

Edgar Filing: BUTLER MANUFACTURING CO - Form 10-Q

BUTLER MANUFACTURING CO  
Form 10-Q  
May 11, 2001

1

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13  
or 15(d) of the  
Securities Exchange Act of 1934

Commission File No. 001-12335

FOR THE QUARTER ENDED MARCH 31, 2001

BUTLER MANUFACTURING COMPANY

Incorporated in the State of Delaware

BMA Tower - Penn Valley Park  
Post Office Box 419917  
Kansas City, Missouri 64141-0917

Phone: (816) 968-3000

I.R.S. Employer Identification Number: 44-0188420

Shares of common stock outstanding at  
MARCH 31, 2001: 6,281,298

The name, address and fiscal year of the Registrant have not changed  
since the last report.

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,  
and (2) has been subject to such filing requirements for the past 90 days.

2

INDEX

| PART I. - FINANCIAL INFORMATION  | Page Number |
|--|-------------|
| ITEM 1. Financial Statements   |             |
| (1) Consolidated Financial Statements (unaudited):   |             |
| Consolidated Statements of Operations for the Three Month<br>Periods Ended March 31, 2001 and 2000.                  | 3           |
| Consolidated Statements of Comprehensive Income (Loss)<br>for the Three Month Periods Ended March 31, 2001 and 2000. | 4           |
| Consolidated Balance Sheets as of March 31, 2001 and<br>December 31, 2000.   | 5           |

## Edgar Filing: BUTLER MANUFACTURING CO - Form 10-Q

|                              |  |    |
|------------------------------|--|----|
|                              | Consolidated Statements of Cash Flows for the Three Month Periods Ended March 31, 2001 and 2000. | 6  |
| (2)                          | Notes to Consolidated Financial Statements   | 7  |
| ITEM 2.                      | Management's Discussion and Analysis of Financial Condition and Results of Operations            | 9  |
| ITEM 3.                      | Quantitative and Qualitative Disclosure About Market Risk.                                       | 11 |
| PART II. - OTHER INFORMATION |  |    |
| ITEM 6.                      | Exhibits and Reports on Form 8-K   | 12 |
|                              | Signatures   | 13 |
|                              | Exhibits Index   | 14 |

Page 2

3

### BUTLER MANUFACTURING COMPANY AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS

For the three month periods ended March 31, 2001 and 2000

(unaudited)

(\$000's omitted except for per share data)

|  | 2001       | 2000       |
|--|------------|------------|
|  | -----      | -----      |
| Net sales                                    | \$ 194,859 | \$ 219,189 |
| Cost of sales                                | 170,094    | 184,475    |
|  | -----      | -----      |
| Gross profit                                 | 24,765     | 34,714     |
| Selling, general and administrative expenses | 28,187     | 29,497     |
|  | -----      | -----      |
| Operating earnings (loss)                    | (3,422)    | 5,217      |
| Other income (expense), net                  | 486        | (239)      |
|  | -----      | -----      |
| Earnings (loss) before interest and taxes    | (2,936)    | 4,978      |
| Interest expense                             | 1,479      | 1,267      |
|  | -----      | -----      |
| Pretax earnings (loss)                       | (4,415)    | 3,711      |
| Income tax expense (benefit)                 | (1,612)    | 1,496      |
|  | -----      | -----      |
| Net earnings (loss)                          | \$ (2,803) | \$ 2,215   |
|  | =====      | =====      |
| Basic earnings (loss) per common share       | \$ (0.45)  | \$ 0.33    |
|  | =====      | =====      |
| Diluted earnings (loss) per common share     | \$ (0.45)  | \$ 0.33    |

Edgar Filing: BUTLER MANUFACTURING CO - Form 10-Q

|   |           |           |
|---|-----------|-----------|
|   | =====     | =====     |
| Basic weighted average number of shares   | 6,273,626 | 6,755,037 |
| Diluted weighted average number of shares | 6,273,626 | 6,767,519 |

See Accompanying Notes to Consolidated Financial Statements.

Page 3

4

BUTLER MANUFACTURING COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the three month periods ended March 31, 2001 and 2000

(unaudited)  
(\$000's omitted)

|   | 2001      | 2000     |
|---|-----------|----------|
|   | -----     | -----    |
| Net earnings (loss)                                       | \$(2,803) | \$ 2,215 |
| Other comprehensive loss:                                 |           |          |
| Foreign currency and other comprehensive loss adjustments | (707)     | (261)    |
| Comprehensive income (loss)                               | \$(3,510) | \$ 1,954 |
|   | =====     | =====    |

See Accompanying Notes to Consolidated Financial Statements.

Page 4

5

BUTLER MANUFACTURING COMPANY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

March 31, 2001 and December 31, 2000  
(\$000's omitted)

Edgar Filing: BUTLER MANUFACTURING CO - Form 10-Q

|   | 2001<br>-----<br>(unaudited) | 2000<br>-----<br>(audited) |
|---|------------------------------|----------------------------|
| <b>ASSETS</b>   |                              |                            |
| Current assets:   |                              |                            |
| Cash and cash equivalents   | \$ 17,784                    | \$ 16,855                  |
| Receivables, net  | 114,293                      | 138,347                    |
| Inventories:  |                              |                            |
| Raw materials   | 22,246                       | 22,059                     |
| Work in process   | 12,309                       | 10,685                     |
| Finished goods  | 35,844                       | 38,686                     |
| Lifo reserve  | (10,061)                     | (9,926)                    |
|   | -----                        | -----                      |
| Total inventory   | 60,338                       | 61,504                     |
| Real estate developments in progress  | 42,059                       | 52,623                     |
| Deferred tax assets   | 10,587                       | 10,586                     |
| Other current assets  | 12,665                       | 11,855                     |
|   | -----                        | -----                      |
| Total current assets  | 257,726                      | 291,770                    |
| Investments and other assets  | 35,697                       | 35,000                     |
| Assets held for sale  | 3,832                        | 3,832                      |
| Property, plant and equipment, at cost  | 272,445                      | 274,432                    |
| Less accumulated depreciation   | (153,694)                    | (157,036)                  |
|   | -----                        | -----                      |
| Net property, plant and equipment   | 118,751                      | 117,396                    |
|   | -----                        | -----                      |
|   | \$ 416,006                   | \$ 447,998                 |
|   | =====                        | =====                      |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                              |                            |
| Current liabilities:  |                              |                            |
| Notes payable   | \$ 39,467                    | \$ 35,155                  |
| Current maturities of long-term debt  | 5,567                        | 5,563                      |
| Accounts payable  | 64,851                       | 86,232                     |
| Dividends payable   | 1,068                        | 1,064                      |
| Accrued liabilities   | 69,132                       | 77,434                     |
| Taxes on income   | 4,573                        | 7,461                      |
|   | -----                        | -----                      |
| Total current liabilities   | 184,658                      | 212,909                    |
| Deferred tax liabilities  | 1,409                        | 1,409                      |
| Other noncurrent liabilities  | 15,115                       | 14,666                     |
| Long-term debt, less current maturities   | 52,987                       | 53,298                     |
| Shareholders' equity:   |                              |                            |
| Common stock, no par value, authorized 20,000,000<br>shares, issued 9,088,200 shares, at stated value | 12,623                       | 12,623                     |
| Foreign currency and other comprehensive loss adjustments   | (2,184)                      | (1,477)                    |
| Retained earnings   | 216,355                      | 220,113                    |
|   | -----                        | -----                      |
| 226,794   | 231,259                      |                            |
| Less cost of common stock in treasury, 2,806,902 shares<br>in 2001 and 2,832,338 shares in 2000       | 64,957                       | 65,543                     |
|   | -----                        | -----                      |
| Total shareholders' equity  | 161,837                      | 165,716                    |
|   | -----                        | -----                      |

|            |            |
|------------|------------|
| \$ 416,006 | \$ 447,998 |
| =====      | =====      |

See Accompanying Notes to Consolidated Financial Statements.

Page 5

6

BUTLER MANUFACTURING COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three month periods ended March 31, 2001 and 2000

(unaudited)  
(\$000's omitted)

|  | 2001       | 2000      |
|--|------------|-----------|
| Cash flows from operating activities:  |            |           |
| Net earnings (loss)  | \$ (2,803) | \$ 2,215  |
| Adjustments to reconcile net earnings (loss) to net cash used in operating activities: |            |           |
| Depreciation and amortization  | 4,094      | 3,909     |
| Equity earnings of joint ventures  | (12)       | (35)      |
| Change in asset and liabilities:   |            |           |
| Receivables  | 24,054     | (20,790)  |
| Inventories  | 1,166      | (2,797)   |
| Real estate developments in progress   | 10,564     | (7,620)   |
| Other current assets and current liabilities   | (33,382)   | (3,706)   |
|  | 3,681      | (28,824)  |
| Cash flows from investing activities:  |            |           |
| Capital expenditures   | (6,456)    | (5,721)   |
| Net change in other noncurrent assets  | 331        | (849)     |
|  | (6,125)    | (6,570)   |
| Cash flows from financing activities:  |            |           |
| Payment of dividends   | (1,064)    | (1,100)   |
| Proceeds from issuance of long-term debt   | 145        | 58        |
| Repayment of long-term debt  | (456)      | (140)     |
| Net increase in short-term debt  | 4,316      | 9,009     |
| Issuance of treasury stock   | 605        | 503       |
| Purchase of treasury stock   | (19)       | (6,329)   |
| Net change in other noncurrent liabilities   | 553        | 379       |
|  | 4,080      | 2,380     |
| Effect of exchange rate changes  | (707)      | (261)     |
|  | 929        | (33,275)  |
| Cash and cash equivalents at beginning of year   | 16,855     | 52,951    |
|  | \$ 17,784  | \$ 19,676 |

See Accompanying Notes to Consolidated Financial Statements.

Page 6

7

BUTLER MANUFACTURING COMPANY AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with the accounting policies described in the consolidated financial statements and related notes included in Butler Manufacturing Company's Form 10-K for the year ended December 31, 2000. It is suggested that those consolidated statements be read in conjunction with this report. The year-end financial statements presented were derived from the company's audited financial statements. In the opinion of management, the accompanying consolidated financial statements reflect all adjustments necessary for a fair presentation of the financial position of Butler Manufacturing Company and the results of its operations.

NOTE 2 - NEW ACCOUNTING PRONOUNCEMENT

Derivative Instruments and Hedging Activities

January 1, 2001, the company adopted Financial Accounting Standards Board (FASB) Statement Nos. 133 and 137, "Accounting for Derivative Instruments and Hedging Activities" requiring every derivative instrument be recorded in the balance sheet as either an asset or liability at its fair value, and changes in a derivative's fair value be recognized in current earnings or other comprehensive income.

The company enters into forward currency exchange contracts and hedge contracts for certain commodities used in its trade or business. Changes in fair value for hedge contracts are recorded in comprehensive income while they remain open. Gains or losses on contracts are recognized in income at their contract settlement date. The changes in fair value of currency exchange and metal hedge contracts recorded in the first quarter of 2001 were immaterial.

NOTE 3 - BUSINESS SEGMENTS

The company groups its operations into four business segments: Building Systems, Architectural Products, Construction Services, and Real Estate.

The Building Systems segment includes the U.S. and foreign building systems businesses and the company's international joint venture operations. These business units supply steel and wood frame pre-engineered building systems for a wide variety of commercial, community, industrial, and agricultural applications.

The Architectural Products segment includes the operations of the Vistawall group which designs, manufactures, and markets architectural aluminum systems for nonresidential construction, including curtain wall, storefront systems, windows, doors, skylights, and roof accessories.

The Construction Services segment provides comprehensive design and construction

## Edgar Filing: BUTLER MANUFACTURING CO - Form 10-Q

planning, execution, and management services for major purchasers of construction. Projects are usually executed in conjunction with the dealer representatives of other Butler divisions.

The Real Estate segment provides real estate build-to-suit-to-lease development services in cooperation with Butler dealers.

The accounting policies for the segments are the same as those described in the summary of significant accounting policies as included in the company's Form 10-K for the year ended December 31, 2000. Butler Manufacturing Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and expertise.

The Other classification represents unallocated corporate expenses and unallocated assets, including corporate offices, deferred taxes, pension accounts, interest expense, and intersegment eliminations.

Page 7

8

| NET SALES<br>(Thousands of dollars) | Three Months<br>Ended March 31, |            |
|-------------------------------------|---------------------------------|------------|
|                                     | 2001                            | 2000       |
| Building Systems                    | \$ 106,074                      | \$ 136,310 |
| Architectural Products              | 58,271                          | 53,950     |
| Construction Services               | 18,233                          | 32,228     |
| Real Estate                         | 15,953                          | 214        |
| Other                               | (3,672)                         | (3,513)    |
|                                     | \$ 194,859                      | \$ 219,189 |

Net sales represent revenues from sales to affiliated and unaffiliated customers before elimination of intersegment sales which is included in Other. Intersegment eliminations are primarily sales from the Building Systems and Architectural Products segments to Construction Services.

| PRETAX EARNINGS (LOSSES)<br>(Thousands of dollars) | Three Months<br>Ended March 31, |          |
|--|---------------------------------|----------|
|  | 2001                            | 2000     |
| Building Systems                                   | \$ (5,293)                      | \$ 3,473 |
| Architectural Products                             | 3,581                           | 4,091    |
| Construction Services                              | 396                             | 552      |
| Real Estate  | 1,492                           | 377      |
| Other  | (4,591)                         | (4,782)  |
|  | \$ (4,415)                      | \$ 3,711 |

## Edgar Filing: BUTLER MANUFACTURING CO - Form 10-Q

| TOTAL ASSETS<br>(Thousands of dollars) | March 31,<br>2001 | December 31,<br>2000 |
|--|-------------------|----------------------|
| Building Systems                       | \$200,388         | \$218,565            |
| Architectural Products                 | 115,879           | 108,688              |
| Construction Services                  | 21,069            | 31,231               |
| Real Estate                            | 44,112            | 55,331               |
| Other                                  | 34,558            | 34,183               |
|  | \$416,006         | \$447,998            |

Assets represent both tangible and intangible assets used by each business segments. Other represents cash and cash equivalents, assets held for sale, corporate equipment, and miscellaneous other assets which are not related to a specific business segment.

Page 8

9

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### RESULTS OF OPERATIONS

Net sales for the first quarter were \$195 million, a decrease of 11% compared with a year ago. Although the Real Estate and Architectural Products segments reported greater sales in the first quarter compared with the prior year, lower sales in the Buildings Systems and Construction Services segments more than offset the increase. A combination of severe winter weather and the slowing economy were the primary factors for the lower sales for the quarter.

Building Systems segment sales declined 22% compared with the prior year as all of the businesses comprising this segment had lower sales, except the China pre-engineered metal buildings business. First quarter sales in the domestic metal buildings and wood buildings businesses were unfavorably impacted by severe weather and the slowing economy mentioned earlier, causing building buyers to delay scheduled construction projects. China metal building sales were slightly higher during the first quarter than the previous year.

The Architectural Products segment, which consists of the Vistawall group, reported an 8% increase in sales for the quarter compared with same period a year ago. Increased production capacity at Vistawall's new Tennessee plant allowed this business segment to take advantage of the continued strong demand for storefront and curtainwall product. This group has continued to purchase components to meet the service and growth needs of the business. These outside purchases are more costly than products manufactured by Vistawall, thus reducing their operating earnings

Construction Services segment sales for first quarter 2001 decreased 43% compared with the prior year due to poor job site conditions, again caused by weather. This segment also implemented a shift in its strategic focus to material erect opportunities versus larger general contracting opportunities causing lower sales comparisons between years.

First quarter Real Estate segment sales of \$16 million increased significantly compared with the prior year due to the sale of two development projects.



## Edgar Filing: BUTLER MANUFACTURING CO - Form 10-Q

Selling general and administrative expenses were \$28.2 million in the first quarter 2001, slightly lower than the same period a year ago. Other income was \$.5 million compared with expense of \$.2 million in the prior year due to rental income from completed real estate development projects held in inventory.

Pretax loss for the quarter ended March 31, 2001 was \$4.4 million compared with pretax earnings of \$3.7 million for the same period a year ago. Net loss for the first quarter 2001 was \$2.8 million, or \$.45 per share, compared with net earnings of \$2.2 million, or \$.33 per share, during the prior year.

### LIQUIDITY AND CAPITAL RESOURCES

Cash and equivalents increased \$.9 million for the first three months of 2001. Cash was used primarily to fund capital expenditures, operating losses, and the payment of dividends. The primary sources of cash were short-term borrowings and operating activities, including a reduction in working capital due to the sale of real estate development projects and receivable collections. For the three months ended March 31, 2000, domestic short-term borrowings averaged \$35 million for the entire first quarter 2001 compared to \$8.5 million for 17 days in 2000.

The company has available committed and uncommitted domestic bank credit facilities aggregating \$70 million. As of March 31, 2001, domestic borrowings of \$37 million were outstanding. The company's foreign operations maintain separate lines of credit with local banks of approximately \$7 million, with \$2.5 million utilized at current exchange rates at March 31, 2001. The company is in the process of renegotiating its existing bank credit agreement and expects the new agreement will be in place prior to the expiration of the existing facility. Management believes the company's operating cash flow along with the renegotiated bank lines (which the company believes could be increased, if necessary) will be sufficient to meet future liquidity requirements. In addition, the company is considering other longer term financing which if effected would be used to reduce short-term borrowings and for other corporate purposes.

Capital expenditures were \$6.5 million for the first three months of 2001 compared to \$5.7 million for the same period in 2000. Total capital expenditures for 2001 are expected to be \$57 million. Approximately \$26 million represents the estimated costs of the company's new headquarters building. Other expenditures include costs to complete the installation of process lines in the new Vistawall extrusion plant in Tennessee and expansion of the Shanghai, China office facility.

Page 9

10

Cash paid for taxes and interest totaled \$1.3 million and \$1.7 million in the first quarter 2001, compared with \$.9 million and \$1.2 million for the same period a year ago.

During the first quarter of 2001, treasury stock purchases were minimal compared with the prior year, and dividends paid totaled \$1.1 million. Total backlog of \$295 million declined 7% from comparable backlog of a year ago. Higher margin product backlog was down 2% and construction backlog was 28% lower.

### MARKET RISK

The company's principal exposure to market risk is from changes in commodity prices, interest rates, and currency exchange rates. To limit exposure and to manage volatility related to these risks, the company enters into select commodity and currency hedging transactions, as well as forward purchasing arrangements. The company does not use financial instruments for trading purposes.

## Edgar Filing: BUTLER MANUFACTURING CO - Form 10-Q

**Commodity Price Exposure:** The company's primary commodities are steel, aluminum, and wood. Steel is the company's largest purchased commodity. The company enters into forward steel purchase arrangements in its metal buildings business for periods of less than one year duration to protect against potential price increases. To the extent there are increases in the company's steel costs, they are generally recaptured in the company's product sales prices.

Aluminum hedge contracts of less than one year duration are purchased to hedge the engineered products backlog of the Vistawall group against potential losses caused by increases in aluminum costs. This product line is sensitive to material cost movements due to the longer lead times from project quoting to manufacture. Gains or losses recorded on hedge contracts are offset against the actual aluminum costs incurred. The fair value of aluminum contracts and their associated risk are immaterial.

The company's wood frame building business enters into forward purchase arrangements for commercial grade lumber for periods of less than one year duration. Lumber costs are generally more volatile than steel costs. To offset increases in lumber costs, the company adjusts product prices accordingly.

**Interest Rates:** The majority of the company's long-term debt carries a fixed interest rate; therefore the company's interest expense is relatively stable and not influenced by changes in market interest rates.

**Foreign Currency Fluctuation:** The majority of the company's business is transacted in U.S. dollars, therefore limiting the company's exposure to foreign currency fluctuations. Where the company has foreign-based operations, the local currency has been adopted as the functional currency. As such, the company has both transaction and translation foreign exchange exposure in those operations. Due to relative cost and limited availability, the company does not hedge its foreign net asset exposure. The company does hedge short-term foreign currency transaction exposures related to sales activity in Canada. Forward Canadian dollar sale contracts of less than one year duration are purchased to cover the exposure. The fair value of such contracts is immaterial.

### FORWARD LOOKING INFORMATION

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which may include statements concerning projection of revenues, income or loss, capital expenditures, capital structure, or other financial items, statements regarding the plans and objectives of management for future operations, statements of future economic performance, statements of the assumptions underlying or relating to any of the forgoing statements, and other statements which are other than statements of historical fact. These statements appear in a number of places in this report and include statements regarding the intent, belief, or current expectations of the company and its management with respect to (i) the cost and timing of the completion of new or expanded facilities, (ii) the company's competitive position, (iii) the supply and price of materials used by the company, (iv) the demand and price for the company's products and services, or (v) other trends affecting the company's financial condition or results of operations including changes in manufacturing capacity utilization and corporate cash flow in both domestic and international markets. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially as a result of these various factors.

For additional comments, refer to the April 16, 2001 letter to shareholders, which is attached as exhibit 19.

11

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There are no material changes to the disclosure made in the Annual Report on Form 10-K for the year ended December 31, 2000 regarding this matter. See discussion about market risk under Item 2. Management Discussion and Analysis on page 10 of this document.

12

PART II. - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

(19) April 16, 2001 letter to shareholders

(b) Reports on Form 8-K.

The company has not filed any reports on Form 8-K during the quarter ended March 31, 2001.

13

SIGNATURES

Pursuant to the requirement 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.

BUTLER MANUFACTURING COMPANY

May 10, 2001  
-----  
Date

/s/ Larry C. Miller  
-----  
Larry C. Miller  
Vice President - Finance,  
and Chief Financial Officer

May 10, 2001  
-----  
Date

/s/ John W. Huey  
-----  
John W. Huey

Edgar Filing: BUTLER MANUFACTURING CO - Form 10-Q

Vice President, General Counsel  
and Secretary

Page 13

14

EXHIBIT INDEX

| Exhibit<br>Number<br>----- | Description<br>-----                  |
|----------------------------|---------------------------------------|
| 19                         | April 16, 2001 Letter to Shareholders |

Page 14