000 (Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Edgar Filing: EAGLE MATERIALS INC - Form 10-Q

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 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Smaller reporting company

Non-accelerated filer (Do not check if a smaller reporting company) Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)

Yes No

As of July 26, 2018, the number of outstanding shares of common stock was:

| Class | Outstanding Shares |
|-------------------------------|--------------------|
| Common Stock, \$.01 Par Value | 47,786,301 |

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION (unaudited)

| | Page |
|--|------|
| Item 1. Consolidated Financial Statements | |
| <u>Consolidated Statements of Earnings for the Three Months Ended June 30, 2018 and 2017</u> | 1 |
| <u>Consolidated Statements of Comprehensive Earnings for the Three Months Ended June 30, 2018 and 2017</u> | 2 |
| <u>Consolidated Balance Sheets as of June 30, 2018, and March 31, 2018</u> | 3 |
| <u>Consolidated Statements of Cash Flows for the Three Months Ended June 30, 2018 and 2017</u> | 4 |
| <u>Consolidated Statements of Stockholders' Equity as of June 30, 2018 and March 31, 2018</u> | 5 |
| <u>Notes to Unaudited Consolidated Financial Statements</u> | 6 |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 24 |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 35 |
| Item 4. <u>Controls and Procedures</u> | 36 |
| <u>PART II. OTHER INFORMATION</u> | |
| Item 1. <u>Legal Proceedings</u> | 36 |
| Item 1a. <u>Risk Factors</u> | 37 |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 47 |
| Item 4. <u>Mine Safety Information</u> | 47 |
| Item 6. <u>Exhibits</u> | 48 |
| <u>SIGNATURES</u> | 49 |

EAGLE MATERIALS INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF EARNINGS (unaudited)

| | For the Three Months Ended June 30, | |
|--|---|------------|
| | 2018 | 2017 |
| | (dollars in thousands, except share and per share data) | |
| Revenue | \$393,756 | \$366,121 |
| Cost of Goods Sold | 302,122 | 280,062 |
| Gross Profit | 91,634 | 86,059 |
| Equity in Earnings of Unconsolidated Joint Venture | 9,251 | 9,876 |
| Corporate General and Administrative Expense | (8,003) | (9,679) |
| Litigation Settlements and Losses | (1,800) | — |
| Other Non-Operating Income | 571 | 757 |
| Interest Expense, Net | (6,632) | (7,483) |
| Earnings before Income Taxes | 85,021 | 79,530 |
| Income Taxes | (18,682) | (24,648) |
| Net Earnings | 66,339 | 54,882 |
| EARNINGS PER SHARE | | |
| Basic | \$1.39 | \$1.14 |
| Diluted | \$1.38 | \$1.13 |
| AVERAGE SHARES OUTSTANDING | | |
| Basic | 47,690,351 | 48,121,890 |
| Diluted | 48,144,325 | 48,655,553 |
| CASH DIVIDENDS PER SHARE | \$0.10 | \$0.10 |

See notes to unaudited consolidated financial statements.

EAGLE MATERIALS INC AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

See notes to unaudited consolidated financial statements.

| | For the Three Months Ended June 30, | |
|--|---|----------|
| | 2018 | 2017 |
| | (dollars in thousands) | |
| Net Earnings | \$66,339 | \$54,882 |
| Net Actuarial Change in Defined Benefit Plans: | | |
| Amortization of net actuarial loss | 73 | 314 |
| Tax expense | (17) | (117) |
| Comprehensive Earnings | \$66,395 | \$55,079 |

See notes to unaudited consolidated financial statements.

EAGLE MATERIALS INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (unaudited)

| | June 30, 2018 | March 31, 2018 |
|---|------------------------|-------------------|
| | (dollars in thousands) | |
| ASSETS | | |
| Current Assets - | | |
| Cash and Cash Equivalents | \$ 14,334 | \$ 9,315 |
| Restricted Cash | 38,753 | 38,753 |
| Accounts and Notes Receivable, net | 184,083 | 141,685 |
| Inventories | 241,000 | 258,159 |
| Income Tax Receivable | 7,315 | 5,750 |
| Prepaid and Other Assets | 8,304 | 5,073 |
| Total Current Assets | 493,789 | 458,735 |
| Property, Plant, and Equipment - | 2,627,261 | 2,586,528 |
| Less: Accumulated Depreciation | (1,009,726) | (991,229) |
| Property, Plant, and Equipment, net | 1,617,535 | 1,595,299 |
| Notes Receivable | 3,266 | 115 |
| Investment in Joint Venture | 60,309 | 60,558 |
| Goodwill and Intangible Assets, net | 238,541 | 239,342 |
| Other Assets | 13,535 | 13,954 |
| | \$ 2,426,975 | \$ 2,368,003 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities - | | |
| Accounts Payable | \$ 93,182 | \$ 73,459 |
| Accrued Liabilities | 95,910 | 105,870 |
| Total Current Liabilities | 189,092 | 179,329 |
| Long-term Debt | 651,090 | 620,922 |
| Other Long-term Liabilities | 30,158 | 31,096 |
| Deferred Income Taxes | 125,156 | 118,966 |
| Total Liabilities | 995,496 | 950,313 |
| Stockholders' Equity – | | |
| Preferred Stock, Par Value \$0.01; Authorized 5,000,000 Shares; None Issued | — | — |
| Common Stock, Par Value \$0.01; Authorized 100,000,000 Shares; | | |
| Issued and Outstanding 47,912,300 and 48,282,784 Shares, respectively | 479 | 483 |
| Capital in Excess of Par Value | 74,568 | 122,379 |
| Accumulated Other Comprehensive Losses | (3,956) | (4,012) |
| Retained Earnings | 1,360,388 | 1,298,840 |
| Total Stockholders' Equity | 1,431,479 | 1,417,690 |
| | \$ 2,426,975 | \$ 2,368,003 |

See notes to the unaudited consolidated financial statements.

EAGLE MATERIALS INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

| | For the Three Months Ended June 30, | |
|---|---|-----------------|
| | 2018 | 2017 |
| | (dollars in thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Earnings | \$66,339 | \$54,882 |
| Adjustments to Reconcile Net Earnings to Net Cash Provided | | |
| by Operating Activities, Net of Effect of Non-Cash Activity - | | |
| Depreciation, Depletion and Amortization | 29,850 | 28,947 |
| Deferred Income Tax Provision | 6,173 | (3,812) |
| Stock Compensation Expense | 3,493 | 3,399 |
| Equity in Earnings of Unconsolidated Joint Venture | (9,251) | (9,876) |
| Distributions from Joint Venture | 9,500 | 4,750 |
| Changes in Operating Assets and Liabilities: | | |
| Accounts and Notes Receivable | (45,549) | (38,527) |
| Inventories | 17,159 | 7,960 |
| Accounts Payable and Accrued Liabilities | 8,897 | (16,062) |
| Other Assets | (3,137) | (3,720) |
| Income Taxes Payable (Receivable) | (1,565) | 25,729 |
| Net Cash Provided by Operating Activities | 81,909 | 53,670 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to Property, Plant, and Equipment | (53,073) | (16,160) |
| Proceeds from Sale of Property, Plant, and Equipment | 2,281 | — |
| Net Cash Used in Investing Activities | (50,792) | (16,160) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (Decrease) in Credit Facility | 30,000 | (25,000) |
| Dividends Paid to Stockholders | (4,790) | (4,853) |
| Purchase and Retirement of Common Stock | (52,344) | (1,880) |
| Proceeds from Stock Option Exercises | 1,992 | 1,273 |
| Shares Redeemed to Settle Employee Taxes on Stock Compensation | (956) | (1,378) |
| Net Cash Used in Financing Activities | (26,098) | (31,838) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH | 5,019 | 5,672 |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD | 48,068 | 6,561 |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD | \$53,087 | \$12,233 |

See notes to the unaudited consolidated financial statements.

EAGLE MATERIALS INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (unaudited)

| | Capital in | | Accumulated | | |
|---|------------------------|-----------|---------------|-------------|-------------|
| | Excess of | | Other | | |
| | Common | Retained | Comprehensive | | |
| | Stock | Earnings | Losses | | Total |
| | Par | | | | |
| | Value | | | | |
| | (dollars in thousands) | | | | |
| Balance at March 31, 2017 | \$485 | \$149,014 | \$1,061,347 | \$ (7,396) | \$1,203,450 |
| Net Earnings | — | — | 256,632 | — | 256,632 |
| Stock Option Exercises and Restricted Share Vesting | 3 | 24,261 | — | — | 24,264 |
| Purchase and Retirement of Common Stock | (5) | (61,073) | — | — | (61,078) |
| Dividends to Stockholders | — | — | (19,404) | — | (19,404) |
| Stock Compensation Expense | — | 14,079 | — | — | 14,079 |
| Cumulative Impact of the Adoption of ASU 2016-09 | — | 713 | (713) | — | — |
| Reclassification of Income Tax Effects to Retained | | | | | |
| Earnings | — | — | 978 | (978) | — |
| Shares Redeemed to Settle Employee Taxes | — | (4,974) | — | — | (4,974) |
| Other | — | — | — | — | — |