

FOSTER L B CO  
Form 10-Q  
November 06, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 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 September 30, 2009

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:0-10436

L. B. Foster Company  
(Exact name of Registrant as specified in its charter)

Pennsylvania  
(State of Incorporation)

25-1324733  
(I. R. S. Employer Identification No.)

415 Holiday Drive, Pittsburgh, Pennsylvania  
(Address of principal executive offices)

15220  
(Zip Code)

(412) 928-3417  
(Registrant's telephone number, including area code)

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

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

\* The registrant has not yet been phased into the interactive data requirements.

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. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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(Do not check if a smaller  
reporting company)

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

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

Class	Outstanding at October 21, 2009
Common Stock, Par Value \$.01	10,163,964 Shares

L.B. FOSTER COMPANY AND SUBSIDIARIES

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

L. B. FOSTER COMPANY AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands)

	September 30, 2009 (Unaudited)	December 31, 2008
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 122,018	\$ 115,074
Accounts and notes receivable:		
Trade	51,450	63,271
Other	318	1,042
	51,768	64,313
Inventories	96,986	102,916
Current deferred tax assets	2,911	2,931
Prepaid income taxes	247	-
Other current assets	1,422	1,221
Total Current Assets	275,352	286,455
Property, Plant & Equipment - At Cost	101,253	97,439
Less Accumulated Depreciation	(62,925 )	(57,450 )
	38,328	39,989
Other Assets:		
Goodwill	350	350
Other intangibles - net	28	37
Investments	2,985	2,856
Deferred tax assets	2,032	2,026
Other assets	367	407
Total Other Assets	5,762	5,676
<b>TOTAL ASSETS</b>	<b>\$ 319,442</b>	<b>\$ 332,120</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Current maturities of long-term debt	\$ 5,360	\$ 5,777
Accounts payable - trade	47,972	62,612
Accrued payroll and employee benefits	5,612	8,000
Other accrued liabilities	7,085	7,802
Total Current Liabilities	66,029	84,191
Long-Term Debt, Term Loan	11,190	13,333
Other Long-Term Debt	5,463	8,401
Deferred Tax Liabilities	1,963	2,046
Other Long-Term Liabilities	6,454	6,587
<b>STOCKHOLDERS' EQUITY:</b>		

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Common stock	111	111
Paid-in capital	47,744	47,585
Retained earnings	208,875	197,060
Treasury stock - at cost	(27,574 )	(26,482 )
Accumulated other comprehensive loss	(813 )	(712 )
Total Stockholders' Equity	228,343	217,562
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 319,442</b>	<b>\$ 332,120</b>

See Notes to Condensed Consolidated Financial Statements.

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L. B. FOSTER COMPANY AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (In Thousands, Except Per Share Amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009 (Unaudited)	2008	2009 (Unaudited)	2008 (Unaudited)
Net Sales	\$92,413	\$ 145,550	\$283,928	\$368,824
Cost of Goods Sold	74,655	122,843	239,656	308,611
Gross Profit	17,758	22,707	44,272	60,213
Selling and Administrative Expenses	9,068	10,092	26,707	29,417
Interest Expense	328	500	989	1,543
Gain on Sale of DM&E Investment	-	-	-	(2,022 )
Gain on Sale of Houston, TX Property	-	-	-	(1,486 )
Gain on Sale of Marketable Securities	(1,194 )	-	(1,194 )	-
Interest Income	(169 )	(617 )	(676 )	(2,018 )
Other (Income) Expense	(116 )	48	(445 )	64
	7,917	10,023	25,381	25,498
Income Before Income Taxes	9,841	12,684	18,891	34,715
Income Tax Expense	3,697	4,558	7,076	12,626
Net Income	\$6,144	\$8,126	\$11,815	\$22,089
Basic Earnings Per Common Share	\$0.60	\$0.77	\$1.16	\$2.04
Diluted Earnings Per Common Share	\$0.60	\$0.76	\$1.15	\$2.01

See Notes to Condensed Consolidated Financial Statements.

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L. B. FOSTER COMPANY AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In Thousands)

	Nine Months Ended September 30, 2009                  2008 (Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 11,815	\$ 22,089
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Deferred income taxes	(4 )	39
Depreciation and amortization	6,466	6,699
Gain on sale of DM&E investment	-	(2,022 )
Gain on sale of marketable securities	(1,194 )	-
Loss (gain) on sale of property, plant and equipment	14	(1,473 )
Deferred gain amortization on sale-leaseback	(161 )	(125 )
Stock-based compensation	737	799
Unrealized loss on derivative mark-to-market	32	76
Excess tax benefit from share-based compensation	(128 )	(877 )
<b>Change in operating assets and liabilities:</b>		
Accounts receivable	12,545	(15,822 )
Inventories	5,930	(17,889 )
Other current assets	(201 )	(173 )
Prepaid income tax	(119 )	-
Other noncurrent assets	4	9
Accounts payable - trade	(14,640 )	23,175
Accrued payroll and employee benefits	(2,388 )	(3,754 )
Other current liabilities	(717 )	(825 )
Other liabilities	28	(486 )
Net Cash Provided by Operating Activities	18,019	9,440
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of property, plant and equipment	1	6,611
Proceeds from sale of DM&E investment	-	2,022
Capital contributions to equity method investment	(1,250 )	-
Proceeds from sale of marketable securities	2,115	-
Capital expenditures on property, plant and equipment	(4,773 )	(4,010 )
Net Cash (Used) Provided by Investing Activities	(3,907 )	4,623
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from revolving credit agreement	-	238
Repayments of long-term debt, term loan	(2,143 )	(2,380 )
Proceeds from exercise of stock options and stock awards	65	507
Tax benefit related to stock options exercised	128	877
Treasury stock acquisitions	(1,863 )	(19,830 )

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Repayments of other long-term debt	(3,355 )	(2,817 )
Net Cash Used by Financing Activities	(7,168 )	(23,405 )
Net Increase (Decrease) in Cash and Cash Equivalents	6,944	(9,342 )
Cash and Cash Equivalents at Beginning of Period	115,074	121,097
Cash and Cash Equivalents at End of Period	\$122,018	\$111,755
Supplemental Disclosure of Cash Flow Information:		
Interest Paid	\$871	\$1,456
Income Taxes Paid	\$9,624	\$13,328

See Notes to Condensed Consolidated Financial Statements.

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L. B. FOSTER COMPANY AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all estimates and adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. However, actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year ended December 31, 2009. Amounts included in the balance sheet as of December 31, 2008 were derived from our audited balance sheet. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2008. We have evaluated all subsequent events through November 6, 2009, the date the financial statements were issued.

2. NEW ACCOUNTING PRINCIPLES

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 168, "The FASB Accounting Standards Codification and Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162." This statement modifies the Generally Accepted Accounting Principles (GAAP) hierarchy by establishing only two levels of GAAP, authoritative and nonauthoritative accounting literature. Effective July 2009, the FASB Accounting Standards Codification (ASC) is considered the single source of authoritative U.S. accounting and reporting standards, except for additional authoritative rules and interpretive releases issued by the SEC. The codification was developed to organize GAAP pronouncements by topic so that users can more easily access authoritative accounting guidance. This statement applies beginning in the 2009 third quarter. All accounting references have been updated and, therefore, SFAS references have been replaced with ASC references.

The Company adopted changes issued by the FASB to accounting for business combinations beginning on January 1, 2009. FASB ASC Topic 805, "Business Combinations," retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in the purchase accounting. It also changes the recognition of assets acquired and liabilities assumed arising from contingencies, requires the capitalization of in-process research and development at fair value, and requires the expensing of acquisition-related costs as incurred. Topic 805 is effective for business combinations for which the acquisition date is on or after the beginning of the first fiscal year beginning after December 15, 2008.

The Company adopted changes issued by the FASB to accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued, otherwise known as subsequent events, on June 30, 2009. FASB ASC Topic 855, "Subsequent Events," requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, that is, whether that date represents the date the financial statements were issued or were available to be issued.

In June 2009, the FASB issued changes to the consolidation guidance applicable to a variable interest entity (VIE). FASB ASC Topic 810, "Consolidation," amends the guidance governing the determination of whether an enterprise is the primary beneficiary of a VIE, and is, therefore, required to consolidate an entity, by requiring a

qualitative analysis rather than a quantitative analysis. The qualitative analysis will include, among other things, consideration of who has the power to direct the activities of the entity that most significantly impact the entity's economic performance and who has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. This standard also requires continuous reassessments of whether an enterprise is the primary beneficiary of a VIE. Previously, FIN 46R required reconsideration of whether an enterprise was the primary beneficiary of a VIE only when specific events had occurred. Qualifying special-purpose entities, which were previously exempt from the application of this standard, will be subject to the provisions of this standard when it becomes effective. FASB ASC 810 also requires enhanced disclosures about an enterprise's involvement with a VIE. Topic 810 is effective as of the beginning of interim and annual reporting periods that begin after November 15, 2009.

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3. FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, “Fair Value Measurements and Disclosures,” defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosures about fair value measurements. ASC 820 does not require any new fair value measurements, but it does apply to existing accounting pronouncements that require or permit fair value measurements. The Company applies the provisions of Topic 820 to all its assets and liabilities that are being measured and reported on a fair value basis.

ASC 820 discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow) and the cost approach (cost to replace the service capacity of an asset or replacement cost). Topic 820 enables readers of financial statements to assess the inputs used to develop those measurements by establishing a hierarchy, which prioritizes those inputs used, for ranking the quality and reliability of the information used to determine fair values. The standard requires that each asset and liability carried at fair value be classified into one of the following categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The Company has an established process for determining fair value for its financial assets and liabilities, principally cash and cash equivalents, available-for-sale securities and foreign exchange contracts. Fair value is based on quoted market prices, where available. If quoted market prices are not available, fair value is based on assumptions that use as inputs market-based parameters. The following sections describe the valuation methodologies used by the Company to measure different financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified. Where appropriate the description includes details of the key inputs to the valuations and any significant assumptions.

Cash and cash equivalents. Included within “Cash and cash equivalents” are principally investments in tax-free and taxable money market funds with municipal bond issuances as the underlying securities as well as government agency obligations and corporate bonds, all of which maintain AAA credit ratings. Also included within cash and cash equivalents are our investments in bank certificates of deposit. The Company uses quoted market prices to determine the fair value of these investments and they are classified in Level 1 of the fair value hierarchy. The carrying amounts approximate fair value because of the short maturity of the instruments.

Available-for-sale equity securities. The Company uses quoted market prices to determine the fair value of its available-for-sale securities. These instruments consist of exchange-traded equity securities, are included within “Investments” and are classified in Level 1 of the fair value hierarchy. Unrealized gains and temporary unrealized losses are included in accumulated other comprehensive income or loss, respectively.

Derivative contracts. The Company uses significant other observable inputs that are readily available in public markets or can be derived from information available in publicly quoted markets to determine the fair value of its derivative contracts. These instruments consist of foreign exchange contracts, are included within “Other accrued liabilities,” and are classified in Level 2 of the fair value hierarchy. Fluctuations in the fair values of derivative instruments are recorded in accumulated other comprehensive loss and reclassified into earnings as the underlying hedged items affect earnings. No such instruments were outstanding at September 30, 2009.

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The following assets and liabilities were measured at fair value on a recurring basis subject to the disclosure requirements of ASC Topic 820 at September 30, 2009 and December 31, 2008:

(in thousands)	September 30, 2009	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Money market funds	\$ 106,144	\$ 106,144	\$ -	\$ -
Bank certificates of deposit	15,054	15,054	-	-
Cash equivalents at fair value	121,198	121,198	-	-
Available-for-sale equity securities	1,735	1,735	-	-
	\$ 122,933	\$ 122,933	\$ -	\$ -

(in thousands)	December 31, 2008	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Money market funds	\$ 104,257			