

RELIANCE STEEL & ALUMINUM CO

Form 10-Q

August 01, 2016

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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 June 30, 2016

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: 001-13122

RELIANCE STEEL & ALUMINUM CO.

(Exact name of registrant as specified in its charter)

Delaware

95-1142616

(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)

350 South Grand Avenue, Suite 5100

Los Angeles, California 90071

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(213) 687-7700

(Address of principal executive offices and telephone number)

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

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

Yes No

As of July 27, 2016, 72,529,836 shares of the registrant’s common stock, \$0.001 par value, were outstanding.

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RELIANCE STEEL & ALUMINUM CO.

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PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements

RELIANCE STEEL & ALUMINUM CO.

UNAUDITED CONSOLIDATED BALANCE SHEETS

(in millions, except share amounts)

	June 30, 2016	December 31, 2015*
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 116.5	\$ 104.3
Accounts receivable, less allowance for doubtful accounts of \$18.2 at June 30, 2016 and \$16.3 at December 31, 2015	1,036.0	916.6
Inventories	1,623.8	1,436.0
Prepaid expenses and other current assets	60.6	60.8
Income taxes receivable	16.9	36.5
Total current assets	2,853.8	2,554.2
Property, plant and equipment:		
Land	206.4	196.2
Buildings	1,037.4	1,006.3
Machinery and equipment	1,649.5	1,569.8
Accumulated depreciation	(1,216.1)	(1,136.8)
	1,677.2	1,635.5
Goodwill	1,830.9	1,724.8
Intangible assets, net	1,205.3	1,125.4
Cash surrender value of life insurance policies, net	39.2	45.8
Other assets	38.2	35.9
Total assets	\$ 7,644.6	\$ 7,121.6
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 360.8	\$ 247.0
Accrued expenses	79.9	83.0
Accrued compensation and retirement costs	108.6	118.7
Accrued insurance costs	44.0	40.2
Current maturities of long-term debt and short-term borrowings	484.7	500.8
Total current liabilities	1,078.0	989.7

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Long-term debt	1,684.7	1,427.9
Long-term retirement costs	108.2	103.8
Other long-term liabilities	15.3	30.4
Deferred income taxes	629.0	627.1
Commitments and contingencies		
Equity:		
Preferred stock, \$0.001 par value:		
Authorized shares — 5,000,000		
None issued or outstanding	—	—
Common stock and additional paid-in capital, \$0.001 par value:		
Authorized shares — 200,000,000		
Issued and outstanding shares – 72,503,979 at June 30, 2016 and 71,739,072 at December 31, 2015	575.1	533.8
Retained earnings	3,614.5	3,480.0
Accumulated other comprehensive loss	(88.8)	(99.7)
Total Reliance stockholders' equity	4,100.8	3,914.1
Noncontrolling interests	28.6	28.6
Total equity	4,129.4	3,942.7
Total liabilities and equity	\$ 7,644.6	\$ 7,121.6

* Amounts were derived from audited financial statements.

See accompanying notes to unaudited consolidated financial statements.

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RELIANCE STEEL & ALUMINUM CO.

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net sales	\$ 2,203.9	\$ 2,423.7	\$ 4,366.6	\$ 5,038.1
Costs and expenses:				
Cost of sales (exclusive of depreciation and amortization shown below)	1,518.8	1,767.8	3,044.8	3,711.5
Warehouse, delivery, selling, general and administrative	456.5	440.8	907.3	886.9
Depreciation and amortization	55.5	54.9	111.6	110.2
	2,030.8	2,263.5	4,063.7	4,708.6
Operating income	173.1	160.2	302.9	329.5
Other income (expense):				
Interest	(21.7)	(21.5)	(43.4)	(42.1)
Other income (expense), net	0.2	(2.8)	1.3	(0.9)
Income before income taxes	151.6	135.9	260.8	286.5
Income tax provision	49.5	44.3	65.2	92.0
Net income	102.1	91.6	195.6	194.5
Less: Net income attributable to noncontrolling interests	1.2	1.4	2.5	3.0
Net income attributable to Reliance	\$ 100.9	\$ 90.2	\$ 193.1	\$ 191.5
Earnings per share attributable to Reliance stockholders:				
Diluted	\$ 1.38	\$ 1.20	\$ 2.65	\$ 2.50
Basic	\$ 1.39	\$ 1.21	\$ 2.68	\$ 2.53
Cash dividends per share	\$ 0.40	\$ 0.40	\$ 0.80	\$ 0.80

See accompanying notes to unaudited consolidated financial statements.

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RELIANCE STEEL & ALUMINUM CO.

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	\$ 102.1	\$ 91.6	\$ 195.6	\$ 194.5
Other comprehensive loss:				
Foreign currency translation (loss) gain	(4.8)	7.9	10.9	(17.0)
Unrealized loss on investments, net of tax	—	(0.5)	—	(0.4)
Total other comprehensive (loss) income	(4.8)	7.4	10.9	(17.4)
Comprehensive income	97.3	99.0	206.5	177.1
Less: comprehensive income attributable to noncontrolling interests	1.2	1.4	2.5	3.0
Comprehensive income attributable to Reliance	\$ 96.1	\$ 97.6	\$ 204.0	\$ 174.1

See accompanying notes to unaudited consolidated financial statements.

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RELIANCE STEEL & ALUMINUM CO.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Six Months Ended June 30,	
	2016	2015
Operating activities:		
Net income	\$ 195.6	\$ 194.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	111.6	110.2
Deferred income tax provision (benefit)	1.6	(2.0)
Gain on sales of property, plant and equipment	(0.4)	(0.3)
Stock-based compensation expense	11.4	12.4
Other	2.5	5.1
Changes in operating assets and liabilities (excluding effect of businesses acquired):		
Accounts receivable	(106.2)	25.0
Inventories	(126.6)	75.3
Prepaid expenses and other assets	20.7	0.4
Accounts payable and other liabilities	95.0	43.3
Net cash provided by operating activities	205.2	463.9
Investing activities:		
Purchases of property, plant and equipment	(71.7)	(77.1)
Acquisitions, net of cash acquired	(322.4)	—
Other	(1.3)	(1.5)
Net cash used in investing activities	(395.4)	(78.6)
Financing activities:		
Net short-term debt (repayments) borrowings	(13.5)	6.8
Proceeds from long-term debt borrowings	613.0	412.0
Principal payments on long-term debt	(365.1)	(521.8)
Dividends and dividend equivalents paid	(58.0)	(61.4)
Exercise of stock options	30.1	10.6
Share repurchases	—	(200.0)
Other	(3.6)	(4.3)
Net cash provided by (used in) financing activities	202.9	(358.1)
Effect of exchange rate changes on cash	(0.5)	(1.5)
Increase in cash and cash equivalents	12.2	25.7
Cash and cash equivalents at beginning of year	104.3	106.2
Cash and cash equivalents at end of period	\$ 116.5	\$ 131.9
Supplemental cash flow information:		
Interest paid during the period	\$ 41.3	\$ 42.2
Income taxes paid during the period, net	\$ 58.0	\$ 118.2

See accompanying notes to unaudited consolidated financial statements.

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

1. Basis of Presentation

Principles of Consolidation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and with the instructions of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation with respect to the interim financial statements, have been included. The results of operations for the six months ended June 30, 2016 are not necessarily indicative of the results for the full year ending December 31, 2016. These financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto for the year ended December 31, 2015, included in Reliance Steel & Aluminum Co.’s (“Reliance”, the “Company”, “we”, “our” or “us”) Annual Report on Form 10-K.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in our consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

Our consolidated financial statements include the assets, liabilities and operating results of majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The ownership of the other interest holders of consolidated subsidiaries is reflected as noncontrolling interests. Our investments in unconsolidated subsidiaries are recorded under the equity method of accounting.

2. Impact of Recently Issued Accounting Guidance

Impact of Recently Issued Accounting Standards—Adopted

Improvements to Employee Share-Based Payment Accounting—In March 2016, the Financial Accounting Standards Board (“FASB”) issued accounting changes intended to improve various aspects of the accounting for share-based payment transactions as part of its simplification initiative. We adopted these changes as of January 1, 2016. The adoption of these changes did not have a material impact on our consolidated financial statements. For further discussion of our adoption of these accounting changes, see Note 8 — “Equity”.

Impact of Recently Issued Accounting Standards—Not Yet Adopted

Leases—In February 2016, the FASB issued accounting changes which will require lessees to recognize most long-term leases on-balance sheet through the recognition of a right-of-use asset and a lease liability. The guidance will be effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. We are evaluating the new standard and have not determined what impact the adoption of these accounting changes will have on our consolidated financial statements.

Revenue from Contracts with Customers—In May 2014, the FASB issued accounting changes which replace most of the detailed guidance on revenue recognition that currently exists under U.S. GAAP. Under the new guidance an entity should recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued additional clarifying guidance in March 2016 and April 2016. The guidance will be effective for fiscal years beginning after December 15, 2017. Early adoption is not permitted. We are evaluating the new standard, but do not expect this standard to have a material impact on our consolidated financial statements.

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3. Acquisitions

2016 Acquisitions

On April 1, 2016, we acquired Best Manufacturing, Inc. (“Best Manufacturing”), a custom sheet metal fabricator of steel and aluminum products on both a direct and toll basis. Best Manufacturing, headquartered in Jonesboro, Arkansas, provides various precision fabrication services including laser cutting, shearing, computer numerated control (“CNC”) punching, CNC forming and rolling, as well as welding, assembly, painting, inventory management and engineering expertise. For the three months ended June 30, 2016, Best Manufacturing’s net sales were approximately \$4.9 million.

On January 1, 2016, we acquired Tubular Steel, Inc. (“Tubular Steel”), a distributor and processor of carbon, alloy and stainless steel pipe, tubing and bar products. Tubular Steel, headquartered in St. Louis, Missouri, has seven locations and a fabrication business that supports its diverse customer base. For the six months ended June 30, 2016, Tubular Steel’s net sales were approximately \$60.1 million.

We funded our 2016 acquisitions with borrowings on our revolving credit facility and cash on hand.

The preliminary allocation of the total purchase price of our 2016 acquisitions to the fair values of the assets acquired and liabilities assumed was as follows:

	(in millions)
Cash	\$ 0.2
Accounts receivable	12.6
Inventories	59.0
Property, plant and equipment	57.0
Goodwill	102.9
Intangible assets subject to amortization	69.3
Intangible assets not subject to amortization	34.1
Other current and long-term assets	0.1
Total assets acquired	335.2
Current and long-term debt	6.1
Other current and long-term liabilities	6.5
Total liabilities assumed	12.6
Net assets acquired	\$ 322.6

The acquisitions discussed in this note have been accounted for under the acquisition method of accounting and, accordingly, the respective purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of each acquisition. The accompanying consolidated statements of income include the revenues and expenses of each acquisition since its respective acquisition date. The consolidated balance sheet reflects the allocation of each acquisition's purchase price as of June 30, 2016. The purchase price allocations for the 2016 acquisitions are preliminary and are pending the completion of certain purchase price adjustments based on tangible and intangible asset valuations and pre-acquisition period income tax returns. The measurement periods for the purchase price allocations do not exceed 12 months from the acquisition date.

4. Goodwill

The change in the carrying amount of goodwill is as follows:

	(in millions)
Balance at January 1, 2016	\$ 1,724.8
Acquisitions	102.9
Effect of foreign currency translation	3.2
Balance at June 30, 2016	\$ 1,830.9

We had no accumulated impairment losses related to goodwill at June 30, 2016.

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All of the goodwill recorded from our 2016 acquisitions is tax deductible.

5. Intangible Assets, net

Intangible assets, net consisted of the following:

		June 30, 2016		December 31, 2015	
	Weighted Average Amortizable Life in Years	Gross Carrying Amount (in millions)	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Intangible assets subject to amortization:					
Covenants not to compete	4.5	\$ 1.5	\$ (1.1)	\$ 1.3	\$ (1.0)
Customer lists/relationships	14.8	731.4	(313.2)	659.0	(285.7)
Software – internal use	10.0	8.1	(8.1)	8.1	(7.9)
Other	5.2	6.3	(5.5)	6.3	(5.0)
		747.3	(327.9)	674.7	(299.6)
Intangible assets not subject to amortization:					
Trade names		785.9	—	750.3	—
		\$ 1,533.2	\$ (327.9)	\$ 1,425.0	\$ (299.6)

Intangible assets recorded in connection with our 2016 acquisitions were \$103.4 million as of June 30, 2016 (see Note 3 — “Acquisitions”). A total of \$34.1 million was allocated to the trade names acquired, which is not subject to amortization.

We recognized amortization expense for intangible assets of \$27.1 million and \$27.7 million for the six months ended June 30, 2016 and 2015, respectively. Foreign currency translation gains related to intangible assets, net, were approximately \$3.6 million during the six months ended June 30, 2016.

The following is a summary of estimated aggregate amortization expense for the remaining six months of 2016 and each of the succeeding five years:

(in millions)

2016 \$	26.7
2017	49.8
2018	45.4
2019	45.3
2020	45.3
2021	41.4

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6. Debt

Debt consisted of the following:

	June 30, 2016	December 31, 2015
	(in millions)	
Unsecured revolving credit facility due April 4, 2018	\$ 612.0	\$ 332.0
Unsecured term loan due from September 30, 2016 to April 4, 2018	373.8	398.8
Senior unsecured notes due November 15, 2016	350.0	350.0
Senior unsecured notes due April 15, 2023	500.0	500.0
Senior unsecured notes due November 15, 2036	250.0	250.0
Other notes and revolving credit facilities	95.2	111.3
Total	2,181.0	1,942.1
Less: unamortized discount and debt issuance costs	(11.6)	(13.4)
Less: amounts due within one year and short-term borrowings	(484.7)	(500.8)
Total long-term debt	\$ 1,684.7	\$ 1,427.9

Unsecured Credit Facility

On April 4, 2013, we entered into an unsecured five-year credit agreement with a syndicated bank group (“Credit Agreement”). The Credit Agreement amended and restated our existing \$1.5 billion unsecured revolving credit facility and provided for a \$500.0 million term loan and an option to increase the revolving credit facility for up to \$500.0 million at our request, subject to approval of the lenders and certain other conditions. The term loan due April 4, 2018 amortizes in quarterly installments, with an annual amortization of 10% until March 2018, with the balance to be paid at maturity. Interest on borrowings from the revolving credit facility and term loan during the three-months ended June 30, 2016 was at variable rates based on LIBOR plus 1.25% or the bank prime rate plus 0.25% and included a commitment fee at an annual rate of 0.20% on the unused portion of the revolving credit facility. The applicable margins over LIBOR rate and base rate borrowings, along with commitment fees, are subject to adjustment every quarter based on our leverage ratio, as defined in the Credit Agreement.

Weighted average interest rates on borrowings outstanding on the revolving credit facility were 1.82% and 1.81% as of June 30, 2016 and December 31, 2015, respectively. Weighted average interest rates on borrowings outstanding on the term loan were 1.71% and 1.67% as of June 30, 2016 and December 31, 2015, respectively. As of June 30, 2016, we had \$612.0 million of outstanding borrowings, \$56.9 million of letters of credit issued and \$831.1 million available on the revolving credit facility.

Senior Unsecured Notes

On November 20, 2006, we entered into an indenture (the “2006 Indenture”), for the issuance of \$600.0 million of unsecured debt securities. The total debt issued was comprised of two tranches, (a) \$350.0 million aggregate principal amount of senior unsecured notes bearing interest at the rate of 6.20% per annum, maturing on November 15, 2016 and (b) \$250.0 million aggregate principal amount of senior unsecured notes bearing interest at the rate of 6.85% per annum, maturing on November 15, 2036.

On April 12, 2013, we entered into an indenture (the “2013 Indenture” and, together with the 2006 Indenture, the “Indentures”), for the issuance of \$500.0 million aggregate principal amount of senior unsecured notes at the rate of 4.50% per annum, maturing on April 15, 2023. The net proceeds from the issuance of these notes were used to partially fund the acquisition of Metals USA Holdings Corp. (“Metals USA”).

Under the Indentures, the notes are senior unsecured obligations and rank equally in right of payment with all of our existing and future unsecured and unsubordinated obligations. The notes are guaranteed by certain of our 100%-owned domestic subsidiaries that also guarantee borrowings under the Credit Agreement. The senior unsecured notes include provisions that require us to make an offer to repurchase the notes at a price equal to 101% of their principal amount plus accrued and unpaid interest in the event of both a change in control and a downgrade of our credit rating.

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Other Notes and Revolving Credit Facilities

Other revolving credit facilities with a combined credit limit of approximately \$69.8 million are in place for operations in Asia and Europe with combined outstanding balances of \$44.5 million and \$59.9 million as of June 30, 2016 and December 31, 2015, respectively.

In connection with our acquisition of Metals USA, we assumed industrial revenue bonds with combined outstanding balances of \$11.0 million as of June 30, 2016 and December 31, 2015, and maturities through 2027. Additionally, we assumed mortgage obligations pursuant to our acquisition of a portfolio of real estate properties that we were leasing, which had outstanding balances of \$39.7 million and \$40.4 million as of June 30, 2016 and December 31, 2015, respectively. The mortgages, which were secured by the underlying properties, had a fixed interest rate of 6.40% and scheduled amortization payments with a lump sum payment of \$39.2 million due October 2016. We repaid all of the mortgage obligations without penalty on July 1, 2016 with borrowings on our revolving credit facility.

Covenants

The Credit Agreement requires us to maintain an interest coverage ratio and a maximum leverage ratio, among other things.

Our obligations under the Credit Agreement and Indentures are required to be guaranteed by certain of our 100%-owned domestic subsidiaries. The subsidiary guarantors, together with Reliance, are required to collectively account for at least 80% of our consolidated EBITDA and 80% of consolidated tangible assets.

We were in compliance with all material covenants in our debt agreements at June 30, 2016.

7. Income Taxes

Our effective income tax rates for the three-month periods ended June 30, 2016 and 2015 were 32.7% and 32.6%, respectively. Our effective income tax rates for the six-month periods ended June 30, 2016 and 2015 were 25.0% and 32.1%, respectively. Our 2016 six-month period effective income tax rate was favorably impacted by the resolution of a tax position that was previously uncertain, which lowered our 2016 six-month effective income tax rate by 6.7%.

Permanent items that lowered our effective income tax rates from the federal statutory rate were not materially different during both years and relate mainly to company-owned life insurance policies, domestic production activities deductions and foreign income levels that are taxed at rates lower than the U.S. statutory rate of 35%.

8. Equity

Common Stock

As of June 30, 2016, we had authorization to purchase a total of approximately 8.4 million shares under our existing share repurchase plan, or about 12% of outstanding shares. There were no share repurchases in the six-month period ended June 30, 2016. Repurchased and subsequently retired shares are restored to the status of authorized but unissued shares.

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Common stock and additional paid-in capital activity included the following:

	Three Months Ended June 30, 2016			Six Months Ended June 30, 2016		
	Shares	Amount	Weighted Average Exercise Price	Shares	Amount	Weighted Average Exercise Price
	(in millions, except share and per share amounts)					
Stock-based compensation	11,611	\$ 8.1		150,162	\$ 10.2	
Stock options exercised	269,575	13.6	\$ 52.96	614,745	30.1	\$ 49.01
Cumulative effect of change in accounting for stock-based compensation		—			1.0	
Total	281,186	\$ 21.7		764,907	\$ 41.3	

Dividends

On July 20, 2016, our Board of Directors declared the 2016 third quarter cash dividend of \$0.425 per share, an increase of 6.3% compared to the 2016 second quarter dividend. The dividend is payable on September 9, 2016 to stockholders of record as of August 12, 2016.

During the second quarter of 2016 and 2015, we declared and paid a quarterly dividend of \$0.40 per share, or \$29.0 million and \$29.7 million in total, respectively. During the six months ended June 30, 2016 and 2015, we declared and paid quarterly dividends of \$0.80 per share, or \$57.1 million and \$60.4 million in total, respectively. During the six months ended 2016 and 2015, we paid \$0.9 million and \$1.0 million in dividend equivalents with respect to vested restricted stock units (“RSUs”), respectively.

Stock-Based Compensation

Effective January 1, 2016, we adopted accounting changes issued by the FASB for stock-based compensation that allow us to account for forfeitures of RSUs as they occur rather than estimating the number of forfeitures. As a result of the adoption, we recorded a cumulative-effect adjustment that reduced beginning retained earnings by \$0.6 million, net of tax.

We make annual grants of long-term incentive awards to officers and key employees in the forms of service-based and performance-based RSUs that generally have 3-year vesting periods. The performance-based RSU awards are subject to both service and performance goal criteria. We also grant restricted stock to the non-employee members of the Board of Directors. The fair value of the RSUs and restricted stock awards is determined based on the closing stock price of our common stock on the grant date.

A summary of the status of our unvested restricted stock grants and service-based and performance-based RSUs as of June 30, 2016 and changes during the six-month period then ended is as follows:

Unvested Shares	Shares	Weighted Average Grant Date Fair Value
Unvested at January 1, 2016	900,410	\$ 63.26
Granted(1)	524,746	69.20
Vested	(13,317)	69.63
Cancelled	(19,114)	64.41
Unvested at June 30, 2016	1,392,725	\$ 65.43
Shares reserved for future grants (all plans)	1,862,538	

(1) 512,895 RSUs, including 190,175 performance-based RSUs, and 11,851 restricted stock grants.

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Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss included the following:

	Foreign Currency Translation (Loss) Gain (in millions)	Pension and Postretirement Benefit Adjustments, Net of Tax	Accumulated Other Comprehensive (Loss) Income
Balance as of January 1, 2016	\$ (74.2)	\$ (25.5)	\$ (99.7)
Current-period change	10.9	—	10.9
Balance as of June 30, 2016	\$ (63.3)	\$ (25.5)	\$ (88.8)

Foreign currency translation adjustments are not generally adjusted for income taxes as they relate to indefinite investments in foreign subsidiaries. Pension and postretirement benefit adjustments are net of taxes of \$15.6 million as of June 30, 2016 and December 31, 2015.

9. Commitments and Contingencies

Environmental Contingencies

We are currently involved with an environmental remediation project related to activities at former manufacturing operations of Earle M. Jorgensen Company (“EMJ”), our 100%-owned subsidiary, which were sold many years prior to Reliance’s acquisition of EMJ in 2006. Although the potential cleanup costs could be significant, EMJ had insurance policies in place at the time they owned the manufacturing operations that have covered costs incurred to date, and are expected to continue to cover the majority of the remaining costs. We do not expect that these obligations will have a material adverse impact on our consolidated financial position, results of operations or cash flows.

Legal Matters

From time to time, we are named as a defendant in legal actions. Generally, these actions arise out of our normal course of business. We are not a party to any pending legal proceedings other than routine litigation incidental to the

business. We expect that these matters will be resolved without a material adverse effect on our results of operations, financial condition or cash flows. We maintain general liability insurance against risks arising out of our ordinary course of business.

10. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in millions, except share and per share amounts)			
Numerator:				
Net income attributable to Reliance	\$ 100.9	\$ 90.2	\$ 193.1	\$ 191.5
Denominator:				
Weighted average shares outstanding	72,372,056	74,316,582	72,150,938	75,710,182
Dilutive effect of stock-based awards	740,752	777,480	759,640	745,267
Weighted average diluted shares outstanding	73,112,808	75,094,062	72,910,578	76,455,449
Earnings per share attributable to Reliance stockholders:				
Diluted	\$ 1.38	\$ 1.20	\$ 2.65	\$ 2.50
Basic	\$ 1.39	\$ 1.21	\$ 2.68	\$ 2.53

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Potentially dilutive securities whose effect would have been antidilutive were not significant for the three-month and six-month periods ended June 30, 2016 and 2015.

11. Condensed Consolidating Financial Statements

In November 2006 and April 2013, we issued senior unsecured notes in the aggregate principal amount of \$1.1 billion, at fixed interest rates that are guaranteed by certain of our 100%-owned domestic subsidiaries that also guarantee borrowings under the Credit Agreement. The accompanying consolidating financial information has been prepared and presented pursuant to Rule 3-10 of Regulation S-X "Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered." The guarantees are full and unconditional and joint and several obligations of each of the subsidiary guarantors. There are no significant restrictions on our ability to obtain funds from any of the subsidiary guarantors by dividends or loans. The supplemental consolidating financial information has been presented in lieu of separate financial statements of the subsidiary guarantors as such separate financial statements are not considered meaningful.

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Condensed Unaudited Consolidating Balance Sheet

As of June 30, 2016

(in millions)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets					
Cash and cash equivalents	\$ 13.4	\$ (0.4)	\$ 103.5	\$ —	\$ 116.5