

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-01-14** | Period of Report: **1993-11-30**
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FILER

COMMERCIAL METALS CO

CIK: **22444** | IRS No.: **750725338** | State of Incorporation: **DE** | Fiscal Year End: **0831**
Type: **10-Q** | Act: **34** | File No.: **001-04304** | Film No.: **94501420**
SIC: **5051** Metals service centers & offices

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DALLAS TX 75221
2146894300

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For quarter ended November 30, 1993
Commission File Number 1-4304

COMMERCIAL METALS COMPANY

(Exact name of registrant as specified in its charter)

Delaware

75-0725338

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

7800 Stemmons Freeway
P. O. Box 1046 Dallas, Texas 75221

(Address of principal executive offices)
(Zip Code)

(214) 689-4300

(Registrant's telephone number, including area code)

Former name, former address and former fiscal year,
if changed since last report

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 X No

As of November 30, 1993 there were 11,082,159 (pre-split) 14,775,542
(post-split) shares of the Company's Common Stock issued and outstanding
excluding 1,017,905 (pre-split) 1,357,041 (post-split) shares held in
the Company's treasury.

COMMERCIAL METALS COMPANY AND SUBSIDIARIES

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COMMERCIAL METALS COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

(In thousands except share data)

<TABLE>

<CAPTION>

	Nov. 30, 1993	August 31, 1993
	----- <C>	----- <C>
CURRENT ASSETS:		
Cash and temporary investments	\$ 33,843	\$ 47,439
Accounts receivable (less allowance for collection losses of \$3,142 and \$3,217)	171,492	163,387
Financial services loans and advances	44,538	35,768
Inventories	112,596	136,601
Other	14,163	15,300
	-----	-----
TOTAL CURRENT ASSETS	376,632	398,495
OTHER ASSETS	3,780	4,143
PROPERTY, PLANT, AND EQUIPMENT, at cost:		
Land	10,163	10,165
Buildings	30,700	30,695
Equipment	259,281	257,537
Leasehold improvements	13,351	13,252
Construction in process	27,267	15,517
	-----	-----
	340,762	327,166
Less accumulated depreciation and amortization	(194,533)	(187,843)
	-----	-----
	146,229	139,323
	-----	-----
	\$526,641	\$541,961
	=====	=====

</TABLE>

See notes to consolidated financial statements.

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COMMERCIAL METALS COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

(In thousands except share data)

<TABLE>

<CAPTION>

	Nov. 30, 1993	August 31, 1993
	-----	-----
<S>	<C>	<C>
CURRENT LIABILITIES:		
Commercial paper	\$	\$
Financial services notes payable	59,554	41,003
Accounts payable	70,566	100,587
Other payables and accrued expenses	56,374	64,507
Income taxes payable	5,901	4,109
Current maturities of long-term debt	4,821	4,824
	-----	-----
TOTAL CURRENT LIABILITIES	197,216	215,030
DEFERRED INCOME TAXES	14,773	14,773
LONG-TERM DEBT	74,565	76,737
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Capital stock:		
Preferred stock	--	--
Common stock, par value \$5.00 a share; authorized 20,000,000 shares; issued 12,100,064 shares pre-split and 16,132,583 post-split: outstanding 11,082,159 pre-split, 14,775,542 post-split and 11,060,613 shares	80,663	60,500
Additional paid-in capital	--	3,919
Retained earnings	177,895	189,865
	-----	-----
	258,558	254,284
Less treasury stock, 1,017,905 pre-split, 1,357,041 post-split and 1,039,451 shares at cost	(18,471)	(18,863)
	-----	-----
	240,087	235,421
	-----	-----
	\$526,641	\$541,961
	=====	=====

</TABLE>

See notes to consolidated financial statements.

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COMMERCIAL METALS COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands except share data)

<TABLE>

<CAPTION>

	Three Months ended	
	Nov. 30, 1993	Nov. 30, 1992
	-----	-----
<S>	<C>	<C>
REVENUES:		

Net sales	\$380,016	\$324,380
Other revenues	1,744	1,838
	-----	-----
	381,760	326,218
COSTS AND EXPENSES:		
Cost of goods sold	343,410	293,909
Selling, general and administrative expenses	25,409	23,307
Interest expense	1,835	2,795
Employees' pension and profit sharing plans	1,875	1,604
	-----	-----
	372,529	321,615
EARNINGS BEFORE INCOME TAXES		
	9,231	4,603
INCOME TAXES		
	3,508	1,749
	-----	-----
NET EARNINGS	\$ 5,723	\$ 2,854
	=====	=====
Net earnings per share		
	\$0.38	\$0.20
Cash dividends per share		
	\$0.10	\$0.10
Average shares outstanding		
	15,254,412	14,520,760

</TABLE>

See notes to consolidated financial statements.

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COMMERCIAL METALS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

<TABLE>

<CAPTION>

	Three months ended	
	Nov. 30,	Nov. 30,
	1993	1992
	-----	-----
	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 5,723	\$ 2,854
Adjustments to earnings not requiring cash:		
Depreciation and amortization	7,186	6,809
Provision for losses on receivables	372	285
Deferred income taxes	-	-
Other	(31)	(22)
	-----	-----
Cash flows from operations before changes in operating assets and liabilities	13,250	9,926
Changes in operating assets and liabilities:		
Decrease (increase) in receivables	(8,478)	(4,124)
Decrease (increase) in financial services loans and advances	(8,770)	(3,281)
Decrease (increase) in inventories	24,005	1,036
Decrease (increase) in other assets	1,500	(3,154)
Increase (decrease) in accounts payable, accrued expenses and income taxes	(36,362)	(3,672)
	-----	-----
Net Cash Flows (Used) in Operating Activities	(14,855)	(3,269)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Temporary investments	9,888	17,814
Purchase of property, plant and equipment	(14,092)	(6,319)
Sales of property, plant and equipment	31	22
	-----	-----
Net Cash Provided (Used) by Investing Activities	(4,173)	11,517

CASH FLOWS FROM FINANCING ACTIVITIES:

Financial services notes payable	18,551	(3,695)
Payments on long-term debt	(2,175)	(1,657)
Stock issued under bonus plans	384	443
Dividends paid	(1,440)	(1,387)
	-----	-----
Net Cash Provided (Used) by Financing Activities	15,320	(6,296)
Increase (Decrease) in Cash and Cash Equivalents	(3,708)	1,952
Cash and Cash Equivalents at Beginning of Year	18,780	11,460
	-----	-----
Cash and Cash Equivalents at End of Period	\$15,072	\$13,412
	=====	=====

</TABLE>

See notes to consolidated financial statements.

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COMMERCIAL METALS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands except share data)

<TABLE>
<CAPTION>

	Common Stock		Add'l Paid-In Capital	Retained Earnings	Treasury Stock	
	Number of Shares	Amount			Number of Shares	Amount
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance September 1, 1993	12,100,064	\$60,500	\$3,919	\$189,864	(1,039,451)	(\$18,863)
Net earnings for three months ended November 30, 1993				5,723		
Cash dividends - \$.10 a share (restated for stock split)				(1,440)		
Stock split (four-for-three) Payable 12/27/93	4,032,519	20,163	(3,911)	(16,252)	(339,136)	
Stock issued under stock option, purchase and bonus plans			(8)		21,546	392
	-----	-----	-----	-----	-----	-----
Balance, November 30, 1993	16,132,583	\$80,663	\$ 0	\$177,895	(1,357,041)	(\$18,471)
	=====	=====	=====	=====	=====	=====

</TABLE>

See notes to consolidated financial statements.

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COMMERCIAL METALS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - LONG-TERM DEBT (in thousands):

<TABLE>
<CAPTION>

	Amount Outstanding	Current Maturities	Long-Term Debt
	-----	-----	-----
<S>	<C>	<C>	<C>
8.49% notes due 2001	\$50,000	\$	\$50,000
8.75% note due 1999	25,714	4,286	21,428
8.15% note due 1996	3,334	417	2,917
Other	338	118	220
	-----	-----	-----
	\$79,386	\$4,821	\$74,565
	=====	=====	=====

</TABLE>

NOTE B - TAXES ON INCOME:

Provision for taxes on income includes estimated United States taxes on undistributed earnings of subsidiaries outside the United States.

NOTE C - STOCK DIVIDEND:

On November 22, 1993 the Board of Directors declared a four-for-three stock split in the form of a 33 1/3% stock dividend on the Company's common stock payable December 27, 1993 to shareholders of record December 6, 1993. Earnings per share, average shares outstanding and dividends per share have been adjusted for the four-for-three stock split.

NOTE D - QUARTERLY FINANCIAL DATA:

In the opinion of Management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of November 30, 1993, the results of operations for the three months then ended and cash flows for the same periods. The results of operations for the three month periods are not necessarily indicative of the results to be expected for a full year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE
CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED RESULTS OF OPERATIONS

<TABLE>
<CAPTION>

	(In millions)	
	1ST QTR FY 1994	1st Qtr FY 1993
	-----	-----
<S>	<C>	<C>
Revenues	\$ 382	\$ 326
Net earnings	5.7	2.9
Cash flow	13.3	9.9
LIFO reserve	12.7	11.8

</TABLE>

SIGNIFICANT EVENTS AFFECTING THE COMPANY THIS QUARTER:

- Net earnings doubled over the previous year.
- Strong earnings increase in the CMC Steel Group as shipments continued to increase.
- Recycling segment was profitable for the fourth

consecutive quarter.

- Board of Directors declared a four-for-three stock split in the form of a 33 1/3% stock dividend.
- Board of Directors increased the quarterly cash dividend 23% to 12 cents per share on the post-split shares.

LIFO

The LIFO method of inventory valuation decreased net earnings for the quarter \$647 thousand (4 cents per share) compared to an increase in net earnings of \$97 thousand (1 cent per share) for the comparable period last year.

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SEGMENT OPERATING DATA

Revenues and operating profit by business segment are shown in the following table:

<TABLE>
<CAPTION>

Three months ended November 30,

1993 1992

	<C>	<C>
REVENUES:		
Manufacturing	\$136,741	\$114,967
Marketing and Trading	183,207	146,744
Recycling	68,945	72,079
Financial Services	712	1,196
Corporate and Eliminations	(7,845)	(8,768)
	-----	-----
	\$381,760	\$326,218
	=====	=====

OPERATING PROFIT:

Manufacturing	\$ 9,382	\$ 7,966
Marketing and Trading	3,286	1,400
Recycling	414	(1,308)
Financial Services	399	377
Corporate and Eliminations	(2,819)	(1,774)
	-----	-----
	\$ 10,662	\$ 6,661
	=====	=====

</TABLE>

MANUFACTURING -

Manufacturing segment revenues for the quarter were up 19% over last year as a result of strong demand primarily due to the modestly improved U.S.A. economy. Operating profits were 18% higher than a year ago.

CMC Steel Group sales for the quarter were up 23% over last year on a 17% increase in shipping tonnage. Operating profit increased 34% from last year's first quarter.

Steel mill shipments for the quarter were up 12% from a year ago and operating profits were 49% higher. Average selling prices for the mills increased 8% over last year but the increase was partially offset by escalating ferrous scrap prices.

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Steel Fabrication division results for the quarter were slightly below

last year's quarter as average selling prices dropped 10% from last year. In September concrete related products operations expanded with the purchase of six Shepler warehousing operations in Texas. These acquisitions were not significant to the consolidated company.

Copper Tube shipments for the quarter were up 18% over last year as housing starts continued strong. However, the sharp decline in the copper market caused lower selling prices and margins compared to the very strong first quarter last year. Operating profit was 43% below the same period last year.

MARKETING AND TRADING -

Revenues for the quarter were up 25% due primarily to high levels of steel shipments by the International Division. Operating profits were more than double last year's results.

RECYCLING -

Operations in the Recycling segment were slightly profitable for the quarter compared to last year's operating loss. Revenues for the quarter were 4% lower than last year on a 5% increase in volume. Ferrous volume was 10% higher than last year and average prices were 41% higher due to strong demand and tight supplies. Aluminum and copper volume was off 12% and prices fell 19%.

FINANCIAL SERVICES -

Revenues for the quarter were lower than last year and operating profit was about even with last year. Trade financing activity associated with our international marketing and trading business increased but net interest income was slightly lower.

ENVIRONMENTAL ACTIVITIES

The Company is subject to federal, state and local pollution control laws and regulations in all locations where it has operating facilities. It anticipates that compliance with these laws and regulations will involve continuing capital expenditures and operating costs.

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In the ordinary course of conducting its business, the Company becomes involved in environmental litigation, administrative proceedings and governmental investigations. Certain of these environmental matters or other proceedings may result in fines, penalties or judgments against the Company which may have a material impact on earnings for a particular quarter. While the Company is unable to estimate precisely the ultimate dollar amount of exposure to loss in connection with such matters, it makes timely accruals as warranted. It is the opinion of the Company's management that the outcome of such proceedings, individually or in the aggregate, will not have a material adverse effect on the business or consolidated financial position of the Company.

OTHER

On November 30, 1993, the Federal Energy Regulatory Commission entered an order that imposes liability upon a subsidiary of the Company for alleged overcharges for crude oil during the period December 1977 to January 1979. The alleged overcharges plus applicable interest through January 1993 total approximately \$6,600,000. CMC Oil Company intends to vigorously contest any liability under the FERC order and will seek review of the FERC order in federal district court. At this time management of CMC Oil Company cannot reasonably estimate what, if any, liability may ultimately be incurred.

OUTLOOK

We expect the recovery in the U.S.A. to broaden at a moderate pace with the housing, motor vehicle and capital goods sectors performing well. There is an improvement in low-rise commercial construction. The Chinese government now is attempting to ease China's austerity program. There are some indications that Europe's economy is bottoming, however, in Japan we see no reversal yet of the decline in consumption. Infrastructure spending is increasing around the world, and steel prices should firm further. Nonferrous metals most likely will remain depressed for several more quarters but we now see evidence of a cyclical low. We believe that the passage of the North American Free Trade Agreement is a major long-term positive factor for our Company.

LIQUIDITY

Cash flow from operations before changes in operating assets and liabilities for the quarter was \$13 million compared to \$10 million last year. Depreciation expense was \$7 million, the same as a year ago. The Company's effective tax rate was 38% for this year and last year.

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Net working capital was \$179 million at November 30, 1993 compared to \$183 at August 31, 1993. The current ratio was 1.9 at November 30, 1993 and August 31, 1993.

Capital expenditures for the first quarter were \$14 million. Capital spending for fiscal 1994 is projected at about \$54 million. These expenditures are expected to be funded from internally generated funds and from cash and temporary investments.

Long-term debt as a percent of total capitalization was 23% at November 30, 1993 compared to 24% at August 31, 1993. In November 1993, the Company renewed its \$30 million unsecured revolving credit facility with a group of five banks.

On November 22, 1993 the Board of Directors declared a dividend on the Company's common stock payable December 27, 1993. Subsequently the Board of Directors increased the quarterly cash dividend 23% to 12 cents per share on the post split shares.

Stockholders' equity at November 30, 1993 was \$240 million or \$16.25 per share (post-split basis). At November 30, 1993 there were 11,082,159 (pre-split), 16,132,583 (post-split) shares issued and outstanding net of 1,017,905 (pre-split), 1,357,041 (post-split) shares held in the Company's treasury.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to the information incorporated under Item 3. Legal Proceedings in the Company's Annual Report on Form 10-K for the year ending August 31, 1993 filed November 26, 1993, with the Securities and Exchange Commission.

On November 30, 1993, the Federal Energy Regulatory Commission ("FERC") entered an Order (the "FERC Order") affirming in part and reversing in part the 1989 decision and proposed order of a administrative law judge affirming in part, reversing in part and remanding a Remedial Order issued in 1986 by the Office of Hearings and Appeals of the Department of Energy to RFB Petroleum, Inc. (RFB) and CMC Oil Company (CMC Oil) (FERC Docket No. RO87-2-000, RFB Petroleum, Inc.). The FERC Order finds CMC Oil liable for alleged overcharges constituting violations of crude oil reseller regulations arising from the purchase and sale of crude oil in joint ventures between CMC Oil and RFB totaling approximately \$1,400,000 plus interest from their occurrence (December, 1977, to January, 1979) to present as calculated under the Department of Energy's interest rate policy. Utilizing that interest calculation, interest accrued to January, 1993, is estimated to be approximately \$5,200,000. CMC Oil Company intends to vigorously contest its liability under the FERC Order and will seek review of the FERC Order in federal district court.

ITEM 2. CHANGES IN SECURITIES

Not Applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

ITEM 4. SUBMISSION OF MATTERS TO A VOTE ON SECURITY HOLDERS

Not Applicable

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ITEM 5. OTHER INFORMATION

On November 22, 1993, the Board of Directors of the Company declared a four-for-three stock split in the form of a stock dividend which was paid on December 27, 1993, to stockholders of record December 6, 1993. The Company also announced that the cash dividend rate on the shares outstanding after the stock dividend would be established at twelve cents a share resulting in a 23% increase in the cash dividend. In December, 1993 the Board of Directors declared a twelve cent per share cash dividend to be paid January 27, 1994 to stockholders of record January 7, 1994.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibits required by Item 601 of Regulation S-K.

Exhibit No.

11. Computation of Per Share Earnings

(a) Calculation of Primary and Fully Diluted Earnings Per Share

B. The Corporation did not file a Form 8-K report during the quarter ended November 30, 1993.

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 by the undersigned thereunto duly authorized.

COMMERCIAL METALS COMPANY

January 13, 1994

/s/
Lawrence A. Engels
Vice President, Treasurer
& Chief Financial Officer

January 13, 1994

/s/
Jack T. Mulos
Controller

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EXHIBIT 11 (a)

COMMERCIAL METALS COMPANY AND SUBSIDIARIES

CALCULATION OF PRIMARY AND FULLY DILUTED EARNINGS PER SHARE*

(In thousands except share data)

<TABLE>

<CAPTION>

	Three Months ended	
	Nov. 30, 1993	Nov. 30, 1992
<S>	<C>	<C>
Net earnings	\$5,723	\$2,854
Weighted average number of shares outstanding	11,070,415	10,665,982
Dilutive effect of stock option and purchase plans, after application of treasury stock method	370,394	224,588
Shares used in calculating primary net earnings per share before December 1993 four-for-three stock split	11,440,809	10,890,570
Adjustment for December 1993 four-for-three stock split	3,813,603	3,630,190
Shares used in calculating primary net earnings per share	15,254,412	14,520,760
Earnings per share before the December 1993 four-for-three stock split	\$0.50	\$0.26
Earnings per share after the December 1993 four-for-three stock split	\$0.38	\$0.20

</TABLE>

* Fully diluted earnings per share are identical to primary earnings per share.

