

ALLEGHENY TECHNOLOGIES INC
Form 10-Q
October 31, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2018

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 1-12001

ALLEGHENY TECHNOLOGIES INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware 25-1792394
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

1000 Six PPG Place
Pittsburgh, Pennsylvania 15222-5479
(Address of Principal Executive Offices) (Zip Code)
(412) 394-2800
(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 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 (§232.405 of this chapter) 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 definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. "

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

Yes " No ý

At October 19, 2018, the registrant had outstanding 125,684,396 shares of its Common Stock.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Allegheny Technologies Incorporated and Subsidiaries

Consolidated Balance Sheets

(In millions, except share and per share amounts)

(Current period unaudited)

	September 30, 2018	December 31, 2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 153.5	\$ 141.6
Accounts receivable, net	588.3	545.3
Short-term contract assets	51.6	—
Inventories, net	1,239.8	1,176.1
Prepaid expenses and other current assets	89.2	52.7
Total Current Assets	2,122.4	1,915.7
Property, plant and equipment, net	2,472.6	2,495.7
Goodwill	536.4	531.4
Other assets	257.6	242.6
Total Assets	\$ 5,389.0	\$ 5,185.4
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	\$ 416.1	\$ 420.1
Accrued liabilities	228.7	282.4
Short-term contract liabilities	69.2	—
Short-term debt and current portion of long-term debt	16.6	10.1
Total Current Liabilities	730.6	712.6
Long-term debt	1,535.3	1,530.6
Accrued postretirement benefits	301.1	317.8
Pension liabilities	652.7	697.0
Deferred income taxes	12.1	9.7
Long-term contract liabilities	7.3	—
Other long-term liabilities	66.7	73.2
Total Liabilities	3,305.8	3,340.9
Equity:		
ATI Stockholders' Equity:		
Preferred stock, par value \$0.10: authorized-50,000,000 shares; issued-none	—	—
Common stock, par value \$0.10: authorized-500,000,000 shares; issued-126,695,171 shares at September 30, 2018 and December 31, 2017; outstanding-125,684,396 shares at September 30, 2018 and 125,857,197 shares at December 31, 2017	12.7	12.7
Additional paid-in capital	1,608.5	1,596.3
Retained earnings	1,380.9	1,184.3
Treasury stock: 1,010,775 shares at September 30, 2018 and 837,974 shares at December 31, 2017	(30.6)	(26.1)
Accumulated other comprehensive loss, net of tax	(991.3)	(1,027.8)
Total ATI stockholders' equity	1,980.2	1,739.4
Noncontrolling interests	103.0	105.1
Total Equity	2,083.2	1,844.5
Total Liabilities and Equity	\$ 5,389.0	\$ 5,185.4

The accompanying notes are an integral part of these statements.

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Allegheny Technologies Incorporated and Subsidiaries

Consolidated Statements of Operations

(In millions, except per share amounts)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Sales	\$1,020.2	\$869.1	\$3,008.7	\$2,615.2
Cost of sales	859.8	763.8	2,526.0	2,260.8
Gross profit	160.4	105.3	482.7	354.4
Selling and administrative expenses	65.5	64.6	195.3	187.5
Impairment of goodwill	—	114.4	—	114.4
Operating income (loss)	94.9	(73.7)	287.4	52.5
Nonoperating retirement benefit expense	(8.4)	(13.6)	(25.5)	(40.9)
Interest expense, net	(24.8)	(34.2)	(75.8)	(102.2)
Other income, net	0.8	0.2	22.4	