

ALLEGHENY TECHNOLOGIES INC
Form 10-Q
August 02, 2017
Table of Contents

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 June 30, 2017

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 (Do not check if a smaller reporting company) 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 July 21, 2017, the registrant had outstanding 108,879,684 shares of its Common Stock.

Table of Contents

ALLEGHENY TECHNOLOGIES INCORPORATED
SEC FORM 10-Q
Quarter Ended June 30, 2017
INDEX

	Page No.
PART I. - FINANCIAL INFORMATION	
Item 1. Financial Statements	
Consolidated Balance Sheets	<u>1</u>
Consolidated Statements of Operations	<u>2</u>
Consolidated Statements of Comprehensive Income (Loss)	<u>3</u>
Consolidated Statements of Cash Flows	<u>4</u>
Statements of Changes in Consolidated Equity	<u>5</u>
Notes to Consolidated Financial Statements	<u>6</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>26</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>41</u>
Item 4. Controls and Procedures	<u>42</u>
PART II. - OTHER INFORMATION	
Item 1. Legal Proceedings	<u>43</u>
Item 1A. Risk Factors	<u>43</u>
Item 6. Exhibits	<u>44</u>
SIGNATURES	<u>45</u>
EXHIBIT INDEX	<u>46</u>

Table of Contents

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)

	June 30, 2017	December 31, 2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$154.6	\$ 229.6
Accounts receivable, net	538.6	452.1
Inventories, net	1,076.2	1,037.0
Prepaid expenses and other current assets	30.7	47.8
Total Current Assets	1,800.1	1,766.5
Property, plant and equipment, net	2,492.3	2,498.9
Goodwill	643.5	641.9
Other assets	250.4	262.7
Total Assets	\$5,186.3	\$ 5,170.0
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	\$355.5	\$ 294.3
Accrued liabilities	278.0	309.3
Short term debt and current portion of long-term debt	67.5	105.1
Total Current Liabilities	701.0	708.7
Long-term debt	1,876.6	1,771.9
Accrued postretirement benefits	308.0	317.7
Pension liabilities	682.9	827.9
Deferred income taxes	20.1	15.6
Other long-term liabilities	83.3	83.4
Total Liabilities	3,671.9	3,725.2
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-109,695,171 shares at June 30, 2017 and December 31, 2016; outstanding-108,879,682 shares at June 30, 2017 and 108,925,254 shares at December 31, 2016	11.0	11.0
Additional paid-in capital	1,191.3	1,188.8
Retained earnings	1,303.8	1,277.1
Treasury stock: 815,489 shares at June 30, 2017 and 769,917 shares at December 31, 2016	(25.4)	(28.0)
Accumulated other comprehensive loss, net of tax	(1,067.2)	(1,093.7)
Total ATI stockholders' equity	1,413.5	1,355.2
Noncontrolling interests	100.9	89.6
Total Equity	1,514.4	1,444.8
Total Liabilities and Equity	\$5,186.3	\$ 5,170.0

The accompanying notes are an integral part of these statements.

Table of Contents

Allegheny Technologies Incorporated and Subsidiaries

Consolidated Statements of Operations

(In millions, except per share amounts)

(Unaudited)

	Three months		Six months ended	
	ended June 30,		June 30,	
	2017	2016	2017	2016
Sales	\$880.2	\$810.5	\$1,746.1	\$1,568.0
Cost of sales	767.9	762.3	1,521.0	1,553.0
Gross profit	112.3	48.2	225.1	15.0
Selling and administrative expenses	66.7	59.3	126.2	121.9
Restructuring charges	—	1.0	—	10.0
Operating income (loss)	45.6	(12.1)	98.9	(116.9)
Interest expense, net	(34.5)	(30.3)	(68.0)	(58.6)
Other income, net	0.2	1.0	3.5	1.8
Income (loss) before income taxes	11.3	(41.4)	34.4	(173.7)
Income tax benefit	(2.1)	(25.9)	(0.1	