

UNIVERSAL FOREST PRODUCTS INC

Form 10-Q

October 25, 2007

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**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 September 29, 2007
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 0-22684
UNIVERSAL FOREST PRODUCTS, INC.
(Exact name of registrant as specified in its charter)

Michigan

38-1465835

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

2801 East Beltline NE, Grand Rapids, Michigan

49525

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (616) 364-6161

NONE

(Former name or former address, if changed since last report.)

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

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. (See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

Indicate the number of shares of each of the issuer's classes of common stock, as of the latest practicable date:

| Class | Outstanding as of September 29, 2007 |
|----------------------------|--------------------------------------|
| Common stock, no par value | 19,009,416 |

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UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited)

(in thousands, except share data)

| | September 29, 2007 | December 30, 2006 | September 30, 2006 |
|---|--------------------------|-------------------------|--------------------------|
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | \$ 46,747 | \$ 51,108 | \$ 46,184 |
| Accounts receivable, net | 191,023 | 148,242 | 227,428 |
| Inventories: | | | |
| Raw materials | 122,431 | 128,621 | 121,324 |
| Finished goods | 106,368 | 116,497 | 111,560 |
| | 228,799 | 245,118 | 232,884 |
| Assets held for sale | 25,411 | | |
| Other current assets | 31,669 | 30,667 | 24,752 |
| TOTAL CURRENT ASSETS | 523,649 | 475,135 | 531,248 |
| OTHER ASSETS | 7,744 | 7,404 | 7,762 |
| GOODWILL AND INDEFINITE-LIVED INTANGIBLE ASSETS | 152,041 | 155,177 | 146,602 |
| OTHER INTANGIBLE ASSETS, net | 28,133 | 25,390 | 11,947 |
| PROPERTY, PLANT AND EQUIPMENT: | | | |
| Property, plant and equipment | 524,118 | 466,021 | 443,751 |
| Accumulated depreciation and amortization | (240,939) | (215,686) | (211,323) |
| PROPERTY, PLANT AND EQUIPMENT, NET | 283,179 | 250,335 | 232,428 |
| TOTAL ASSETS | \$ 994,746 | \$ 913,441 | \$ 929,987 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | |
| CURRENT LIABILITIES: | | | |
| Accounts payable | \$ 105,938 | \$ 94,441 | \$ 109,581 |
| Accrued liabilities: | | | |
| Compensation and benefits | 52,961 | 71,990 | 73,551 |
| Other | 33,036 | 25,111 | 32,809 |
| Current portion of long-term debt and capital lease obligations | 1,086 | 680 | 697 |
| TOTAL CURRENT LIABILITIES | 193,021 | 192,222 | 216,638 |
| LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current portion | 197,435 | 169,417 | 171,009 |
| DEFERRED INCOME TAXES | 27,010 | 12,697 | 13,089 |
| MINORITY INTEREST | 10,343 | 10,819 | 11,922 |

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| | | | |
|---|------------|------------|------------|
| OTHER LIABILITIES | 15,815 | 13,544 | 10,926 |
| TOTAL LIABILITIES | 443,624 | 398,699 | 423,584 |
| SHAREHOLDERS EQUITY: | | | |
| Preferred stock, no par value; shares authorized 1,000,000; issued and outstanding, none | | | |
| Common stock, no par value; shares authorized 40,000,000; issued and outstanding, 19,009,416, 18,858,892 and 18,851,040 | | | |
| | \$ 19,009 | \$ 18,859 | \$ 18,851 |
| Additional paid-in capital | 122,560 | 113,754 | 113,157 |
| Retained earnings | 406,761 | 380,931 | 372,728 |
| Accumulated other comprehensive earnings | 4,407 | 2,451 | 2,920 |
| | 552,737 | 515,995 | 507,656 |
| Employee stock notes receivable | (1,615) | (1,253) | (1,253) |
| TOTAL SHAREHOLDERS EQUITY | 551,122 | 514,742 | 506,403 |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | \$ 994,746 | \$ 913,441 | \$ 929,987 |

See notes to consolidated condensed financial statements.

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UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS
(Unaudited)

(in thousands, except per share data)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------------|--------------------------|--------------------------|-----------------------|
| | September 29, 2007 | September 30, 2006 | September 29, 2007 | September 30, 2006 |
| NET SALES | \$ 678,398 | \$ 672,873 | \$ 2,000,541 | \$ 2,165,329 |
| COST OF GOODS SOLD | 596,233 | 574,048 | 1,743,151 | 1,851,775 |
| GROSS PROFIT | 82,165 | 98,825 | 257,390 | 313,554 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 58,783 | 65,970 | 192,623 | 201,272 |
| EARNINGS FROM OPERATIONS | 23,382 | 32,855 | 64,767 | 112,282 |
| OTHER EXPENSE (INCOME): | | | | |
| Interest expense | 4,367 | 3,214 | 13,457 | 10,757 |
| Interest income | (494) | (875) | (1,634) | (1,656) |
| Net (gain) loss on sale of real estate | 9 | | (324) | (63) |
| | 3,882 | 2,339 | 11,499 | 9,038 |
| EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST | 19,500 | 30,516 | 53,268 | 103,244 |
| INCOME TAXES | 7,383 | 11,322 | 19,633 | 38,963 |
| EARNINGS BEFORE MINORITY INTEREST | 12,117 | 19,194 | 33,635 | 64,281 |
| MINORITY INTEREST | (778) | (1,489) | (1,610) | (3,396) |
| NET EARNINGS | \$ 11,339 | \$ 17,705 | \$ 32,025 | \$ 60,885 |
| EARNINGS PER SHARE BASIC | \$ 0.59 | \$ 0.94 | \$ 1.68 | \$ 3.24 |
| EARNINGS PER SHARE DILUTED | \$ 0.59 | \$ 0.91 | \$ 1.65 | \$ 3.14 |

| | | | | |
|---|--------|--------|--------|--------|
| WEIGHTED AVERAGE SHARES OUTSTANDING | 19,097 | 18,906 | 19,070 | 18,788 |
| WEIGHTED AVERAGE SHARES OUTSTANDING WITH COMMON STOCK EQUIVALENTS | 19,361 | 19,394 | 19,419 | 19,368 |

See notes to consolidated condensed financial statements.

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UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

(in thousands, except share and per share data)

| | Common Stock | Additional Paid-In Capital | Deferred Stock Compensation | Deferred Compensation Rabbi Trust | Retained Earnings | Accumulated Other Comprehensive Earnings | Employees Stock Notes Receivable | Total |
|--|------------------|----------------------------------|-----------------------------------|--|----------------------|---|---|-------------------|
| Balance at December 31, 2005 | \$ 18,403 | \$ 97,372 | \$ 4,212 | \$ (2,117) | \$ 312,878 | \$ 2,408 | \$ (1,304) | \$ 431,852 |
| Comprehensive earnings: | | | | | | | | |
| Net earnings | | | | | 60,885 | | | |
| Foreign currency translation adjustment | | | | | | 512 | | |
| Total comprehensive earnings | | | | | | | | 61,397 |
| Cash dividends \$.055 per share | | | | | (1,035) | | | (1,035) |
| Reversal of deferred compensation upon adoption of SFAS 123(R) | | 2,095 | (4,212) | 2,117 | | | | |
| Issuance of 341,921 shares under employee stock plans | 342 | 5,459 | | | | | | 5,801 |
| Issuance of 3,338 shares under stock grant programs | 3 | 188 | | | | | | 191 |
| Issuance of 101,278 shares under deferred compensation plans | 101 | (101) | | | | | | |
| Received 1,367 shares for the exercise of stock options | (1) | (89) | | | | | | (90) |
| Tax benefits from non-qualified stock options exercised | | 4,357 | | | | | | 4,357 |
| | | 691 | | | | | | 691 |

| | | | | | | | | | |
|--|------------------|-------------------|-----------|-----------|-------------------|-----------------|-------------------|-------------------|---------|
| Expense associated with share-based compensation arrangements | | | | | | | | | |
| Accrued expense under deferred compensation plans | | 2,984 | | | | | | | 2,984 |
| Issuance of 3,222 shares in exchange for employee stock notes receivable | 3 | 201 | | | | | (204) | | |
| Payments received on employee stock notes receivable | | | | | | | 255 | | 255 |
| Balance at September 30, 2006 | \$ 18,851 | \$ 113,157 | \$ | \$ | \$ 372,728 | \$ 2,920 | \$ (1,253) | \$ 506,403 | |
| Balance at December 30, 2006 | \$ 18,859 | \$ 113,754 | \$ | \$ | \$ 380,931 | \$ 2,451 | \$ (1,253) | \$ 514,742 | |
| Comprehensive earnings: | | | | | | | | | |
| Net earnings | | | | | 32,025 | | | | |
| Foreign currency translation adjustment | | | | | | 1,956 | | | |
| Total comprehensive earnings | | | | | | | | | 33,981 |
| Cash dividends \$.055 per share | | | | | (1,047) | | | | (1,047) |
| Issuance of 210,495 shares under employee stock plans | 211 | 3,475 | | | | | | | 3,686 |
| Issuance of 3,490 shares under stock grant programs | 3 | 157 | | | | | | | 160 |
| Issuance of 67,373 shares under deferred compensation plans | 67 | (67) | | | | | | | |
| Repurchase of 125,100 shares | (125) | | | | (5,148) | | | | (5,273) |

| | | | | | | | |
|---|------------------|-------------------|-----------|-----------|-------------------|-----------------|------------------------------|
| Received 15,866 shares for the exercise of stock options | (16) | (766) | | | | | (782) |
| Tax benefits from non-qualified stock options exercised | | 1,537 | | | | | 1,537 |
| Expense associated with share-based compensation arrangements | | 391 | | | | | 391 |
| Accrued expense under deferred compensation plans | | 3,587 | | | | | 3,587 |
| Issuance of 10,132 shares in exchange for employee stock notes receivable | 10 | 492 | | | | (502) | |
| Payments received on employee stock notes receivable | | | | | | 140 | 140 |
| Balance at September 29, 2007 | \$ 19,009 | \$ 122,560 | \$ | \$ | \$ 406,761 | \$ 4,407 | \$ (1,615) \$ 551,122 |

See notes to consolidated condensed financial statements.

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UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands)

| | Nine Months Ended | |
|--|--------------------------|-----------------------|
| | September 29, 2007 | September 30, 2006 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net earnings | \$ 32,025 | \$ 60,885 |
| Adjustments to reconcile net earnings to net cash from operating activities: | | |
| Depreciation | 29,105 | 25,558 |
| Amortization of intangibles | 6,402 | 3,953 |
| Expense associated with share-based compensation arrangements | 391 | 691 |
| Expense associated with stock grant plans | 160 | 191 |
| Deferred income taxes | (255) | (871) |
| Minority interest | 1,610 | 3,396 |
| Gain on sale of interest in subsidiary | (140) | |
| Net gain on sale or impairment of property, plant and equipment | 32 | 206 |
| Changes in: | | |
| Accounts receivable | (30,298) | (37,947) |
| Inventories | 34,736 | 23,693 |
| Accounts payable | 12,874 | 771 |
| Accrued liabilities and other | (5,483) | 11,326 |
| Excess tax benefits from share-based compensation arrangements | (745) | (3,959) |
| NET CASH FROM OPERATING ACTIVITIES | 80,414 | 87,893 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property, plant and equipment | (26,909) | (27,600) |
| Acquisitions, net of cash received | (57,087) | (27,137) |
| Proceeds from sale of interest in subsidiary | 400 | |
| Proceeds from sale of property, plant and equipment | 3,551 | 506 |
| Collections of notes receivable | 151 | 1,612 |
| Advances on notes receivable | (122) | (2,473) |
| Other, net | (6) | 44 |
| NET CASH FROM INVESTING ACTIVITIES | (80,022) | (55,048) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net borrowings (repayments) under revolving credit facilities | 27,204 | (38,725) |
| Repayment of long-term debt | (28,200) | (1,201) |
| Proceeds from issuance of common stock | 3,321 | 5,711 |
| Distributions to minority shareholders | (1,225) | (1,569) |
| Dividends paid to shareholders | (1,047) | (1,035) |
| Repurchase of common stock | (5,273) | |
| Excess tax benefits from share-based compensation arrangements | 745 | 3,959 |
| Other, net | (278) | (16) |

