

RTI INTERNATIONAL METALS INC

Form 10-Q

May 07, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **March 31, 2013**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: **001-14437**

RTI INTERNATIONAL METALS, INC.

(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of incorporation or organization)

Westpointe Corporate Center One, 5th Floor

1550 Coraopolis Heights Road

Pittsburgh, Pennsylvania
(Address of principal executive offices)

52-2115953
(I.R.S. Employer Identification No.)

15108-2973

(Zip Code)

(412) 893-0026

Registrant's telephone number, including area code:

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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**

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 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 company)

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

Yes **No**

Number of shares of the Corporation's common stock (Common Stock) outstanding as of April 26, 2013 was 31,332,304.

Table of Contents**RTI INTERNATIONAL METALS, INC AND CONSOLIDATED SUBSIDIARIES**

As used in this report, the terms RTI, Company, Registrant, we, our, and us, mean RTI International Metals, Inc., its predecessors, and consolidated subsidiaries, taken as a whole, unless the context indicates otherwise.

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Operations****(Unaudited)****(In thousands, except share and per share amounts)**

| | Three Months Ended | |
|--|---------------------------|-------------|
| | March 31, | |
| | 2013 | 2012 |
| Net sales | \$ 187,470 | \$ 154,569 |
| Cost and expenses: | | |
| Cost of sales | 149,381 | 120,545 |
| Selling, general, and administrative expenses | 24,908 | 20,833 |
| Research, technical, and product development expenses | 1,001 | 1,065 |
| Operating income | 12,180 | 12,126 |
| Other income (expense), net | 559 | (268) |
| Interest income | 31 | 82 |
| Interest expense | (4,796) | (4,278) |
| Income before income taxes | 7,974 | 7,662 |
| Provision for income taxes | 2,470 | 2,608 |
| Net income attributable to continuing operations | \$ 5,504 | \$ 5,054 |
| Net income attributable to discontinued operations, net of tax | 151 | 571 |
| Net income | \$ 5,655 | \$ 5,625 |
| Earnings per share attributable to continuing operations: | | |
| Basic | \$ 0.18 | \$ 0.17 |
| Diluted | \$ 0.18 | \$ 0.17 |
| Earnings per share attributable to discontinued operations: | | |
| Basic | \$ | \$ 0.02 |
| Diluted | \$ | \$ 0.02 |
| Weighted-average shares outstanding: | | |
| Basic | 30,230,641 | 30,090,101 |
| Diluted | 30,504,177 | 30,200,542 |

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The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Comprehensive Income****(Unaudited)****(In thousands, except share and per share amounts)**

| | Three Months Ended March 31, | |
|---|---|-------------|
| | 2013 | 2012 |
| Net income | \$ 5,655 | \$ 5,625 |
| Other comprehensive income (loss): | | |
| Foreign currency translation, net of tax of \$(1,514) and \$1,180 | (2,812) | 2,192 |
| Realized loss on investments, net of tax of \$0 and \$4 | | 8 |
| Benefit plan amortization, net of tax of \$4,175 and \$725 | 6,824 | 1,203 |
| Other comprehensive income, net of tax | 4,012 | 3,403 |
| Comprehensive income | \$ 9,667 | \$ 9,028 |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Condensed Consolidated Balance Sheets****(Unaudited)****(In thousands, except share and per share amounts)**

| | March 31, 2013 | December 31, 2012 |
|---|---------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 58,015 | \$ 97,190 |
| Receivables, less allowance for doubtful accounts of \$712 and \$722 | 114,075 | 106,578 |
| Inventories, net | 421,402 | 394,165 |
| Deferred income taxes | 28,962 | 28,899 |
| Assets of discontinued operations | 14,971 | 14,741 |
| Other current assets | 11,115 | 10,709 |
| Total current assets | 648,540 | 652,282 |
| Property, plant, and equipment, net | 371,299 | 375,949 |
| Goodwill | 135,341 | 135,870 |
| Other intangible assets, net | 55,228 | 56,495 |
| Deferred income taxes | 29,624 | 33,287 |
| Other noncurrent assets | 5,197 | 5,844 |
| Total assets | \$ 1,245,229 | \$ 1,259,727 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 79,587 | \$ 91,661 |
| Accrued wages and other employee costs | 21,826 | 34,096 |
| Unearned revenues | 24,991 | 26,164 |
| Liabilities of discontinued operations | 2,821 | 2,332 |
| Other accrued liabilities | 25,379 | 22,550 |
| Total current liabilities | 154,604 | 176,803 |
| Long-term debt | 200,663 | 198,337 |
| Liability for post-retirement benefits | 43,729 | 45,066 |
| Liability for pension benefits | 15,229 | 20,711 |
| Deferred income taxes | 51,400 | 51,452 |
| Unearned revenues | 9,922 | 9,991 |
| Other noncurrent liabilities | 12,129 | 11,798 |
| Total liabilities | 487,676 | 514,158 |
| Commitments and Contingencies | | |
| Shareholders' equity: | | |
| Common stock, \$0.01 par value; 50,000,000 shares authorized; 31,300,737 and 31,136,899 shares issued; 30,498,948 and 30,354,324 shares outstanding | 313 | 311 |
| Additional paid-in capital | 487,512 | 484,798 |
| Treasury stock, at cost; 801,789 and 782,575 shares | (18,798) | (18,399) |
| Accumulated other comprehensive loss | (40,710) | (44,722) |
| Retained earnings | 329,236 | 323,581 |

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| | | |
|--|--------------|--------------|
| Total shareholders' equity | 757,553 | 745,569 |
| Total liabilities and shareholders' equity | \$ 1,245,229 | \$ 1,259,727 |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Cash Flows****(Unaudited)****(In thousands)**

| | Three Months Ended March 31, | |
|--|---|-------------|
| | 2013 | 2012 |
| <u>OPERATING ACTIVITIES:</u> | | |
| Net income | \$ 5,655 | \$ 5,625 |
| Adjustment for non-cash items included in net income: | | |
| Depreciation and amortization | 11,000 | 8,734 |
| Goodwill impairments | 484 | |
| Deferred income taxes | 2,838 | (1,915) |
| Stock-based compensation | 1,708 | 1,378 |
| Excess tax benefits from stock-based compensation activity | (236) | (61) |
| Amortization of discount on long-term debt | 2,562 | 2,352 |
| Amortization of debt issuance costs | 325 | 368 |
| Other | (41) | (68) |
| Changes in assets and liabilities: | | |
| Receivables | (9,994) | 4,750 |
| Inventories | (28,351) | (31,130) |
| Accounts payable | (6,583) | 5,504 |
| Income taxes payable | 416 | 1,659 |
| Unearned revenue | (1,042) | 8,230 |
| Other current assets and liabilities | (10,447) | (14,798) |
| Other assets and liabilities | 983 | (3,587) |
| Cash used in operating activities | (30,723) | (12,959) |
| <u>INVESTING ACTIVITIES:</u> | | |
| Capital expenditures | (9,160) | (17,128) |
| Acquisitions, net of cash acquired | | (185,633) |
| Maturity/sale of investments | | 176,809 |
| Purchase of investments | | (38) |
| Cash used in investing activities | (9,160) | (25,990) |
| <u>FINANCING ACTIVITIES:</u> | | |
| Proceeds from exercise of employee stock options | 1,239 | 120 |
| Excess tax benefits from stock-based compensation activity | 236 | 61 |
| Repayments on long-term debt | (220) | (97) |
| Purchase of common stock held in treasury | (399) | (742) |
| Cash provided by (used in) financing activities | 856 | (658) |
| Effect of exchange rate changes on cash and cash equivalents | (148) | 637 |
| Decrease in cash and cash equivalents | (39,175) | (38,970) |
| Cash and cash equivalents at beginning of period | 97,190 | 156,842 |

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| | | |
|--|-----------|------------|
| Cash and cash equivalents at end of period | \$ 58,015 | \$ 117,872 |
|--|-----------|------------|

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In thousands, except share and per share amounts, unless otherwise indicated)

Note 1 BASIS OF PRESENTATION:

The accompanying unaudited Condensed Consolidated Financial Statements of RTI International Metals, Inc. and its subsidiaries (the Company or RTI) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. In the opinion of management, these financial statements contain all of the adjustments of a normal and recurring nature considered necessary to state fairly the results for the interim periods presented. The results for the interim periods are not necessarily indicative of the results to be expected for the year.

The balance sheet at December 31, 2012 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and notes required by GAAP for complete financial statements. Although the Company believes that the disclosures are adequate to make the information presented not misleading, it is suggested that these Condensed Consolidated Financial Statements be read in conjunction with accounting policies and Notes to the Consolidated Financial Statements included in the Company's 2012 Annual Report on Form 10-K filed with the Securities and Exchange Commission (the SEC) on February 22, 2013. Certain prior year amounts have been reclassified to conform to current year presentation. Refer to Notes 2 and 3 for more information on current year presentation.

Note 2 ORGANIZATION:

The Company is a leading producer and global supplier of advanced titanium mill products and a manufacturer of fabricated titanium and specialty metal components for the international aerospace, defense, energy, medical device, and other markets. It is a successor to entities that have been operating in the titanium industry since 1951. The Company first became publicly traded on the New York Stock Exchange in 1990 under the name RMI Titanium Co. and the symbol RTI, and was reorganized into a holding company structure in 1998 under the name RTI International Metals, Inc.

Effective January 1, 2013, the Company conducts business in two segments: the Titanium Segment and the Engineered Products and Services Segment. The new structure better reflects the Company's transformation into an integrated supplier of advanced titanium products across the entire supply chain, and better aligns its resources to support the Company's long-term growth strategy.

The Titanium Segment melts, processes, produces, stocks, distributes, finishes, cuts-to-size and facilitates just-in-time delivery services of a complete range of titanium mill products which are further processed by its customers for use in a variety of commercial aerospace, defense, and industrial and consumer applications. With operations in Niles, Ohio; Canton, Ohio; Hermitage, Pennsylvania; Martinsville, Virginia; Garden Grove, California; Windsor, Connecticut; Tamworth, England; and Rosny-Sur-Seine, France, the Titanium Segment has overall responsibility for the production and distribution of primary mill products including, but not limited to, bloom, billet, sheet, and plate. In addition, the Titanium Segment produces ferro titanium alloys for its steel-making customers. The Titanium Segment also focuses on the research and development of evolving technologies relating to raw materials, melting, and other production processes, and the application of titanium in new markets.

The Engineered Products and Services Segment is comprised of companies with significant hard and soft-metal expertise that form, extrude, fabricate, machine, micro machine, and assemble titanium, aluminum, and

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other specialty metal parts and components. Its products, many of which are complex engineered parts and assemblies, serve the commercial aerospace, defense, medical device, oil and gas, power generation, and chemical process industries, as well as a number of other industrial and consumer markets. With operations located in Minneapolis, Minnesota; Houston, Texas; Sullivan, Missouri; Washington, Missouri; Laval, Canada; and Welwyn Garden City, England, the Engineered Products and Services Segment provides value-added products and services such as engineered tubulars and extrusions, fabricated and machined components and sub-assemblies, and components for the production of minimally invasive and implantable medical devices, as well as engineered systems for deepwater oil and gas exploration and production infrastructure.

The Engineered Products and Services Segment utilizes the Titanium Segment as its primary source of titanium mill products.

Note 3 DISCONTINUED OPERATIONS:

The Company evaluates each of its subsidiaries on an ongoing basis to ensure that its resources are being utilized to optimize and advance the strategic vision of the Company as a whole. In an effort to continue to align the resources of the Company with its long-term growth strategy, as of March 31, 2013, the Company planned to sell or otherwise dispose of two of its non-core distribution service centers whose results were reported in the former Distribution Group prior to January 1, 2013. An evaluation of the Company's non-core businesses resulted in a goodwill impairment of \$484. One of the non-core businesses qualified for held-for-sale accounting at March 31, 2013. The operations of the subsidiary held for sale have been presented as results from discontinued operations on the Company's Condensed Consolidated Statements of Operations and the related assets and liabilities of discontinued operations have been presented separately on the Company's Condensed Consolidated Balance Sheets as assets and liabilities of discontinued operations. The Company's financial statements and the notes thereto have been conformed to exclude amounts attributable to the discontinued operation. Management is continuing to evaluate alternatives for the other subsidiary and as a result it does not qualify for held-for-sale accounting as of March 31, 2013. Its results are reported in the Titanium Segment.

The Company's results from discontinued operations are summarized below:

| | Three Months Ended March 31, | |
|---|---|-------------|
| | 2013 | 2012 |
| Net sales | \$ 6,657 | \$ 8,281 |
| Income before income taxes | 244 | 892 |
| Provision for income taxes | 93 | 321 |
| Net income from discontinued operations | 151 | 571 |

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Assets and liabilities of discontinued operations were comprised of the following at March 31, 2013 and December 31, 2012:

| | March 31, 2013 | December 31, 2012 |
|--|-------------------|----------------------|
| ASSETS | | |
| Accounts receivable, net | \$ 2,805 | \$ 2,189 |
| Inventories, net | 10,932 | 11,124 |
| Property, plant and equipment, net | 44 | 47 |
| Goodwill | 1,190 | 1,381 |
| Total assets of discontinued operations | \$ 14,971 | \$ 14,741 |
| LIABILITIES | | |
| Accounts payable | \$ 2,621 | \$ 1,995 |
| Accrued wages and other employment costs | 184 | 337 |
| Other liabilities | 16 | |
| Total liabilities of discontinued operations | \$ 2,821 | \$ 2,332 |

Note 4 ACCUMULATED OTHER COMPREHENSIVE LOSS:

The components of accumulated other comprehensive loss at March 31, 2013 and December 31, 2012 were as follows:

| | Foreign Currency Translation | Actuarial Losses on Benefit Plans | Total |
|--|------------------------------------|---|-----------------|
| Balance at December 31, 2012 | \$ 12,990 | \$ (57,712) | \$ (44,722) |
| Other comprehensive income (loss) before reclassifications, net of tax | (2,812) | 3,943 | 1,131 |
| Amounts reclassified from other comprehensive loss, net of tax | | 2,881 | 2,881 |
| Accumulated other comprehensive loss at March 31, 2013 | \$ 10,178 | \$ (50,888) | \$ (40,710) |

Benefit plan losses of \$2,881, net of tax, were reclassified from accumulated other comprehensive income to net periodic pension expense during the first quarter of 2013.

Impact of benefit plan items

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| | Amounts Reclassified from Accumulated Other Comprehensive Loss |
|------------------------------|---|
| Actuarial losses | \$ 2,429 |
| Special termination benefits | 2,214 |
| Tax expense | (1,762) |
| Total reclassifications | \$ 2,881 |

These amounts have been used in the calculation of net periodic benefit cost for the three months ended March 31, 2013. Refer to Note 12 for further information about the Company's benefit plans.

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A summary of the status of the Company's stock options as of March 31, 2013, and the activity during the three months then ended, is presented below:

| Stock Options | Options |
|----------------------------------|----------------|
| Outstanding at December 31, 2012 | 590,850 |
| Granted | 96,331 |
| Forfeited | (6,721) |
| Expired | (4,267) |
| Exercised | (72,274) |
| Outstanding at March 31, 2013 | 603,919 |
| Exercisable at March 31, 2013 | 424,899 |

The fair value of stock options granted was estimated at the date of grant using the Black-Scholes option-pricing model based upon the assumptions noted in the following table:

| | 2013 |
|---------------------------|-------------|
| Risk-free interest rate | 0.87% |
| Expected dividend yield | 0.00% |
| Expected lives (in years) | 5.0 |
| Expected volatility | 65.00% |

The weighted-average grant date fair value of stock option awards granted during the three months ended March 31, 2013 was \$15.81.

Restricted Stock

A summary of the status of the Company's nonvested restricted stock as of March 31, 2013, and the activity during the three months then ended, is presented below:

| Nonvested Restricted Stock Awards | Shares |
|--|---------------|
| Nonvested at December 31, 2012 | 182,179 |
| Granted | 88,282 |
| Vested | (49,069) |
| Forfeited | (5,098) |

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Nonvested at March 31, 2013

216,294

The fair value of restricted stock grants was calculated using the market value of the Company's Common Stock on the date of issuance. The weighted-average grant date fair value of restricted stock awards granted during the three months ended March 31, 2013 was \$29.13.

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A summary of the Company's performance share awards as of March 31, 2013, and the activity during the three months then ended, is presented below:

| Performance Share Awards | Awards Activity | Maximum Shares Eligible to Receive |
|----------------------------------|----------------------------|---|
| Outstanding at December 31, 2012 | 107,057 | 214,114 |
| Granted | 72,164 | 144,328 |
| Forfeited | (5,967) | (11,934) |
| Outstanding at March 31, 2013. | 173,254 | 346,508 |

The fair value of the performance share awards granted was estimated by the Company at the grant date using a Monte Carlo model. The weighted-average grant-date fair value of performance shares awarded during the three months ended March 31, 2013 was \$41.02.

Note 6 INCOME TAXES:

Management estimates the annual effective income tax rate quarterly, based on current annual forecasted results. Items unrelated to current year ordinary income are recognized entirely in the period identified as a discrete item of tax. The quarterly income tax provision is comprised of tax on ordinary income provided at the most recent estimated annual effective tax rate, increased or decreased for the tax effect of discrete items.

For the three months ended March 31, 2013, the estimated annual effective tax rate applied to ordinary income from continuing operations was 28.0%, compared to a rate of 34.1% for the three months ended March 31, 2012. The Company's effective income tax rate decreased 6.1 percentage points from 2012 principally due to a change in the mix of foreign and domestic income between the periods and the benefit of the Manufacturing Deduction not present in 2012.

Inclusive of discrete items, the company recorded a provision for income taxes of \$2,470, or 31.0% of pretax income from continuing operations, and \$2,608, or 34.0% of pretax income from continuing operations, for federal, state, and foreign income taxes for the three months ended March 31, 2013 and 2012, respectively. Discrete items for the three months ended March 31, 2013 totaled \$238 and were primarily due to adjustments to prior years' taxes. Discrete items for the three months ended March 31, 2012 were not material.

Note 7 EARNINGS PER SHARE:

Basic earnings per share was computed by dividing net income attributable to common shareholders by the weighted-average number of shares of Common Stock outstanding for each respective period. Diluted earnings per share was calculated by dividing net income attributable to common shareholders by the weighted-average of all potentially dilutive shares of Common Stock that were outstanding during the periods presented. The Company's restricted stock awards are considered participating securities. As such, the Company uses the two-class method to compute basic and diluted earnings per share.

At March 31, 2013, the Company had \$230 million aggregate principal amount of 3.0% Convertible Senior Notes due 2015 (the 2015 Notes) outstanding. For both the three months ended March 31, 2013 and 2012, 6.4 million potential shares of Common Stock related to the 2015 Notes have been excluded from the calculation of diluted earnings per share because their effects were antidilutive, as calculated under the If

Converted method.

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For each of the three months ended March 31, 2013 and 2012, options to purchase 310,317 and 412,230 shares of Common Stock at an average price of \$44.06 and \$38.84, respectively, have been excluded from the calculation of diluted earnings per share because their effects were antidilutive.

The following illustrates the earnings allocation method utilized in the calculation of basic and diluted earnings per share. Actual weighted-average shares of Common Stock outstanding used in the calculation of basic and diluted earnings per share for the three months ended March 31, 2013 and 2012 were as follows:

| | Three Months Ended March 31, | |
|---|-------------------------------------|-------------|
| | 2013 | 2012 |
| Numerator: | | |
| Net income from continuing operations before allocation of earnings to participating securities | \$ 5,504 | \$ 5,054 |
| Less: Earnings allocated to participating securities | (38) | (29) |
| Net income from continuing operations attributable to common shareholders, after earnings allocated to participating securities | \$ 5,466 | \$ 5,025 |
| Net income from discontinued operations before allocation of earnings to participating securities | \$ 151 | \$ 571 |
| Less: Earnings allocated to participating securities | (1) | (3) |
| Net income from discontinued operations attributable to common shareholders, after earnings allocated to participating securities | \$ 150 | \$ 568 |
| Denominator: | | |
| Basic weighted-average shares outstanding | 30,230,641 | 30,090,101 |
| Effect of dilutive securities | 273,536 | 110,441 |
| Diluted weighted-average shares outstanding | 30,504,177 | 30,200,542 |
| Earnings per share attributable to continuing operations: | | |
| Basic | \$ 0.18 | \$ 0.17 |
| Diluted | \$ 0.18 | \$ 0.17 |
| Earnings per share attributable to discontinued operations: | | |
| Basic | \$ 0.00 | \$ 0.02 |
| Diluted | \$ 0.00 | \$ 0.02 |

Note 8 FAIR VALUE MEASUREMENTS:

For certain of the Company's financial instruments and account groupings, including cash, short-term investments, accounts receivable, accounts payable, accrued wages and other employee costs, unearned revenue, and other accrued liabilities, the carrying value approximates fair value.

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The carrying amounts and fair values of financial instruments for which the fair value option was not elected were as follows:

| | March 31, 2013 | | December 31, 2012 | |
|-----------------------------------|-----------------|------------|-------------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Cash and cash equivalents | \$ 58,015 | \$ 58,015 | \$ 97,190 | \$ 97,190 |
| Current portion of long-term debt | \$ 973 | \$ 973 | \$ 957 | \$ 957 |
| Long-term debt | \$ 200,663 | \$ 270,856 | \$ 198,337 | \$ 249,113 |

The fair value of long-term debt was estimated based on the quoted market prices for the debt (Level 2).

Note 9 INVENTORIES:

Inventories are valued at cost as determined by the last-in, first-out (LIFO) method for approximately 53% and 51% of the Company's inventories at March 31, 2013 and December 31, 2012, respectively. The remaining inventories are valued at cost determined by a combination of the first-in, first-out (FIFO) and weighted-average cost methods. Inventory costs generally include materials, labor, and manufacturing overhead (including depreciation). As of March 31, 2013 and December 31, 2012, the current cost of inventories exceeded their carrying value by \$62,621 and \$58,598, respectively. When market conditions indicate an excess of carrying cost over market value, a lower-of-cost-or-market provision is recorded. Inventories consisted of the following:

| | March 31, 2013 | December 31, 2012 |
|------------------------------------|----------------|-------------------|
| Raw materials and supplies | \$ 156,987 | \$ 162,944 |
| Work-in-process and finished goods | 327,036 | 289,819 |
| LIFO reserve | (62,621) | (58,598) |
| Total inventories | \$ 421,402 | \$ 394,165 |

Note 10 GOODWILL AND OTHER INTANGIBLE ASSETS:

The carrying amount of goodwill is tested at least annually for impairment. Absent any events throughout the year which would indicate a potential impairment has occurred, the Company performs its annual impairment testing during the fourth quarter.

Uncertainties or other factors that could result in a potential impairment include continued long-term production delays or a significant decrease in expected demand related to the Boeing 787 Dreamliner® program, as well as any cancellation of one of the other major aerospace or defense programs in which the Company currently participates, including the Joint Strike Fighter program, the Airbus family of aircraft, including the A380 and A350XWB programs, and the Boeing 747-8 program. In addition, the Company's ability to ramp up its production in a cost efficient manner may also impact the results of a future impairment test.

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(Unaudited)****(In thousands, except share and per share amounts, unless otherwise indicated)**

Goodwill. The carrying amount of goodwill attributable to each segment at December 31, 2012 and March 31, 2013 was as follows:

| | Titanium Segment | Engineered Products and Services Segment | Total |
|--------------------------------------|-----------------------------|---|--------------|
| December 31, 2012 | \$ 10,020 | \$ 125,850 | \$ 135,870 |
| Impairment (Note 3) | (293) | | (293) |
| Translation adjustment | 53 | (289) | (236) |
| Purchase price allocation adjustment | | | |
| March 31, 2013 | \$ 9,780 | \$ 125,561 | \$ 135,341 |

Intangibles. Intangible assets consist primarily of customer relationships, trade names, and developed technology acquired through various business combinations. These intangible assets were valued at fair value at acquisition. In the event that long-term demand or market conditions change and the expected future cash flows associated with these assets are reduced, a write-down or acceleration of the amortization period may be required. Trade names are not amortized, as the Company believes that these assets have an indefinite life as the Company currently intends to continue use of the Remmele name indefinitely. Other intangible assets are being amortized over the following periods:

| Intangible Asset | Amortization Period |
|-------------------------|--------------------------------|
| Customer relationships | 15-20 years |
| Developed technology | 12-20 years |
| Backlog | 2 years |

There were no intangible assets attributable to the Titanium Segment at December 31, 2012 and March 31, 2013. The carrying amounts of intangible assets attributable to the Company's Engineered Products and Services Segment at December 31, 2012 and March 31, 2013 were as follows:

| | Intangible Assets |
|------------------------|------------------------------|
| December 31, 2012 | \$ 56,495 |
| Amortization | (787) |
| Translation adjustment | (480) |
| March 31, 2013 | \$ 55,228 |

Note 11 LONG-TERM DEBT:

Long-term debt consisted of:

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| | March 31, 2013 | December 31, 2012 |
|---|---------------------------|------------------------------|
| \$230 million aggregate principal amount 3.0% convertible notes due December 2015 | \$ 199,206 | \$ 196,644 |
| Capital leases | 2,430 | 2,650 |
| Total debt | 201,636 | 199,294 |
| Less: Current portion of capital leases | (973) | (957) |
| Total long-term debt | \$ 200,663 | \$ 198,337 |

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(Unaudited)****(In thousands, except share and per share amounts, unless otherwise indicated)**

During the three months ended March 31, 2013 and 2012, the Company recorded, as a component of interest expense, long-term debt discount amortization of \$2,562 and \$2,352, respectively. Interest expense from the amortization of debt issuance costs were \$325 and \$368 for the three months ended March 31, 2013 and 2012, respectively. No interest was capitalized for the three months ended March 31, 2013. The Company capitalized interest totaling \$351 for the three months ended March 31, 2012.

Note 12 EMPLOYEE BENEFIT PLANS:

Components of net periodic pension and other post-retirement benefit costs for the three months ended March 31, 2013 and 2012 for those salaried and hourly covered employees were as follows:

| | Pension Benefits | | Other Post-Retirement Benefits | |
|------------------------------------|------------------|-----------------|--------------------------------|-----------------|
| | 2013 | 2012 | 2013 | 2012 |
| Service cost | \$ 691 | \$ 612 | \$ 216 | \$ 168 |
| Interest cost | 1,666 | 1,773 | 477 | 525 |
| Expected return on plan assets | (2,584) | (2,426) | | |
| Amortization of prior service cost | 248 | 245 | 303 | 304 |
| Amortization of actuarial loss | 1,790 | 1,340 | 88 | 39 |
| Special termination benefits | 2,052 | | 162 | |
| Net periodic benefit cost | \$ 3,863 | \$ 1,544 | \$ 1,246 | \$ 1,036 |

The Company recorded an expense of \$2,214 in net periodic benefit cost during the three months ended March 31, 2013 as a result of a voluntary early retirement program initiated during the quarter.

The Company made no contributions to its qualified defined benefit plans during the three months ended March 31, 2013. The Company expects to make contributions of up to \$7.5 million during the remainder of 2013 in order to maintain its desired funding status.

Note 13 COMMITMENTS AND CONTINGENCIES:

From time to time, the Company is involved in litigation relating to claims arising out of its operations in the normal course of business. In the Company's opinion, the ultimate liability, if any, resulting from these matters will have no significant effect on its Condensed Consolidated Financial Statements. Given the critical nature of many of the aerospace end uses for the Company's products, including specifically their use in critical rotating parts of gas turbine engines, the Company maintains aircraft products liability insurance of \$500 million, which includes grounding liability.

Environmental Matters

Based on available information, the Company believes that its share of possible environmental-related costs is in a range from \$662 to \$2,134 in the aggregate. At both March 31, 2013 and December 31, 2012, the amount accrued for future environmental-related costs was \$1,277. Of the total amount accrued at March 31, 2013, \$85 was expected to be paid within the next twelve months, and was included as a component of other accrued liabilities on the Company's condensed consolidated balance sheet. The remaining \$1,192 was recorded as a component of other noncurrent liabilities. During the three months ended March 31, 2013, the Company made no payments related to its environmental liabilities.

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(Unaudited)****(In thousands, except share and per share amounts, unless otherwise indicated)****Other Matters**

The Company is also the subject of, or a party to, a number of other pending or threatened legal actions involving a variety of matters incidental to its business. The Company is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the results of the operations, cash flows, or the financial position of the Company.

Note 14 SEGMENT REPORTING:

The Company has two reportable segments: the Titanium Segment and the Engineered Products and Services Segment. The Engineered Products and Services Segment utilizes the Titanium Segment as its primary source of titanium mill products. Reportable segments are measured based on segment operating income after an allocation of certain corporate items such as general corporate overhead and expenses. Assets of general corporate activities include unallocated cash and deferred taxes.

A summary of financial information by reportable segment is as follows:

| | Three Months Ended March 31, | |
|---|---|-------------|
| | 2013 | 2012 |
| Net sales: | | |
| Titanium Segment | \$ 98,860 | \$ 89,271 |
| Intersegment sales | 16,270 | 22,073 |
| Total Titanium Segment sales | 115,130 | 111,344 |
| Engineered Products and Services Segment | 88,610 | 65,298 |
| Intersegment sales | 15,843 | 20,595 |
| Total Engineered Products and Services Segment sales | 104,453 | 85,893 |
| Eliminations | 32,113 | 42,668 |
| Total consolidated net sales | \$ 187,470 | \$ 154,569 |
| Operating income: | | |
| Titanium Segment before corporate allocations | \$ 15,887 | \$ 17,555 |
| Corporate allocations | (4,900) | (5,725) |
| Total Titanium Segment operating income | 10,987 | 11,830 |
| Engineered Products and Services Segment before corporate allocations | 6,875 | 3,524 |
| Corporate allocations | (5,682) | (3,228) |
| Total Engineered Products and Services Segment operating income | 1,193 | 296 |
| Total consolidated operating income | \$ 12,180 | \$ 12,126 |

| | March 31, 2013 | December 31, 2012 |
|--|-------------------|----------------------|
| Total assets: | | |
| Titanium Segment | \$ 588,275 | \$ 576,786 |
| Engineered Products and Services Segment | 595,803 | 584,563 |
| General corporate assets | 46,180 | 83,637 |
| Assets of discontinued operations | 14,971 | 14,741 |
| Total consolidated assets | \$ 1,245,229 | \$ 1,259,727 |

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RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In thousands, except share and per share amounts, unless otherwise indicated)

Note 15 NEW ACCOUNTING STANDARDS:

In March 2013, the FASB issued ASU 2013-05, Foreign Currency Matters Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. This ASU clarifies the applicable guidance for the release of the cumulative translation adjustment under current U.S. GAAP. The amendments in this ASU are effective prospectively for annual and interim reporting periods beginning after December 15, 2013. The Company does not expect this guidance to have a material impact on the Condensed Consolidated Financial Statements.

In February 2013, the FASB issued ASU 2013-04, Liabilities Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date. This ASU provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of the ASU is fixed at the reporting date. The amendments in this ASU are effective prospectively for annual and interim reporting periods beginning after December 15, 2013. The Company does not expect this guidance to have a material impact on the Condensed Consolidated Financial Statements.

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income. This ASU added disclosure requirements for amounts reclassified out of accumulated other comprehensive income for interim and annual reporting periods. The amendments in this ASU are effective prospectively for all reporting periods beginning after December 15, 2012. The Company adopted this guidance during the first quarter of 2013. The adoption of this guidance during the three months ended March 31, 2013 did not have a material impact on the Condensed Consolidated Financial Statements.

In January 2013, the FASB issued ASU 2013-01, Balance Sheet Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. This ASU clarified the types of instruments to which ASU 2011-11 applied. This update is effective for annual reporting periods beginning on or after January 1, 2013. The adoption of this guidance during the three months ended March 31, 2013 did not have a material impact on the Condensed Consolidated Financial Statements.

In July 2012, the FASB issued ASU No. 2012-02, Intangibles Goodwill and Other Testing Indefinite Lived Intangible Assets for Impairment. This ASU added an optional qualitative analysis to the yearly testing for indefinite-lived intangible asset impairment. Depending on the outcome of this analysis, the quantitative process could be eliminated for the year the analysis is performed. The amendments in this ASU are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The adoption of this guidance did not have a material impact on the Condensed Consolidated Financial Statements.

In December 2011, the FASB issued ASU No. 2011-11 Balance Sheet Disclosures about Offsetting Assets and Liabilities. This new guidance requires the disclosure of both net and gross information in the notes for relevant assets and liabilities that are offset. This update is effective for annual reporting periods beginning on or after January 1, 2013. The adoption of this guidance during the three months ended March 31, 2013 did not have a material impact on the Condensed Consolidated Financial Statements.

Note 16 GUARANTOR SUBSIDIARIES:

The 2015 Notes are jointly and severally, fully and unconditionally (subject to the customary exceptions discussed below) guaranteed by several of RTI International Metals, Inc.'s (the "Parent's") 100% owned subsidiaries (the "Guarantor Subsidiaries"). Each Guarantor Subsidiary would be automatically released from its

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(Unaudited)****(In thousands, except share and per share amounts, unless otherwise indicated)**

guarantee of the 2015 Notes if either (i) it ceased to be a guarantor under the Parent's Credit Agreement or (ii) it ceased to be a direct or indirect subsidiary of the Parent. Separate financial statements of the Parent and each of the Guarantor Subsidiaries are not presented because the guarantees are full and unconditional (subject to the aforementioned customary exceptions) and the Guarantor Subsidiaries are jointly and severally liable. The Company believes separate financial statements and other disclosures concerning the Guarantor Subsidiaries would not be material to investors in the 2015 Notes.

There are no current restrictions on the ability of the Guarantor Subsidiaries to make payments under the guarantees referred to above, except, however, the obligations of each Subsidiary Guarantor under its guarantee will be limited to the maximum amount as will result in obligations of such Subsidiary Guarantor under its guarantee not constituting a fraudulent conveyance or fraudulent transfer for purposes of bankruptcy law, the Uniform Conveyance Act, the Uniform Fraudulent Transfer Act, or any similar Federal or state law.

The following tables present Condensed Consolidating Financial Statements as of March 31, 2013 and December 31, 2012 and for the three months ended March 31, 2013 and 2012:

Condensed Consolidating Statement of Operations and Comprehensive Income**Three Months Ended March 31, 2013**

| | RTI International Metals, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|--|---|-----------------------------------|---------------------------------------|---------------------|---------------------|
| Net sales | \$ | \$ 136,173 | \$ 101,732 | \$ (50,435) | \$ 187,470 |
| Costs and expenses: | | | | | |
| Cost of sales | | 113,462 | 86,354 | (50,435) | 149,381 |
| Selling, general, and administrative expenses (1) | 1,213 | 11,708 | 11,987 | | 24,908 |
| Research, technical, and product development expenses | | 1,001 | | | 1,001 |
| Operating income | (1,213) | 10,002 | 3,391 | | 12,180 |
| Other income (expense), net | 4,277 | (2,384) | (1,334) | | 559 |
| Interest income (expense), net | (4,417) | 29 | (377) | | (4,765) |
| Equity in earnings of subsidiaries | 5,862 | (373) | 106 | (5,595) | |
| Income before income taxes | 4,509 | 7,274 | 1,786 | (5,595) | 7,974 |
| Provision for (benefit from) income taxes | (995) | 2,775 | 690 | | 2,470 |
| Net income attributable to continuing operations | \$ 5,504 | \$ 4,499 | \$ 1,096 | \$ (5,595) | \$ 5,504 |
| Net income attributable to discontinued operations, net of tax | \$ 151 | \$ | \$ 151 | \$ (151) | \$ 151 |
| Net income | \$ 5,655 | \$ 4,499 | \$ 1,247 | \$ (5,746) | \$ 5,655 |

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| | | | | | |
|----------------------|----------|-----------|------------|------------|----------|
| Comprehensive income | \$ 9,667 | \$ 10,673 | \$ (1,565) | \$ (9,108) | \$ 9,667 |
|----------------------|----------|-----------|------------|------------|----------|

- (1) The Parent allocates selling, general, and administrative expenses (SG&A) to the subsidiaries based upon its budgeted annual expenses.

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(Unaudited)****(In thousands, except share and per share amounts, unless otherwise indicated)****Condensed Consolidating Statement of Operations and Comprehensive Income****Three Months Ended March 31, 2012**

| | RTI International Metals, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|--|---|-----------------------------------|---------------------------------------|---------------------|---------------------|
| Net sales | \$ | \$ 99,717 | \$ 112,963 | \$ (58,111) | \$ 154,569 |
| Costs and expenses: | | | | | |
| Cost of sales | | 81,749 | 96,907 | (58,111) | 120,545 |
| Selling, general, and administrative expenses (1) | (102) | 6,689 | 14,246 | | 20,833 |
| Research, technical, and product development expenses | 95 | 816 | 154 | | 1,065 |
| Operating income | 7 | 10,463 | 1,656 | | 12,126 |
| Other income (expense) | (13) | 280 | (535) | | (268) |
| Interest income (expense), net | (4,014) | 174 | (356) | | (4,196) |
| Equity in earnings of subsidiaries (2) | 8,018 | 1,444 | 1,203 | (10,665) | |
| Income before income taxes | 3,998 | 12,361 | 1,968 | (10,665) | 7,662 |
| Provision for (benefit from) income taxes | (1,056) | 3,042 | 622 | | 2,608 |
| Net income attributable to continuing operations | \$ 5,054 | \$ 9,319 | \$ 1,346 | \$ (10,665) | \$ 5,054 |
| Net income attributable to discontinued operations, net of tax | \$ 571 | \$ | \$ 571 | \$ (571) | \$ 571 |
| Net income | \$ 5,625 | \$ 9,319 | \$ 1,917 | \$ (11,236) | \$ 5,625 |
| Comprehensive income | \$ 9,028 | \$ 10,378 | \$ 4,109 | \$ (14,487) | \$ 9,028 |

(1) The Parent allocates SG&A to the subsidiaries based upon its budgeted annual expenses. A credit in Parent SG&A is offset by an equal debit amount in the subsidiaries' SG&A.

(2) Amounts in equity in earnings of subsidiaries have been revised to conform to current year presentation, which reflects the Company's legal structure. Previously, the Company did not present equity in earnings of subsidiaries in the guarantor or non-guarantor subsidiaries columns. These amounts have been revised for 2012 to present \$1,444 and \$1,203, respectively, as equity in earnings of subsidiaries. This change had no impact on covenants or other obligations under the Notes.

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(Unaudited)****(In thousands, except share and per share amounts, unless otherwise indicated)****Condensed Consolidating Balance Sheet****As of March 31, 2013**

| | RTI International Metals, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|-----------------------------------|---------------------------------------|-----------------------|---------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ | \$ 50,601 | \$ 7,414 | \$ | \$ 58,015 |
| Receivables, net | 1,049 | 76,104 | 63,454 | (26,532) | 114,075 |
| Inventories, net | | 239,272 | 182,130 | | 421,402 |
| Deferred income taxes | 26,478 | 2,437 | 47 | | 28,962 |
| Assets of discontinued operations | | | 14,971 | | 14,971 |
| Other current assets | 5,355 | 2,483 | 3,277 | | 11,115 |
| Total current assets | 32,882 | 370,897 | 271,293 | (26,532) | 648,540 |
| Property, plant, and equipment, net | 1,464 | 303,604 | 66,231 | | 371,299 |
| Goodwill | | 98,925 | 36,416 | | 135,341 |
| Other intangible assets, net | | 34,511 | 20,717 | | 55,228 |
| Deferred income taxes | | 28,939 | 34,030 | (33,345) | 29,624 |
| Other noncurrent assets | 3,792 | 201 | 1,204 | | 5,197 |
| Intercompany investments | 1,001,827 | 26,441 | 5,130 | (1,033,398) | |
| Total assets | \$ 1,039,965 | \$ 863,518 | \$ 435,021 | \$ (1,093,275) | \$ 1,245,229 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 1,355 | \$ 57,013 | \$ 47,751 | \$ (26,532) | \$ 79,587 |
| Accrued wages and other employee costs | 3,487 | 12,091 | 6,248 | | 21,826 |
| Unearned revenue | | 1,237 | 23,754 | | 24,991 |
| Liabilities of discontinued operations | | | 2,821 | | 2,821 |
| Other accrued liabilities | 8,879 | 7,156 | 9,344 | | 25,379 |
| Total current liabilities | 13,721 | 77,497 | 89,918 | (26,532) | 154,604 |
| Long-term debt | 199,206 | 1,457 | | | 200,663 |
| Intercompany debt | | 109,444 | 119,403 | (228,847) | |
| Liability for post-retirement benefits | | 43,729 | | | 43,729 |
| Liability for pension benefits | 6,678 | 8,392 | 159 | | 15,229 |
| Deferred income taxes | 54,665 | 26,657 | 3,423 | (33,345) | 51,400 |
| Unearned revenue | | | 9,922 | | 9,922 |
| Other noncurrent liabilities | 8,142 | 3,785 | 202 | | 12,129 |
| Total liabilities | 282,412 | 270,961 | 223,027 | (288,724) | 487,676 |

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| | | | | | |
|--|--------------|------------|------------|----------------|--------------|
| Shareholders' equity | 757,553 | 592,557 | 211,994 | (804,551) | 757,553 |
| Total liabilities and shareholders' equity | \$ 1,039,965 | \$ 863,518 | \$ 435,021 | \$ (1,093,275) | \$ 1,245,229 |

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(Unaudited)****(In thousands, except share and per share amounts, unless otherwise indicated)****Condensed Consolidating Balance Sheet****As of December 31, 2012**

| | RTI International Metals, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|-----------------------------------|---------------------------------------|-----------------------|---------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ | \$ 87,283 | \$ 9,907 | \$ | \$ 97,190 |
| Receivables, net | 126 | 72,773 | 60,859 | (27,180) | 106,578 |
| Inventories, net | | 221,174 | 172,991 | | 394,165 |
| Deferred income taxes | 26,478 | 2,351 | 70 | | 28,899 |
| Assets of discontinued operations | | | 14,782 | (41) | 14,741 |
| Other current assets | 7,030 | 2,072 | 3,227 | (1,620) | 10,709 |
| Total current assets | 33,634 | 385,653 | 261,836 | (28,841) | 652,282 |
| Property, plant, and equipment, net | 1,327 | 308,467 | 66,155 | | 375,949 |
| Goodwill | | 98,925 | 36,945 | | 135,870 |
| Other intangible assets, net | | 35,152 | 21,343 | | 56,495 |
| Deferred income taxes | | 32,757 | 33,433 | (32,903) | 33,287 |
| Other noncurrent assets | 4,117 | 892 | 835 | | 5,844 |
| Intercompany investments | 983,281 | 26,814 | 3,736 | (1,013,831) | |
| Total assets | \$ 1,022,359 | \$ 888,660 | \$ 424,283 | \$ (1,075,575) | \$ 1,259,727 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 1,177 | \$ 70,086 | \$ 47,619 | \$ (27,221) | \$ 91,661 |
| Accrued wages and other employee costs | 6,519 | 16,368 | 11,209 | | 34,096 |
| Unearned revenue | | 689 | 25,475 | | 26,164 |
| Liabilities of discontinued operations | | | 3,952 | (1,620) | 2,332 |
| Other accrued liabilities | 3,669 | 9,197 | 9,684 | | 22,550 |
| Total current liabilities | 11,365 | 96,340 | 97,939 | (28,841) | 176,803 |
| Long-term debt | 196,644 | 1,693 | | | 198,337 |
| Intercompany debt | | 118,229 | 102,464 | (220,693) | |
| Liability for post-retirement benefits | | 45,066 | | | 45,066 |
| Liability for pension benefits | 6,419 | 14,133 | 159 | | 20,711 |
| Deferred income taxes | 54,222 | 26,658 | 3,475 | (32,903) | 51,452 |
| Unearned revenue | | | 9,991 | | 9,991 |
| Other noncurrent liabilities | 8,140 | 3,434 | 224 | | 11,798 |
| Total liabilities | 276,790 | 305,553 | 214,252 | (282,437) | 514,158 |

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| | | | | | |
|--|--------------|------------|------------|----------------|--------------|
| Shareholders' equity | 745,569 | 583,107 | 210,031 | (793,138) | 745,569 |
| Total liabilities and shareholders' equity | \$ 1,022,359 | \$ 888,660 | \$ 424,283 | \$ (1,075,575) | \$ 1,259,727 |

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(Unaudited)****(In thousands, except share and per share amounts, unless otherwise indicated)****Condensed Consolidating Statement of Cash Flows****Three Months Ended March 31, 2013**

| | RTI International Metals, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|--|---|-----------------------------------|---------------------------------------|---------------------|---------------------|
| Cash provided by (used in) operating activities | \$ 6,727 | \$ (21,290) | \$ (16,160) | \$ | \$ (30,723) |
| Investing activities: | | | | | |
| Investments in subsidiaries, net | (2,300) | | | 2,300 | |
| Capital expenditures | (220) | (6,420) | (2,520) | | (9,160) |
| Cash provided by (used in) investing activities | (2,520) | (6,420) | (2,520) | 2,300 | (9,160) |
| Financing activities: | | | | | |
| Proceeds from exercise of employee stock options | 1,239 | | | | 1,239 |
| Excess tax benefits from stock-based compensation activity | 236 | | | | 236 |
| Parent company investments, net | | 34 | 2,266 | (2,300) | |
| Repayments on long-term debt | | (220) | | | (220) |
| Intercompany debt, net | (5,283) | (8,786) | 14,069 | | |
| Purchase of common stock held in treasury | (399) | | | | (399) |
| Cash provided by (used in) financing activities | (4,207) | (8,972) | 16,335 | (2,300) | 856 |
| Effect of exchange rate changes on cash and cash equivalents | | | (148) | | (148) |
| Decrease in cash and cash equivalents | | (36,682) | (2,493) | | (39,175) |
| Cash and cash equivalents at beginning of period | | 87,283 | 9,907 | | 97,190 |
| Cash and cash equivalents at end of period | \$ | \$ 50,601 | \$ 7,414 | \$ | \$ 58,015 |

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(Unaudited)****(In thousands, except share and per share amounts, unless otherwise indicated)****Condensed Consolidating Statement of Cash Flows****Three Months Ended March 31, 2012**

| | RTI International Metals, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|--|---|-----------------------------------|---------------------------------------|---------------------|---------------------|
| Cash provided by (used in) operating activities | \$ 3,207 | \$ (11,738) | \$ (4,428) | \$ | \$ (12,959) |
| Investing activities: | | | | | |
| Acquisitions, net of cash acquired | (185,633) | | | | (185,633) |
| Investments in subsidiaries, net | 188,845 | | | (188,845) | |
| Capital expenditures | | (15,652) | (1,476) | | (17,128) |
| Investments, net | | 176,771 | | | 176,771 |
| Cash provided by (used in) investing activities | 3,212 | 161,119 | (1,476) | (188,845) | (25,990) |
| Financing activities: | | | | | |
| Proceeds from exercise of employee stock options | 120 | | | | 120 |
| Excess tax benefits from stock-based compensation activity | 61 | | | | 61 |
| Parent company investments/dividends, net | | (194,545) | 5,700 | 188,845 | |
| Repayments on long-term debt | | | (97) | | (97) |
| Intercompany debt, net | (5,858) | (830) | 6,688 | | |
| Purchase of common stock held in treasury | (742) | | | | (742) |
| Cash provided by (used in) financing activities | (6,419) | (195,375) | 12,291 | 188,845 | (658) |
| Effect of exchange rate changes on cash and cash equivalents | | | 637 | | 637 |
| Increase (decrease) in cash and cash equivalents | | (45,994) | 7,024 | | (38,970) |
| Cash and cash equivalents at beginning of period | | 144,271 | 12,571 | | 156,842 |
| Cash and cash equivalents at end of period | \$ | \$ 98,277 | \$ 19,595 | \$ | \$ 117,872 |

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RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In thousands, except share and per share amounts, unless otherwise indicated)

Note 17 SUBSEQUENT EVENTS:

In April 2013, the Company issued \$402.5 million aggregate principal amount of 1.625% Convertible Senior Notes due October 2019 (the 2019 Notes). The 2019 Notes are fully and unconditionally guaranteed by the 100%-owned Guarantor Subsidiaries, which are the same subsidiaries that guarantee the 2015 Notes and the Company's obligations under its existing credit facility.

Commensurate with the receipt of the proceeds from the 2019 Notes, the Company purchased, through individually negotiated private transactions, approximately \$115.6 million aggregate principal amount of the Company's 2015 Notes for \$133.4 million, including \$1.3 million of accrued interest. As a result of these repurchases, approximately \$114.4 million aggregate principal related to the 2015 Notes remains outstanding. The Company expects to record a pre-tax loss on debt extinguishment of approximately \$14 million during the three months ended June 30, 2013.

Additionally, in April 2013, the Company completed the sale of its RTI Pierce Spafford subsidiary for approximately \$13 million. Refer to Note 3 for additional information on this divestiture.

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.
Forward-Looking Statements**

The following discussion should be read in connection with the information contained in the Condensed Consolidated Financial Statements and condensed Notes to Consolidated Financial Statements. The following information contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and is subject to the safe harbor created by that Act. Such forward-looking statements may be identified by their use of words like expects, anticipates, believes, intends, estimates, projects, or other words of similar meaning. Forward-looking statements are based on expectations and assumptions regarding future events. In addition to factors discussed throughout this quarterly report, the following factors and risks should also be considered, including, without limitation:

global economic and political uncertainties,

a significant portion of our revenue is concentrated within the commercial aerospace and defense industries and the limited number of potential customers within those industries,

the future availability and prices of raw materials,

the historic cyclicity of the titanium and commercial aerospace industries,

changes in defense spending including the impact of sequestration on the U.S. Defense budget, and cancellation or changes in defense programs or initiatives, including the Joint Strike Fighter program,

our ability to successfully integrate newly acquired businesses,

long-term supply agreements and the impact if another party to a long-term supply agreement fails to fulfill its requirements under existing contracts or successfully manage its future development and production schedule,

the impact of the current titanium inventory overhang throughout our supply chain,

our ability to recover the carrying value of goodwill and other intangible assets,

the impact of Boeing 787 Dreamliner® lithium-ion battery investigation, including any potential production delays,

competition in the titanium industry,

our ability to attract and retain key personnel,

the ability to obtain access to financial markets and to maintain current covenant requirements,

legislative challenges to the Specialty Metals Clause, which requires that titanium for U.S. defense programs be produced in the U.S.,

labor matters,

risks related to international operations,

our ability to execute on new business awards,

potential costs for violations of applicable environmental, health, and safety laws,

our order backlog and the conversion of that backlog into revenue,

fluctuations in our income tax obligations and effective income tax rate, and

demand for our products.

Because such forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These and other risk factors are set forth in this filing, as well as in other filings filed with or

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furnished to the Securities and Exchange Commission (SEC) over the last 12 months, copies of which are available from the SEC or may be obtained upon request from RTI International Metals, Inc. (the Company, RTI, we, us, or our). Any forward-looking statements in this Quarterly Report on Form 10-Q speak only as of the date hereof, and we caution you not to unduly rely on them. Except as may be required by applicable law, we undertake no duty to update our forward-looking information.

Overview

Overview

We are a leading producer and global supplier of advanced titanium mill products and supplier of fabricated titanium and specialty metal components for the international aerospace, defense, medical device, energy, and other consumer and industrial markets.

As of January 1, 2013, we conduct our operations in two segments. Historic results have been conformed to reflect the two-segment format. The new structure better reflects our transformation into an integrated supplier of advanced titanium products across the entire supply chain, and better aligns our resources to support our long-term growth strategy.

The Titanium Segment melts, processes, produces, stocks, distributes, finishes, cuts-to-size and facilitates just-in-time delivery services of a complete range of titanium mill products which are further processed by its customers for use in a variety of commercial aerospace, defense, and industrial and consumer applications. With operations in Niles, Ohio; Canton, Ohio; Hermitage, Pennsylvania; Martinsville, Virginia; Garden Grove, California; Windsor, Connecticut; Tamworth, England; and Rosny-Sur-Seine, France, the Titanium Segment has overall responsibility for the production and distribution of primary mill products including, but not limited to, bloom, billet, sheet, and plate. In addition, the Titanium Segment produces ferro titanium alloys for its steel-making customers. The Titanium Segment also focuses on the research and development of evolving technologies relating to raw materials, melting, and other production processes, and the application of titanium in new markets.

The Engineered Products and Services Segment is comprised of companies with significant hard and soft-metal expertise that form, extrude, fabricate, machine, micro machine, and assemble titanium, aluminum, and other specialty metal parts and components. Its products, many of which are complex engineered parts and assemblies, serve commercial aerospace, defense, medical device, oil and gas, power generation, and chemical process industries, as well as a number of other industrial and consumer markets. With operations located in Minneapolis, Minnesota; Houston, Texas; Sullivan, Missouri; Washington, Missouri; Laval, Canada; and Welwyn Garden City, England, the Engineered Products and Services Segment provides value-added products and services such as engineered tubulars and extrusions, fabricated and machined components and sub-assemblies, and components for the production of minimally invasive and implantable medical devices, as well as engineered systems for deepwater oil and gas exploration and production infrastructure.

The Engineered Products and Services Segment utilizes the Titanium Segment as their primary source of titanium mill products. For the three months ended March 31, 2013 and 2012, approximately 14% and 20%, respectively, of the Titanium Segment's sales were to the Engineered Products and Services Segment.

Trends and Uncertainties

The defense sector continues to face uncertainties due to overall budget pressures and the impact of sequestration of Department of Defense appropriations. Additionally, Boeing is progressing with its schedule for production of the 787 platform, a major consumer of titanium. Production delays or a failure to meet this ramp, either on our part or in another part of the supply chain, could place pressure on the market for titanium products.

Notwithstanding these pressures, we believe that overall end-market titanium demand will continue to accelerate over the next several years, driven largely by commercial aircraft production by Airbus and Boeing and strong jet engine market activity. In addition, our recent acquisitions are furthering our move toward

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becoming an integrated supplier of advanced titanium products. We continue to win incremental, value-add packages in both the commercial aerospace and defense markets, and have diversified into the medical device and energy production markets, supporting our strategy to move further up the value chain.

Results of Operations**Three Months Ended March 31, 2013 Compared To Three Months Ended March 31, 2012**

Net Sales. Net sales for our reportable segments, excluding intersegment sales, for the three months ended March 31, 2013 and 2012 were as follows:

| <i>(In millions except percentages)</i> | Three Months Ended March 31, | | \$ | % |
|--|------------------------------|-----------------|-------------------------|-------------------------|
| | 2013 | 2012 | Increase/ (Decrease) | Increase/ (Decrease) |
| Titanium Segment | \$ 98.9 | \$ 89.3 | \$ 9.6 | 10.8% |
| Engineered Products and Services Segment | 88.6 | 65.3 | 23.3 | 35.7% |
| Total consolidated net sales | \$ 187.5 | \$ 154.6 | \$ 32.9 | 21.3% |

The increase in the Titanium Segment's net sales was primarily the result of a 26.3% increase in shipments of prime mill products to 2.4 million pounds from 1.9 million pounds for the three months ended March 31, 2013 and March 31, 2012, respectively. The Titanium Segment's sales also included a \$0.05 per pound increase in average realized selling prices. These increases were driven by higher aircraft build rates by both Boeing and Airbus.

The increase in the Engineered Products and Services Segment's net sales was primarily attributable to the acquisition of Remmele in February 2012, which provided incremental net sales of \$15.6 million during the three months ended March 31, 2013. Additionally, strong demand from our energy market customers and higher Boeing 787 Dreamliner® Pi Box shipments increased net sales by \$5.1 and \$2.6 million, respectively, for the three months ended March 31, 2013.

Gross Profit. Gross profit for our reportable segments for the three months ended March 31, 2013 and 2012 was as follows:

| <i>(In millions except percentages)</i> | Three Months Ended March 31, | | \$ | % of Sales | \$ Increase/ (Decrease) | % Increase/ (Decrease) |
|--|------------------------------|----------------|---------------|--------------|----------------------------|---------------------------|
| | 2013 | 2012 | | | | |
| Titanium Segment | \$ 21.5 | \$ 23.1 | \$ (1.6) | 21.7% | (6.9)% | (6.9)% |
| Engineered Products and Services Segment | 16.6 | 10.9 | 5.7 | 18.7% | 5.7 | 52.3% |
| Total consolidated gross profit | \$ 38.1 | \$ 34.0 | \$ 4.1 | 20.3% | 4.1 | 12.1% |

The decrease in the Titanium Segment's gross profit was primarily attributable to a \$1.6 million expense associated with our recent voluntary early retirement option and an unfavorable product mix. Our costs per pound for the three months ended March 31, 2013 were flat as compared to the three months ended March 31, 2012.

The increase in the Engineered Products and Services Segment's gross profit was primarily attributable to the February 2012 acquisition of Remmele, which benefitted gross profit \$4.2 million, and higher Boeing 787 Dreamliner® Pi Box shipments, which contributed an additional \$1.6 million in gross profit during the three months ended March 31, 2013.

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Selling, General, and Administrative Expenses. Selling, general, and administrative expenses (SG&A) for our reportable segments for the three months ended March 31, 2013 and 2012 were as follows:

| | Three Months Ended | | | | | |
|--|--------------------|---------------|----------------|---------------|----------------------------|---------------------------|
| | 2013 | | 2012 | | \$ Increase/ (Decrease) | % Increase/ (Decrease) |
| | \$ | % of Sales | \$ | % of Sales | | |
| (In millions except percentages) | | | | | | |
| Titanium Segment | \$ 9.5 | 9.6% | \$ 10.4 | 11.6% | \$ (0.9) | (8.7)% |
| Engineered Products and Services Segment | 15.4 | 17.4% | 10.4 | 15.9% | 5.0 | 48.1% |
| Total consolidated SG&A | \$ 24.9 | 13.3% | \$ 20.8 | 13.5% | \$ 4.1 | 19.7% |

The \$4.1 million increase in SG&A expenses was primarily driven by the acquisition of Remmele in February 2012, which added \$2.2 million for the three months ended March 31, 2013, and the impact of our recent voluntary early retirement option and other related charges, which increased SG&A \$1.4 million, as well as increased salary, benefit and incentive-related expenses for the three months ended March 31, 2013.

Research, Technical, and Product Development Expenses. Research, technical, and product development expenses were \$1.0 million and \$1.1 million for the three month periods ended March 31, 2013 and 2012, respectively. This spending reflects our continued focus on productivity and quality enhancements to our current manufacturing processes, as well as new product development.

Operating Income. Operating income for our reportable segments for the three months ended March 31, 2013 and 2012 was as follows:

| | Three Months Ended | | | | | |
|--|--------------------|---------------|----------------|---------------|----------------------------|---------------------------|
| | 2013 | | 2012 | | \$ Increase/ (Decrease) | % Increase/ (Decrease) |
| | \$ | % of Sales | \$ | % of Sales | | |
| (In millions except percentages) | | | | | | |
| Titanium Segment | \$ 11.0 | 11.1% | \$ 11.8 | 13.2% | \$ (0.8) | (6.8)% |
| Engineered Products and Services Segment | 1.2 | 1.4% | 0.3 | 0.5% | 0.9 | 300.0% |
| Total consolidated operating income | \$ 12.2 | 6.5% | \$ 12.1 | 7.8% | \$ 0.1 | 0.8% |

The decrease in the Titanium Segment's operating income was primarily attributable to the \$2.2 million charge associated with our voluntary early retirement option, partially offset by higher average realized selling prices, and favorably impacted by decreased SG&A costs during the quarter.

The increase in the Engineered Products and Services Segment's operating income was principally attributable to higher gross profit driven primarily by our acquisition of Remmele and higher shipments to our energy market and commercial aerospace customers, partially offset by higher SG&A expenses during the three months ended March 31, 2013.

Other Income (Expense), Net. Other income (expense), net, was \$0.6 million and \$(0.3) million for the three months ended March 31, 2013 and 2012, respectively. Other income consisted of foreign exchange gains and losses from our international operations and realized gains on sales of available-for-sale securities.

Interest Income and Interest Expense. Interest income was not material for each of the three months ended March 31, 2013 and 2012. Interest expense for the three months ended March 31, 2013 and 2012 was \$4.8 million and \$4.3 million, respectively. The increase in interest expense was primarily related to the increase in principal accretion of the 3.000% Convertible Senior Notes due 2015 (the 2015 Notes), which is accounted for using the interest method.

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Provision for Income Taxes. We recognized a provision for income taxes of \$2.5 million, or 31.0% of pretax income, and \$2.6 million, or 34.0% of pretax income, for federal, state, and foreign income taxes on continuing operations for the three months ended March 31, 2013 and 2012, respectively. Discrete items for the

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three months ended March 31, 2013 totaled \$238 and were primarily due to adjustments to prior years' taxes. Discrete items for the three months ended March 31, 2012 were not material.

The decrease from 34.0% to 31.0% was primarily comprised of an additional 2.5 percentage point benefit due to a change in the mix of foreign and domestic income between the periods and a 3.2 percentage point benefit associated with the Manufacturing Deduction not present in 2012, which were offset by a 3.4 percentage point increase attributable to adjustments to prior year taxes and other items.

Refer to Note 6 of the accompanying Condensed Consolidated Financial Statements for additional information regarding income taxes.

Liquidity and Capital Resources

In April 2013, we issued \$402.5 million aggregate principal amount of 1.625% Convertible Senior Notes due October 2019 (the 2019 Notes). Interest on the 2019 Notes is payable semiannually in arrears on April 15 and October 15 of each year, beginning October 15, 2013, at a rate of 1.625% per annum. The 2019 Notes are the Company's senior unsecured obligations.

Commensurate with the receipt of the proceeds from the 2019 Notes, we repurchased, through individually negotiated private transactions, approximately \$115.6 million aggregate principal amount of our 3.000% Senior Convertible Notes (the 2005 Notes) for \$133.4 million, including \$1.3 million of accrued interest. As a result of these repurchases, approximately \$114.4 million aggregate principal related to the 2015 Notes remains outstanding. We expect to record a pre-tax charge of approximately \$14 million during the three months ended June 30, 2013 related to the repurchase of the 2015 Notes.

Additionally, we maintain a \$150 million revolving credit facility under our Second Amended and Restated Credit Agreement (the Credit Agreement), which expires on May 23, 2017. Borrowings under the Credit Agreement bear interest, at our option, at a rate equal to LIBOR plus an applicable margin or the base rate plus an applicable margin. Both the applicable margin and the facility fee vary based upon our consolidated net debt to consolidated EBITDA ratio, as defined in the Credit Agreement. We had no borrowings outstanding under the Credit Agreement at March 31, 2013 or under the First Amended and Restated Credit Agreement, which was in place at March 31, 2012.

Provided we continue to meet our financial covenants under the Credit Agreement, we expect that our cash and cash equivalents of \$58.0 million, the proceeds from the 2019 Notes, and our undrawn credit facility, combined with internally generated funds, will provide us sufficient liquidity to meet our current projected operating needs and capital expansion plans.

The financial covenants contained in our Credit Agreement are described below:

Our leverage ratio (the ratio of Net Debt to Consolidated EBITDA, as defined in the Credit Agreement) was 1.9 to 1 at March 31, 2013. If this ratio were to exceed 3.50 to 1, we would be in default under our Credit Agreement and our ability to borrow under our Credit Agreement would be impaired.

Our interest coverage ratio (the ratio of Consolidated EBITDA to Net Interest, as defined in the Credit Agreement) was 14.6 to 1 at March 31, 2013. If this ratio were to fall below 2.0 to 1, we would be in default under our Credit Agreement and our ability to borrow under the Credit Agreement would be impaired.

Consolidated EBITDA, as defined in the Credit Agreement, allows for adjustments related to unusual gains and losses, certain noncash items, and certain non-recurring charges. At March 31, 2013, we were in compliance with our financial covenants under the Credit Agreement.

Off-balance sheet arrangements. There are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures, or capital resources.

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Cash used in operating activities. Cash used in operating activities for the three months ended March 31, 2013 and 2012 was \$30.7 million and \$13.0 million, respectively. This increase was primarily due to increased working capital, resulting from increased accounts receivable and inventories to support the ongoing commercial aerospace ramp, along with a decrease in accounts payable.

Cash used in investing activities. Cash used in investing activities for the three months ended March 31, 2013 and 2012 was \$9.2 million and \$26.0 million, respectively. For the three months ended March 31, 2013, investing activities consisted entirely of capital expenditures of \$9.2 million. For the three months ended March 31, 2012, investing activities consisted primarily of the purchase of Remmele, which included net cash consideration of \$185.6 million, net available-for-sale investments activity which provided \$176.8 million as we sold available-for-sale investments to fund the purchase of Remmele, and capital expenditures of \$17.1 million.

Cash provided by (used in) financing activities. During both periods presented, financing activities consisted of normal stock-based compensation activity and scheduled payments on capital leases.

Backlog

The Company's order backlog for all markets was approximately \$569 million as of March 31, 2013, compared to \$554 million at December 31, 2012. Of the backlog at March 31, 2013, approximately \$506 million is expected to be realized over the remainder of 2013. We define backlog as firm business scheduled for release into our production process for a specific delivery date. We have numerous contracts that extend multiple years, including the Airbus, JSF, and Boeing 787 Dreamliner® long-term supply agreements, which are not included in backlog until a specific release into production or a firm delivery date has been established.

Environmental Matters

Based on available information, we believe our share of possible environmental-related costs range from \$0.7 million to \$2.1 million in the aggregate. At both March 31, 2013 and December 31, 2012, the amount accrued for future environmental-related costs was \$1.3 million. Of the amount accrued at March 31, 2013, \$1.2 million is recorded in other noncurrent liabilities. During the three months ended March 31, 2013, there were no payments related to our environmental liabilities.

New Accounting Standards

In March 2013, the FASB issued ASU 2013-05, *Foreign Currency Matters* Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. This ASU clarifies the applicable guidance for the release of the cumulative translation adjustment under current U.S. GAAP. The amendments in this ASU are effective prospectively for annual and interim reporting periods beginning after December 15, 2013. We do not expect this guidance to have a material impact on our Condensed Consolidated Financial Statements.

In February 2013, the FASB issued ASU 2013-04, *Liabilities* Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date. This ASU provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of the ASU is fixed at the reporting date. The amendments in this ASU are effective prospectively for annual and interim reporting periods beginning after December 15, 2013. We do not expect this guidance to have a material impact on the Condensed Consolidated Financial Statements.

In February 2013, the FASB issued ASU 2013-02, *Comprehensive Income* Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income. This ASU added disclosure requirements for amounts reclassified out of accumulated other comprehensive income for interim and annual reporting periods. The amendments in this ASU are effective prospectively for all reporting periods beginning after December 15, 2012. The adoption of this guidance during the three months ended March 31, 2013 did not have a material impact on our Condensed Consolidated Financial Statements.

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In January 2013, the FASB issued ASU 2013-01, *Balance Sheet Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*. This ASU clarified the types of instruments to which ASU 2011-11 applied. This update is effective for annual reporting periods beginning on or after January 1, 2013. The adoption of this guidance during the three months ended March 31, 2013 did not have a material impact on our Condensed Consolidated Financial Statements.

In July 2012, the FASB issued ASU No. 2012-02, *Intangibles Goodwill and Other Testing Indefinite Lived Intangible Assets for Impairment*. This ASU added an optional qualitative analysis to the yearly testing for indefinite-lived intangible asset impairment. Depending on the outcome of this analysis, the quantitative process could be eliminated for the year the analysis is performed. The amendments in this ASU are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The adoption of this guidance did not have a material impact on our Condensed Consolidated Financial Statements.

In December 2011, the FASB issued ASU No. 2011-11 *Balance Sheet Disclosures about Offsetting Assets and Liabilities*. This new guidance requires the disclosure of both net and gross information in the notes for relevant assets and liabilities that are offset. This update is effective for annual reporting periods beginning on or after January 1, 2013. The adoption of this guidance during the three months ended March 31, 2013 did not have a material impact on our Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no significant changes in our exposure to market risk from the information provided in Item 7A. Quantitative Disclosures about Market Risk in our Annual Report on Form 10-K for the year ended December 31, 2012 as filed with the SEC on February 22, 2013.

Item 4. Controls and Procedures.

As of March 31, 2013, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based on that evaluation, the Company's management concluded that the Company's disclosure controls and procedures were effective as of March 31, 2013. No changes in the Company's internal control over financial reporting were implemented during the Company's most recently completed fiscal quarter 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 1A. Risk Factors.**

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2012 as filed with the SEC on February 22, 2013, which could materially affect our business, financial condition, financial results, or future performance. Reference is made to Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations Forward-Looking Statements of this Report which is incorporated herein by reference.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table sets forth repurchases of our Common Stock during the three months ended March 31, 2013.

| | Total Number of Shares Purchased(1) | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands)(2) |
|-----------------------|-------------------------------------|------------------------------|--|--|
| January 1 - 31, 2013 | 14,116 | \$ 28.28 | | \$ 2,973 |
| February 1 - 28, 2013 | | | | 2,973 |
| March 1 - 31, 2013 | | | | 2,973 |
| Total | 14,116 | \$ 24.78 | | |

(1) Reflects shares that were repurchased under a program that allows employees to surrender shares to the Company to pay tax liabilities associated with the vesting of restricted stock awards and the payout of performance share awards under the Company's 2004 Stock Plan.

(2) Amounts in this column reflect amounts remaining under the Company's \$15 million share repurchase program. Employees may surrender shares to the Company to pay tax liabilities associated with the vesting of restricted stock awards under the 2004 Stock Plan. There were 14,116 shares of Common Stock surrendered to satisfy tax liabilities for the three months ended March 31, 2013. In addition, the Company may repurchase shares of Common Stock under the RTI International Metals, Inc. share repurchase program approved by the Company's Board of Directors on April 30, 1999. The repurchase program authorizes the repurchase of up to \$15 million of RTI Common Stock. No shares were purchased under the program during the three months ended March 31, 2013. At March 31, 2013, approximately \$3 million of the \$15 million remained available for repurchase. There is no expiration date specified for the share repurchase program.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 6. Exhibits.

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The exhibits listed on the Index to Exhibits are filed herewith and incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: May 7, 2013

RTI INTERNATIONAL METALS, INC.

By

/s/ WILLIAM T. HULL

William T. Hull

Senior Vice President and Chief Financial Officer

(principal accounting officer)

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INDEX TO EXHIBITS

| Exhibit | |
|----------------|---|
| No. | Description |
| 10.1 | RTI International Metals, Inc. Board of Directors Compensation Program, as amended April 25, 2013, filed herewith. |
| 31.1 | Certification of Chief Executive Officer required by Item 307 of Regulation S-K as promulgated by the Securities and Exchange Commission and pursuant to Section 302 of Sarbanes-Oxley Act of 2002, filed herewith. |
| 31.2 | Certification of Principal Financial Officer required by Item 307 of Regulation S-K as promulgated by the Securities and Exchange Commission and pursuant to Section 302 of Sarbanes-Oxley Act of 2002, filed herewith. |
| 32.1 | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith. |
| 32.2 | Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |