

NCI BUILDING SYSTEMS INC

Form 8-K

December 11, 2003

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

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

December 10, 2003
(Date of Report)

NCI BUILDING SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other
jurisdiction of
incorporation)

1-14315
(Commission
File Number)

76-0127701
(I.R.S. Employer
Identification No.)

**10943 North Sam Houston Parkway West
Houston, Texas 77064**
(Address of principal executive offices)

(281) 897-7788
(Registrant's telephone number,
including area code)

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Item 12. Results of Operations and Financial Condition.
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Item 12. Results of Operations and Financial Condition.

The information in this Form 8-K is being furnished and shall not be deemed filed for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in this Form 8-K shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended.

On December 10, 2003, NCI Building Systems, Inc. issued a press release announcing its financial results for the fourth quarter and fiscal year ended November 1, 2003. A copy of the press release is included herewith as Attachment I.

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.

NCI BUILDING SYSTEMS, INC.
(Registrant)

By: /s/ Robert J. Medlock

Robert J. Medlock, Executive Vice President
and Chief Financial Officer

Dated: December 10, 2003

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Attachment I

[NCI letterhead]

Contact: Robert J. Medlock
Executive Vice President &
Chief Financial Officer
(281) 897-7788

**NCI BUILDING SYSTEMS REPORTS FOURTH QUARTER AND
FISCAL 2003 FINANCIAL RESULTS**

ESTABLISHES EARNINGS GUIDANCE FOR THE FIRST QUARTER OF FISCAL 2004

HOUSTON (Dec. 10, 2003) NCI Building Systems, Inc. (NYSE: NCS) today announced financial results for the fourth quarter and 12 months ended November 1, 2003. For the fourth quarter, net income per diluted share was \$0.53, which included a net positive impact of \$0.10 per diluted share from compensation-related issues. The Company's established guidance for net income per diluted share for the fourth quarter was in a range of \$0.40 to \$0.43. Sales for the fourth quarter were \$254.8 million compared with \$253.8 million for the fourth quarter of fiscal 2002. Net income for the fourth quarter of fiscal 2003 was \$10.1 million compared with \$10.8 million, or \$0.58 per diluted share, for the fourth quarter of fiscal 2002.

For fiscal 2003, sales were \$898.2 million compared with \$953.4 million for fiscal 2002. Net income was \$22.8 million, or \$1.20 per diluted share, for fiscal 2003 versus a net loss of \$33.8 million, or \$1.81 per diluted share, for fiscal 2002. Net income for fiscal 2002 included the negative effect of a change in accounting principle of \$65.1 million, or \$3.49 per diluted share.

Commenting on the announcement, A.R. Ginn, Chairman, President and Chief Executive Officer, said, "NCI achieved solid financial results for the fourth quarter in an environment that remained challenging. We produced a sequential-quarter increase in sales of 7.9% from the third quarter of fiscal 2003 and the first increase in comparable-quarter sales in 18 months. We were also pleased to meet the high end of our earnings guidance for the quarter, even before the impact of the compensation-related issues referenced above. The positive net impact of \$0.10 per diluted share was comprised of the reversal of previously accrued bonus compensation, partially offset by the full accrual of the retirement benefits for Johnnie Schulte, Jr., the Company's former President and Chief Executive Officer, who retired on November 1, 2003.

We again attribute NCI's profitable operations, which stand in contrast to many of our industry peers, to our ability to leverage our competitive advantages to gain market share in a consolidating industry. These advantages include one of the industry's broadest lines of high quality, innovative products, superior customer service, low-cost operations, and strong financial position. In fact, we strengthened our financial position further during the fourth quarter by using cash from operations to reduce debt by \$19.0 million and \$48.5 million for fiscal year 2003. As a result, our debt to total capitalization improved to 42.9% at the end of fiscal 2003 from 49.5% at the end of fiscal 2002.

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Attachment I

The Company's performance for the fourth quarter and for fiscal 2003 reflects our continued strategy, during a multi-year industry contraction, to focus on cost management and to optimize our manufacturing assets and distribution network. We have continued to use our financial strength to take advantage of opportunities in a difficult environment to broaden our product line, expand our geographic reach, develop new sales channels and increase market share through organic growth or acquisition. We believe this strategy has enabled us to maintain and enhance our market leadership and position the Company for sustained profitable expansion when the economic environment improves.

We expect to continue this strategy because, despite a somewhat more positive operating environment than earlier in fiscal 2003, the nonresidential construction market has not yet begun a material recovery. Consistent with this assessment, our fourth-quarter sales reflected stronger repair and renovation business in our metal components business, while new construction remained weak. Furthermore, we continued to see strong price competition in our engineered building systems markets, often at levels that would preclude a profitable return on the business.

Our near-term outlook assumes a continuation of the lackluster environment experienced throughout fiscal 2003. Although we expect the economy to improve in fiscal 2004, we believe most of the gains will come in the second half of the year. Therefore, our guidance for the first quarter of fiscal 2004 is for earnings per diluted share in a range of \$0.20 to \$0.21, essentially even with the \$0.20 earned for the first quarter of fiscal 2003.

Mr. Ginn concluded, "We remain confident about the long-term prospects for the growth of the nonresidential construction business and for the continuing expansion of the metal building systems and components industry as it increases its market share. We further believe that, as the industry leader, NCI is well positioned to leverage the industry's trends to produce sustained, long-term profitable growth."

NCI Building Systems, Inc. is one of North America's largest integrated manufacturers of metal products for the nonresidential building industry. The Company operates manufacturing and distribution facilities located in 16 states and Mexico.

Some statements contained in this release are forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995. Actual performance of the Company may differ from that projected in such statements as a result of factors such as industry cyclicality and seasonality, adverse weather conditions, fluctuations in customer demand and order patterns, raw material pricing, competitive activity and pricing pressure and general economic conditions affecting the construction industry. Investors should refer to statements regularly filed by the Company in its annual report to the Securities and Exchange Commission on Form 10-K, its quarterly reports to the SEC on Form 10-Q and its current reports to the SEC on Form 8-K and other filings with the SEC for a discussion of factors which could affect the Company's operations and forward-looking statements made in this communication. The Company expressly disclaims any obligation to release publicly any updates or revisions to these forward-looking statements to reflect any changes in expectations.

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NCI BUILDING SYSTEMS, INC.
STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per share data)

| | Three Months Ended | | For the Year Ended | |
|--|--------------------|------------------------|--------------------|-----------------------|
| | Nov. 1, 2003 | Nov. 2, 2002 | Nov. 1, 2003 | Nov. 2, 2002 |
| Sales | \$ 254,826 | \$ 253,816 | \$ 898,150 | \$ 953,442 |
| Cost of sales | 196,096 | 193,430 | 700,631 | 740,577 |
| Gross profit | 58,730 | 60,386 | 197,519 | 212,865 |
| Selling, general and administrative expenses | 36,820 | 36,698 | 140,356 | 140,641 |
| Income from operations | 21,910 | 23,688 | 57,163 | 72,224 |
| Interest expense | (5,079) | (4,745) | (19,777) | (21,591) |
| Other income (expense), net | (567) | (1,449) ⁽¹⁾ | 172 | 216 ⁽¹⁾ |
| Income before income taxes and cumulative effect of change in accounting principle | 16,264 | 17,494 | 37,558 | 50,849 |
| Provision for income taxes | 6,152 | 6,657 ⁽¹⁾ | 14,758 | 19,535 ⁽¹⁾ |
| Income before cumulative effect of change in accounting principle | 10,112 | 10,837 | 22,800 | 31,314 |
| Cumulative effect of change in accounting principle, net of tax | | | | (65,087) |
| Net income (loss) | \$ 10,112 | \$ 10,837 | \$ 22,800 | \$ (33,773) |
| Basic: | | | | |
| Income before cumulative effect of change in accounting principle | \$ 0.53 | \$ 0.58 | \$ 1.21 | \$ 1.69 |
| Cumulative effect of change in accounting principle, net of tax | | | | (3.51) |
| Net income (loss) | \$ 0.53 | \$ 0.58 | \$ 1.21 | \$ (1.82) |
| Diluted: | | | | |
| Income before cumulative effect of change in accounting principle | \$ 0.53 | \$ 0.58 | \$ 1.20 | \$ 1.68 |
| Cumulative effect of change in accounting principle, net of tax | | | | (3.49) |
| Net income (loss) | \$ 0.53 | \$ 0.58 | \$ 1.20 | \$ (1.81) |
| Average shares outstanding: | | | | |
| Basic | 18,938 | 18,644 | 18,811 | 18,512 |

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| | | | | |
|---------|--------|--------|--------|--------|
| Diluted | 19,113 | 18,809 | 18,969 | 18,692 |
|---------|--------|--------|--------|--------|

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Attachment I

NCI BUILDING SYSTEMS, INC.
STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per share data)
(Continued)

| | Three Months Ended | | For the Year Ended | |
|---|--------------------|-----------------|--------------------|-----------------|
| | Nov. 1, 2003 | Nov. 2, 2002 | Nov. 1, 2003 | Nov. 2, 2002 |
| Increase (decrease) in sales | 0.4% | | (5.8)% | |
| Decrease in diluted earnings per share before cumulative effect of change in accounting principle | (8.6)% | | (28.6)% | |
| Gross profit percentage | 23.0% | 23.8% | 22.0% | 22.3% |
| Selling, general and administrative expenses percentage | 14.4% | 14.5% | 15.6% | 14.7% |
| Income from operations percentage | 8.6% | 9.3% | 6.4% | 7.6% |

- (1) In accordance with the provisions of SFAS No. 145, the loss on debt refinancing (\$808, net of tax) during the fourth quarter of 2002 previously disclosed as an extraordinary loss was reclassified to other income (expense) \$1,243 pretax and the provision for income taxes was adjusted for the \$435 tax effect.

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NCI BUILDING SYSTEMS, INC.
COMPUTATION OF EARNINGS BEFORE TAXES, INTEREST, DEPRECIATION,
AMORTIZATION AND OTHER NON-CASH ITEMS (ADJUSTED EBITDA)
(Unaudited)
(In thousands)

| | Trailing 12 Months | |
|---|--------------------|--------------------|
| | Nov. 1, 2003 | Nov. 2, 2002 |
| Net income (loss) | \$ 22,800 | \$ (33,773) |
| Add (deduct): | | |
| Provision for income taxes | 14,758 | 19,970 |
| Interest expense, net of interest income and amortization on deferred financing costs | 18,415 | 21,179 |
| Depreciation and amortization | 23,007 | 23,937 |
| 401(k) non-cash contributions | 3,829 | 3,581 |
| Loss on debt refinancing, net of tax | | 808 ⁽¹⁾ |
| Cumulative effect of change in accounting principle, net of tax | | 65,087 |
| Non-cash real estate expense, net of tax | 391 | |
| Adjusted EBITDA ⁽²⁾ | \$ 83,200 | \$ 100,789 |

⁽¹⁾ The loss on debt refinancing was treated as extraordinary in accordance with the provisions of SFAS No. 4, which were applicable during fiscal year 2002.

⁽²⁾ The Company discloses adjusted EBITDA because it is a widely accepted financial indicator in the metal construction industry of a company's ability to finance its operations and meet its growth plans. This measure is also used by NCI internally to make acquisition and investment decisions.

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NCI BUILDING SYSTEMS, INC.
CONDENSED BALANCE SHEETS
(Unaudited)
(In thousands)

| | Nov. 1, 2003 | Nov. 2, 2002 |
|---|-----------------|-----------------|
| ASSETS | | |
| Cash | \$ 14,204 | \$ 9,530 |
| Accounts receivable, net | 96,620 | 94,956 |
| Inventories | 59,334 | 68,445 |
| Deferred taxes | 8,904 | 7,448 |
| Prepays | 6,243 | 6,129 |
| | <u>185,305</u> | <u>186,508</u> |
| Total current assets | 185,305 | 186,508 |
| Property, net | 201,826 | 205,334 |
| Excess of cash over fair value of acquired net assets | 318,247 | 318,247 |
| Other assets | 7,782 | 11,176 |
| | <u>713,160</u> | <u>721,265</u> |
| Total assets | \$713,160 | \$721,265 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| Current portion of long-term debt | \$ 6,250 | \$ 6,250 |
| Accounts payable | 55,106 | 49,012 |
| Accrued expenses | 57,364 | 51,089 |
| | <u>118,720</u> | <u>106,351</u> |
| Total current liabilities | 118,720 | 106,351 |
| Long-term debt, noncurrent portion | 242,500 | 291,050 |
| Deferred income taxes | 20,189 | 20,405 |
| Shareholders' equity | 331,751 | 303,459 |
| | <u>713,160</u> | <u>721,265</u> |
| | \$713,160 | \$721,265 |

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NCI BUILDING SYSTEMS, INC.
STATEMENT OF CONDENSED CASH FLOWS
(In thousands)
(Unaudited)

| | Year Ended | |
|--|------------------|-----------------|
| | Nov. 1, 2003 | Nov. 2, 2002 |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ 22,800 | \$ (33,773) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Cumulative effect of change in accounting principle, net of tax | | 65,087 |
| Depreciation and amortization | 23,007 | 22,883 |
| (Gain) loss on sale of fixed assets | 975 | (782) |
| Loss on debt refinancing | | 1,243 |
| Provisions for doubtful accounts | 5,058 | 2,743 |
| Deferred income tax benefit | (705) | (895) |
| Decrease in current assets | 3,229 | 13,725 |
| Increase (decrease) in current liabilities | 12,302 | (12,519) |
| Net cash provided by operating activities | <u>66,666</u> | <u>57,712</u> |
| Cash flows from investing activities: | | |
| Proceeds from sale of fixed assets | 1,634 | 5,788 |
| Capital expenditures | (17,912) | (9,175) |
| Acquisitions of Able Door and Baytown Depot | (4,310) | |
| Other | 2,257 | 1,524 |
| Net cash used in investing activities | <u>(18,331)</u> | <u>(1,863)</u> |
| Cash flows from financing activities: | | |
| Proceeds from stock options exercised | 5,003 | 2,931 |
| Net payments on revolving lines of credit | (42,300) | (77,350) |
| Borrowings on long-term debt | | 125,000 |
| Payments on long-term debt | (6,250) | (117,850) |
| Purchase of treasury stock | (114) | (175) |
| Net cash used in financing activities | <u>(43,661)</u> | <u>(67,444)</u> |
| Net increase (decrease) in cash | 4,674 | (11,595) |
| Cash at beginning of period | 9,530 | 21,125 |
| Cash at end of period | <u>\$ 14,204</u> | <u>\$ 9,530</u> |

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