

VALMONT INDUSTRIES INC
Form 10-Q
April 29, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended March 26, 2011

Or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-31429

Valmont Industries, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

47-0351813

(I.R.S. Employer
Identification No.)

**One Valmont Plaza,
Omaha, Nebraska**

(Address of principal executive offices)

68154-5215

(Zip Code)

402-963-1000

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

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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 (§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 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
(Do not check if a 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

26,414,248

Outstanding shares of common stock as of April 19, 2011

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

(Unaudited)

	Thirteen Weeks Ended	
	March 26, 2011	March 27, 2010
Product sales	\$ 501,168	\$ 339,820
Services sales	66,781	27,582
Net sales	567,949	367,402
Product cost of sales	385,000	248,643
Services cost of sales	46,456	18,029
Total cost of sales	431,456	266,672
Gross profit	136,493	100,730
Selling, general and administrative expenses	91,192	69,080
Operating income	45,301	31,650
Other income (expenses):		
Interest expense	(8,271)	(5,962)
Interest income	1,787	356
Other	390	(77)
	(6,094)	(5,683)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	39,207	25,967
Income tax expense:		
Current	12,504	6,706
Deferred	784	2,740
	13,288	9,446
Earnings before equity in earnings of nonconsolidated subsidiaries	25,919	16,521
Equity in earnings of nonconsolidated subsidiaries	954	114
Net earnings	26,873	16,635
Less: Earnings attributable to noncontrolling interests	(1,264)	(172)
Net earnings attributable to Valmont Industries, Inc.	\$ 25,609	\$ 16,463

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Earnings per share attributable to Valmont Industries, Inc. Basic	\$	0.98	\$	0.63
Earnings per share attributable to Valmont Industries, Inc. Diluted	\$	0.97	\$	0.62
Cash dividends per share	\$	0.165	\$	0.15
Weighted average number of shares of common stock outstanding Basic (000 omitted)		26,271		26,031
Weighted average number of shares of common stock outstanding Diluted (000 omitted)		26,537		26,419

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)

	March 26, 2011	December 25, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 358,271	\$ 346,904
Receivables, net	425,853	410,566
Inventories	323,964	280,223
Prepaid expenses	29,438	23,806
Refundable and deferred income taxes	30,858	32,727
 Total current assets	 1,168,384	 1,094,226
Property, plant and equipment, at cost	887,056	865,287
Less accumulated depreciation and amortization	444,097	425,678
 Net property, plant and equipment	 442,959	 439,609
Goodwill	322,831	314,847
Other intangible assets, net	187,530	185,535
Other assets	57,839	56,526
 Total assets	 \$ 2,179,543	 \$ 2,090,743
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current installments of long-term debt	\$ 272	\$ 238
Notes payable to banks	9,911	8,824
Accounts payable	206,768	179,814
Accrued employee compensation and benefits	56,172	75,981
Accrued expenses	81,417	77,705
Dividends payable	4,358	4,352
 Total current liabilities	 358,898	 346,914
Deferred income taxes	93,485	89,922
Long-term debt, excluding current installments	484,548	468,596
Defined benefit pension liability	110,900	104,171
Deferred compensation	30,469	23,300
Other noncurrent liabilities	47,786	47,713
Shareholders' equity:		
Preferred stock		
Authorized 500,000 shares; none issued		
Common stock of \$1 par value		
Authorized 75,000,000 shares; 27,900,000 issued	27,900	27,900
Retained earnings	868,396	850,269
Accumulated other comprehensive income	85,149	63,645
Treasury stock	(25,465)	(25,922)

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Total Valmont Industries, Inc. shareholders' equity	955,980	915,892
Noncontrolling interest in consolidated subsidiaries	97,477	94,235
Total shareholders' equity	1,053,457	1,010,127
Total liabilities and shareholders' equity	\$ 2,179,543	\$ 2,090,743

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

	Thirteen Weeks Ended	
	March 26, 2011	March 27, 2010
Cash flows from operating activities:		
Net earnings	\$ 26,873	\$ 16,635
Adjustments to reconcile net earnings to net cash flow from operations:		
Depreciation and amortization	17,165	11,209
Stock-based compensation	1,312	1,599
Defined benefit pension plan expense	1,497	
Loss on sales of property, plant and equipment	67	64
Equity in earnings of nonconsolidated subsidiaries	(954)	(114)
Deferred income taxes	784	2,740
Other		20
Changes in assets and liabilities (net of the effects from acquisitions):		
Receivables	(9,850)	(345)
Inventories	(40,044)	(2,796)
Prepaid expenses	(4,746)	1,463
Accounts payable	22,952	(2,131)
Accrued expenses	(11,451)	(10,748)
Other noncurrent liabilities	(1,490)	(160)
Income taxes payable/refundable	3,572	1,832
Net cash flows from operating activities	5,687	19,268
Cash flows from investing activities:		
Purchase of property, plant and equipment	(12,609)	(4,555)
Proceeds from sale of assets	99	96
Acquisitions		(7,460)
Cash restricted for acquisitions		(264,000)
Dividends to noncontrolling interests		(295)
Other, net	999	2,547
Net cash flows from investing activities	(11,511)	(273,667)
Cash flows from financing activities:		
Net payments under short-term agreements	816	(1,458)
Proceeds from long-term borrowings	23,000	191,000
Principal payments on long-term obligations	(7,040)	(39)
Dividends paid	(4,358)	(3,944)
Proceeds from exercises under stock plans	15,993	1,803
Excess tax benefits from stock option exercises	2,659	1,010
Purchase of treasury shares	(4,802)	(877)
Purchase of common treasury shares stock plan exercises	(18,153)	(1,595)

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Net cash flows from financing activities	8,115	185,900
Effect of exchange rate changes on cash and cash equivalents	9,076	(2,300)
Net change in cash and cash equivalents	11,367	(70,799)
Cash and cash equivalents beginning of year	346,904	180,786
Cash and cash equivalents end of period	\$ 358,271	\$ 109,987

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Dollars in thousands)

(Unaudited)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Noncontrolling interest in consolidated subsidiaries	Total shareholders' equity
Balance at December 26, 2009	\$ 27,900	\$	\$ 767,398	\$ 16,953	\$ (25,990)	\$ 22,046	\$ 808,307
Comprehensive income:							
Net earnings			16,463			172	16,635
Currency translation adjustment				(6,615)		(263)	(6,878)
Total comprehensive income							9,757
Cash dividends (\$0.15 per share)			(3,947)				(3,947)
Dividends to noncontrolling interests						(295)	(295)
Purchase of noncontrolling interests		(1,875)				(1,520)	(3,395)
Purchase of 12,351 treasury shares					(877)		(877)
Stock plan exercises; 44,088 shares issued		(733)	500		2,036		1,803
Stock plan exercises; 22,317 shares purchased					(1,595)		(1,595)
Tax benefit from exercise of stock options		1,010					1,010
Stock option expense		1,228					1,228
Stock awards; 9,088 shares issued		370			650		1,020
Balance at March 27, 2010	\$ 27,900	\$	\$ 780,414	\$ 10,338	\$ (25,776)	\$ 20,140	\$ 813,016
Balance at December 25, 2010	\$ 27,900	\$	\$ 850,269	\$ 63,645	\$ (25,922)	\$ 94,235	\$ 1,010,127
Comprehensive income:							
Net earnings			25,609			1,264	26,873
Currency translation adjustment				21,504		1,978	23,482
Total comprehensive income							50,355
Cash dividends (\$0.165 per share)			(4,358)				(4,358)
Purchase of 53,847 treasury shares					(4,802)		(4,802)

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Stock plan exercises; 253,133 shares issued	(3,971)	(3,124)	23,088	15,993
Stock plan exercises; 165,735 shares purchased			(18,153)	(18,153)
Tax benefit from exercise of stock options	2,659			2,659
Stock option expense	1,252			1,252
Stock awards; 2,992 shares issued	60		324	384

**Balance at March 26,
2011** \$ 27,900 \$ \$ 868,396 \$ 85,149 \$ (25,465) \$ 97,477 \$ 1,053,457

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

(Unaudited)

1. Summary of Significant Accounting Policies*Condensed Consolidated Financial Statements*

The Condensed Consolidated Balance Sheet as of March 26, 2011, the Condensed Consolidated Statements of Operations, Cash Flows and Shareholders' Equity for the thirteen week periods ended March 26, 2011 and March 27, 2010 have been prepared by the Company, without audit. In the opinion of management, all necessary adjustments (which include normal recurring adjustments) have been made to present fairly the financial statements as of March 26, 2011 and for all periods presented.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These Condensed Consolidated Financial Statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 2010. The accounting policies and methods of computation followed in these interim financial statements are the same as those followed in the financial statements for the year ended December 25, 2010. The results of operations for the period ended March 26, 2011 are not necessarily indicative of the operating results for the full year.

Inventories

At March 26, 2011, approximately 36% of inventory is valued at the lower of cost, determined on the last-in, first-out (LIFO) method, or market. All other inventory is valued at the lower of cost, determined on the first-in, first-out (FIFO) method or market. Finished goods and manufactured goods inventories include the costs of acquired raw materials and related factory labor and overhead charges required to convert raw materials to manufactured and finished goods. The excess of replacement cost of inventories over the LIFO value was approximately \$53,000 and \$42,500 at March 26, 2011 and December 25, 2010, respectively.

Inventories consisted of the following:

	March 26, 2011	December 25, 2010
Raw materials and purchased parts	\$ 161,014	\$ 133,380
Work-in-process	26,239	25,891
Finished goods and manufactured goods	189,745	163,511
Subtotal	376,998	322,782
LIFO reserve	53,034	42,559
Net inventory	\$ 323,964	\$ 280,223

Stock Plans

The Company maintains stock-based compensation plans approved by the shareholders, which provide that the Human Resources Committee of the Board of Directors may grant incentive stock options, nonqualified stock options, stock appreciation rights, non-vested stock awards and bonuses of common stock. At March 26, 2011, 861,332 shares of common stock remained available for issuance under the plans. Shares and options issued and available are subject to changes in capitalization. The

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

1. Summary of Significant Accounting Policies (Continued)

Company's policy is to issue shares upon stock option exercises from treasury shares held by the Company.

Under the plans, the exercise price of each option equals the market price at the date of the grant. Options vest beginning on the first anniversary of the grant in equal amounts over three to six years or on the fifth anniversary of the grant. Expiration of grants is from six to ten years from the date of grant. The Company recorded \$1,252 and \$1,228 of compensation expense (included in selling, general and administrative expenses) in the quarters ended March 26, 2011 and March 27, 2010, respectively, related to stock options. The associated tax benefits recorded were \$482 and \$472, respectively.

Fair Value

The Company applies the provisions of Accounting Standards Codification 820, *Fair Value Measurements* ("ASC 820") which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of ASC 820 apply to other accounting pronouncements that require or permit fair value measurements. As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Inputs refers broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three 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 categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Trading Securities: The assets and liabilities recorded for the investments held in the Valmont Deferred Compensation Plan represent mutual funds, invested in debt and equity securities, classified as trading securities in accordance with Accounting Standards Codification 320, *Accounting for Certain Investments in Debt and Equity Securities*, considering the employee's ability to change investment

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

1. Summary of Significant Accounting Policies (Continued)

allocation of their deferred compensation at any time. Quoted market prices are available for these securities in an active market and therefore categorized as a Level 1 input.

	Carrying Value March 26, 2011	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Trading Securities	\$ 19,203	\$ 19,203	\$	\$

	Carrying Value December 25, 2010	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Trading Securities	\$ 18,433	\$ 18,433	\$	\$

Accumulated Other Comprehensive Income (Loss)

Results of operations for foreign subsidiaries are translated using the average exchange rates during the period. Assets and liabilities are translated at the exchange rates in effect on the balance sheet dates. "Accumulated other comprehensive income (loss)" consisted of the following at March 26, 2011 and December 25, 2010:

	March 26, 2011	December 25, 2010
Foreign currency translation adjustment	\$ 54,786	\$ 34,693
Actuarial gain in defined benefit pension plan	30,363	28,952
Balance, end of period	\$ 85,149	\$ 63,645

2. Acquisition of Delta plc

On May 12, 2010, the Company acquired Delta, plc. ("Delta") a public limited company incorporated in Great Britain, and listed on the London Stock Exchange (LSE: DLTA). The price paid per share was 185 pence in cash for each Delta share, or £284,463, or \$436,736 based on the contracted average exchange rate of \$1.5353 / £. Delta has manufacturing operations employing over 2,500 people in Australia, Asia, South Africa and the United States. Delta's businesses include engineered steel products, galvanizing services and manganese materials.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

2. Acquisition of Delta plc (Continued)

The Company's pro forma results of operations for the quarter ended March 27, 2010, assuming that the acquisition occurred at the beginning of fiscal 2010 were as follows:

	Thirteen weeks Ended March 27, 2010
Net sales	\$ 495,840
Net earnings	20,037
Earnings per share diluted	\$ 0.76

3. Goodwill and Intangible Assets

The Company's annual impairment testing of goodwill and intangible assets was performed during the third quarter of 2010. As a result of that testing, it was determined the goodwill and other intangible assets on the Company's Condensed Consolidated Balance Sheet were not impaired. The Company continues to monitor changes in the global economy and its reporting units that could impact future operating results of its reporting units and related components.

Amortized Intangible Assets

The components of amortized intangible assets at March 26, 2011 and December 25, 2010 were as follows:

	As of March 26, 2011		Weighted Average Life
	Gross Carrying Amount	Accumulated Amortization	
Customer Relationships	\$ 159,293	\$ 41,346	13 years
Proprietary Software & Database	2,609	2,603	6 years
Patents & Proprietary Technology	9,781	2,775	8 years
Non-compete Agreements	1,698	1,122	6 years
	\$ 173,381	\$ 47,846	

	As of December 25, 2010		Weighted Average Life
	Gross Carrying Amount	Accumulated Amortization	
Customer Relationships	\$ 155,664	\$ 37,932	13 years
Proprietary Software & Database	2,609	2,568	6 years
Patents & Proprietary Technology	9,486	2,336	8 years
Non-compete Agreements	1,674	1,054	6 years
	\$ 169,433	\$ 43,890	

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

3. Goodwill and Intangible Assets (Continued)

Amortization expense for intangible assets during the first quarter of 2011 and 2010 was \$3,532 and \$2,040, respectively. Estimated amortization expense related to amortized intangible assets is as follows:

	Estimated Amortization Expense
2011	\$ 14,262
2012	14,254
2013	13,359
2014	12,938
2015	12,050

The useful lives assigned to finite-lived intangible assets included consideration of factors such as the Company's past and expected experience related to customer retention rates, the remaining legal or contractual life of the underlying arrangement that resulted in the recognition of the intangible asset and the Company's expected use of the intangible asset.

Non-amortized intangible assets

Intangible assets with indefinite lives are not amortized. The carrying values of trade names at March 26, 2011 and December 25, 2010 were as follows:

	March 26, 2011	December 25, 2010
Webforge	\$ 17,409	\$ 16,478
Newmark	11,111	11,111
Ingal EPS/ Ingal Civil Products	9,231	8,795
Donhad	6,964	6,635
PiRod	4,750	4,750
Industrial Galvanizers	4,858	4,632
Other	7,672	7,591
	\$ 61,995	\$ 59,992

The Company's trade names were tested for impairment separately from goodwill in the third quarter of 2010. The values of the trade names were determined using the relief-from-royalty method. Based on this evaluation, the Company determined that its trade names were not impaired.

In its determination of these intangible assets as indefinite-lived, the Company considered such factors as its expected future use of the intangible asset, legal, regulatory, technological and competitive factors that may impact the useful life or value of the intangible asset and the expected costs to maintain the value of the intangible asset. The Company expects that these intangible assets will maintain their value indefinitely. Accordingly, these assets are not amortized.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

3. Goodwill and Intangible Assets (Continued)*Goodwill*

The carrying amount of goodwill as of March 26, 2011 was as follows:

	Engineered Support Structures Segment	Utility Support Structures Segment	Coatings Segment	Irrigation Segment	Other	Total
Balance December 25, 2010	\$ 152,062	\$ 77,141	\$ 64,868	\$ 2,064	\$ 18,712	\$ 314,847
Foreign currency translation	5,647		1,556		781	7,984
Balance March 26, 2011	\$ 157,709	\$ 77,141	\$ 66,424	\$ 2,064	\$ 19,493	\$ 322,831

4. Cash Flows

The Company considers all highly liquid temporary cash investments purchased with a maturity of three months or less to be cash equivalents. Cash payments for interest and income taxes (net of refunds) for the thirteen weeks ended were as follows:

	March 26, 2011	March 27, 2010
Interest	\$ 366	\$ 2,856
Income taxes	5,296	3,833

5. Earnings Per Share

The following table reconciles Basic and Diluted earnings per share (EPS):

	Basic EPS	Dilutive Effect of Stock Options	Diluted EPS
Thirteen weeks ended March 26, 2011:			
Net earnings attributable to Valmont Industries, Inc.	\$ 25,609		\$ 25,609
Shares outstanding	26,271	266	26,537
Per share amount	\$ 0.98	\$ (0.01)	\$ 0.97
Thirteen weeks ended March 27, 2010:			
Net earnings attributable to Valmont Industries, Inc.	\$ 16,463		\$ 16,463
Shares outstanding	26,031	388	26,419
Per share amount	\$ 0.63	\$ (0.01)	\$ 0.62

At March 26, 2011 there were 8,962 shares of outstanding stock options with exercise prices exceeding the market price of common stock that were therefore excluded from the computation of fully diluted shares earnings per share for the thirteen weeks ended March 26, 2011. At March 27, 2010 there were 44,767 of outstanding stock options with exercise prices exceeding the market price of common stock that were therefore excluded from the computation of fully diluted shares earnings per share for the thirteen weeks ended March 27, 2010.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

6. Business Segments

The Company aggregates its operating segments into four reportable segments. Aggregation is based on similarity of operating segments as to economic characteristics, products, production processes, types or classes of customer and the methods of distribution. Net corporate expense is net of certain service-related expenses that are allocated to business units generally on the basis of employee headcounts and sales dollars.

Reportable segments are as follows:

ENGINEERED INFRASTRUCTURE PRODUCTS: This segment consists of the manufacture of engineered metal structures and components for the global lighting and traffic, wireless communication, roadway safety and access systems applications;

UTILITY SUPPORT STRUCTURES: This segment consists of the manufacture of engineered steel and concrete structures for the global utility industry;

COATINGS: This segment consists of galvanizing, anodizing and powder coating services on a global basis; and

IRRIGATION: This segment consists of the manufacture of agricultural irrigation equipment and related parts and services for the global agricultural industry.

In addition to these four reportable segments, the Company has other businesses and activities that individually are not more than 10% of consolidated sales. These include the manufacture of forged steel grinding media for the mining industry, tubular products for industrial customers, the electrolytic manganese dioxide for disposable batteries and the distribution of industrial fasteners and are reported in the "Other" category.

In the fourth quarter of 2010, the Company reorganized its segment reporting structure to reflect the management structure as a result of the acquisition of Delta plc. The main business units of Delta are organized as follows in the reportable segment structure:

Engineered Infrastructure Products segment includes Delta's lighting, communication, access systems and roadway safety products;

Coatings segment includes Delta's galvanizing operations in the U.S., Australia and Asia;

Delta's forged steel grinding media and electrolytic manganese dioxide operations are included an "Other", and;

Delta's management administration expenses are included in "Net corporate expense".

It was not necessary to reclassify fiscal 2010 to conform to the fiscal 2011 presentation as Delta plc was acquired on May 12, 2010 which was subsequent to the Company's first quarter end for fiscal 2010.

The accounting policies of the reportable segments are the same as those described in Note 1. The Company evaluates the performance of its business segments based upon operating income and invested capital. The Company does not allocate interest expense, non-operating income and deductions, or income taxes to its business segments.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

6. Business Segments (Continued)

	Thirteen Weeks Ended	
	March 26, 2011	March 27, 2010
Sales:		
Engineered Infrastructure Products segment:		
Lighting, Traffic, and Roadway Products	\$ 117,311	\$ 88,111
Communication Products	20,423	18,895
Access Systems	31,196	0
Engineered Infrastructure Products segment	168,930	107,006
Utility Support Structures segment:		
Steel	109,898	99,073
Concrete	15,749	14,155
Utility Support Structures segment	125,647	113,228
Coatings segment	73,450	27,930
Irrigation segment	151,048	108,639
Other	73,986	22,289
Total	593,061	379,092
Intersegment Sales:		
Engineered Infrastructure Products	5,944	1,102
Utility Support Structures	308	299
Coatings	11,505	5,764
Irrigation	3	3
Other	7,352	4,522
Total	25,112	11,690
Net Sales:		
Engineered Infrastructure Products segment	162,986	105,904
Utility Support Structures segment	125,339	112,929
Coatings segment	61,945	22,166
Irrigation segment	151,045	108,636
Other	66,634	17,767
Total	\$ 567,949	\$ 367,402
Operating Income (Loss):		
Engineered Infrastructure Products segment	\$ 2,203	\$ 2,611
Utility Support Structures segment	13,499	14,706
Coatings segment	10,292	4,532
Irrigation segment	23,894	15,398
Other	8,914	4,264
Net corporate expense	(13,501)	(9,861)
Total	\$ 45,301	\$ 31,650

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

7. Guarantor/Non-Guarantor Financial Information

On April 8, 2010, the Company issued \$300,000 of senior unsecured notes at a coupon rate of 6.625% per annum. The notes are guaranteed jointly, severally, fully and unconditionally by certain of the Company's current and future direct and indirect domestic and foreign subsidiaries (collectively the "Guarantors"), excluding its other current domestic and foreign subsidiaries which do not guarantee the debt (collectively referred to as the "Non-Guarantors"). All Guarantors are owned 100% by the Company.

On May 4, 2004, the Company completed a \$150,000 offering of 6⁷/₈% Senior Subordinated Notes. The Notes are guaranteed, jointly, severally, fully and unconditionally, on a senior subordinated basis by the Guarantors.

Condensed consolidated financial information for the Company ("Parent"), the Guarantor subsidiaries and the Non-Guarantor subsidiaries is as follows:

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Thirteen Weeks Ended March 26, 2011

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$ 262,646	\$ 73,841	\$ 270,069	\$ (38,607)	\$ 567,949
Cost of sales	198,303	58,306	213,385	(38,538)	431,456
Gross profit	64,343	15,535	56,684	(69)	136,493
Selling, general and administrative expenses	37,109	10,751	43,332		91,192
Operating income	27,234	4,784	13,352	(69)	45,301
Other income (expenses):					
Interest expense	(8,189)		(82)		(8,271)
Interest income	5		1,782		1,787
Other	371	11	8		390
	(7,813)	11	1,708		(6,094)
Earnings before income taxes and equity in earnings/(losses) of nonconsolidated subsidiaries	19,421	4,795	15,060	(69)	39,207
Income tax expense (benefit):					
Current	6,489	2,104	3,911		12,504
Deferred	60	(261)	985		784
	6,549	1,843	4,896		13,288
Earnings before equity in earnings/(losses) of nonconsolidated subsidiaries	12,872	2,952	10,164	(69)	25,919
Equity in earnings/(losses) of nonconsolidated subsidiaries	12,737	6,367	886	(19,036)	954

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Net Earnings	25,609	9,319	11,050	(19,105)	26,873
Less: Earnings attributable to noncontrolling interests			(1,264)		(1,264)
Net Earnings attributable to Valmont Industries, Inc.	\$ 25,609	\$ 9,319	\$ 9,786	\$ (19,105)	\$ 25,609

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

7. Guarantor/Non-Guarantor Financial Information (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Thirteen Weeks Ended March 27, 2010

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$ 199,088	\$ 64,464	\$ 131,492	\$ (27,642)	\$ 367,402
Cost of sales	147,273	48,929	98,543	(28,073)	266,672
Gross profit	51,815	15,535	32,949	431	100,730
Selling, general and administrative expenses	35,692	11,433	21,955		69,080
Operating income	16,123	4,102	10,994	431	31,650
Other income (expenses):					
Interest expense	(5,754)		(208)		(5,962)
Interest income	11		345		356
Other	158	25	(260)		(77)
	(5,585)	25	(123)		(5,683)
Earnings before income taxes and equity in earnings/(losses) of nonconsolidated subsidiaries	10,538	4,127	10,871	431	25,967
Income tax expense (benefit):					
Current	2,803	1,594	2,309		6,706
Deferred	1,585	(29)	1,184		2,740
	4,388	1,565	3,493		9,446
Earnings before equity in earnings/(losses) of nonconsolidated subsidiaries	6,150	2,562	7,378	431	16,521
Equity in earnings/(losses) of nonconsolidated subsidiaries	10,313			(10,199)	114
Net Earnings	16,463	2,562	7,378	(9,768)	16,635
Less: Earnings attributable to noncontrolling interests			(172)		(172)
Net Earnings attributable to Valmont Industries, Inc.	\$ 16,463	\$ 2,562	\$ 7,206	\$ (9,768)	\$ 16,463

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

7. Guarantor/Non-Guarantor Financial Information (Continued)

CONDENSED CONSOLIDATED BALANCE SHEETS

March 26, 2011

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 15,380	\$ 1,181	\$ 341,710		\$ 358,271
Receivables, net	129,932	36,724	259,197		425,853
Inventories	83,256	37,305	203,403		323,964
Prepaid expenses	4,079	1,009	24,350		29,438
Refundable and deferred income taxes	13,574	3,173	14,111		30,858
Total current assets	246,221	79,392	842,771		1,168,384
Property, plant and equipment, at cost	414,599	102,084	370,373		887,056
Less accumulated depreciation and amortization	273,942	51,966	118,189		444,097
Net property, plant and equipment	140,657	50,118	252,184		442,959
Goodwill	20,108	107,542	195,181		322,831
Other intangible assets	782	66,809	119,939		187,530
Investment in subsidiaries and intercompany accounts	1,170,254	603,744	9,079	(1,783,077)	
Other assets	30,130		27,709		57,839
Total assets	\$ 1,608,152	\$ 907,605	\$ 1,446,863	(1,783,077)	\$ 2,179,543
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current installments of long-term debt	\$ 187		\$ 85		\$ 272
Notes payable to banks			9,911		9,911
Accounts payable	58,154	15,470	133,144		206,768
Accrued expenses	58,461	8,376	70,752		137,589
Dividends payable	4,358				4,358
Total current liabilities	121,160	23,846	213,892		358,898
Deferred income taxes	18,259	25,320	49,906		93,485
Long-term debt, excluding current installments	483,511		1,037		484,548
Other noncurrent liabilities	29,242		159,913		189,155
Commitments and contingencies					
Shareholders' equity:					
Common stock of \$1 par value	27,900	457,950	2,582	(460,532)	27,900
Additional paid-in capital		181,542	156,188	(337,730)	
Retained earnings	868,396	218,947	680,719	(899,666)	868,396
Accumulated other comprehensive income	85,149		85,149	(85,149)	85,149
Treasury stock	(25,465)				(25,465)

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Total Valmont Industries, Inc. shareholders' equity	955,980	858,439	924,638	(1,783,077)	955,980
Noncontrolling interest in consolidated subsidiaries			97,477		97,477
Total shareholders' equity	955,980	858,439	1,022,115	(1,783,077)	1,053,457
Total liabilities and shareholders' equity	\$ 1,608,152	\$ 907,605	\$ 1,446,863	\$ (1,783,077)	\$ 2,179,543

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

7. Guarantor/Non-Guarantor Financial Information (Continued)

CONDENSED CONSOLIDATED BALANCE SHEETS

December 25, 2010

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 8,015	\$ 619	\$ 338,270	\$	\$ 346,904
Receivables, net	106,181	50,663	253,722		410,566
Inventories	63,887	32,030	184,306		280,223
Prepaid expenses	3,478	920	19,408		23,806
Refundable and deferred income taxes	14,978	2,597	15,152		32,727
Total current assets	196,539	86,829	810,858		1,094,226
Property, plant and equipment, at cost	413,149	98,019	354,119		865,287
Less accumulated depreciation and amortization	269,831	50,406	105,441		425,678
Net property, plant and equipment	143,318	47,613	248,678		439,609
Goodwill	20,108	107,542	187,197		314,847
Other intangible assets	823	68,310	116,402		185,535
Investment in subsidiaries and intercompany accounts	1,146,364	587,231	30,017	(1,742,468)	21,144
Other assets	24,426		10,956		35,382
Total assets	\$ 1,531,578	\$ 897,525	\$ 1,404,108	\$ (1,742,468)	\$ 2,090,743
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current installments of long-term debt	\$ 187	\$	\$ 51	\$	\$ 238
Notes payable to banks			8,824		8,824
Accounts payable	45,854	15,254	118,706		179,814
Accrued expenses	54,368	8,147	91,171		153,686
Dividends payable	4,352				4,352
Total current liabilities	104,761	23,401	218,752		346,914
Deferred income taxes	16,083	25,004	48,835		89,922
Long-term debt, excluding current installments	467,511		1,085		468,596
Other noncurrent liabilities	27,331		147,853		175,184
Commitments and contingencies					
Shareholders' equity:					
Common stock of \$1 par value	27,900	457,950	2,582	(460,532)	27,900
Additional paid-in capital		181,542	156,188	(337,730)	
Retained earnings	850,269	209,628	670,933	(880,561)	850,269
Accumulated other comprehensive income	63,645		63,645	(63,645)	63,645
Treasury stock	(25,922)				(25,922)

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Total Valmont Industries, Inc. shareholders' equity	915,892	849,120	893,348	(1,742,468)	915,892
Noncontrolling interest in consolidated subsidiaries			94,235		94,235
Total shareholders' equity	915,892	849,120	987,583	(1,742,468)	1,010,127
Total liabilities and shareholders' equity	\$ 1,531,578	\$ 897,525	\$ 1,404,108	\$ (1,742,468)	\$ 2,090,743

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

7. Guarantor/Non-Guarantor Financial Information (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Thirteen Weeks Ended March 26, 2011

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Cash flows from operations:					
Net earnings	25,609	9,319	11,050	(19,105)	26,873
Adjustments to reconcile net earnings to net cash flow from operations:					
Depreciation	5,002	3,130	9,033		17,165
Stock-based compensation	1,312				1,312
Defined benefit pension plan expense			1,497		1,497
Loss on sales of property, plant and equipment	(13)	(13)	93		67
Equity in losses of nonconsolidated subsidiaries	(67)		(887)		(954)
Deferred income taxes	59	(260)	985		784
Other adjustments					
Changes in assets and liabilities:					
Receivables	(23,751)	13,938	(37)		(9,850)
Inventories	(19,368)	(5,276)	(15,400)		(40,044)
Prepaid expenses	(602)	(89)	(4,055)		(4,746)
Accounts payable	11,238	216	11,498		22,952
Accrued expenses	4,418	229	(16,098)		(11,451)
Other noncurrent liabilities	(1,063)		(427)		(1,490)
Income taxes payable/refundable	15,143		(11,571)		3,572
Net cash flows from operations	17,917	21,194	(14,319)	(19,105)	5,687
Cash flows from investing activities:					
Purchase of property, plant and equipment	(2,024)	(4,133)	(6,452)		(12,609)
Proceeds from sale of property and equipment	14	13	72		99
Acquisitions, net of cash acquired					
Cash restricted for acquisitions					
Dividends to noncontrolling interests					
Other, net	(15,881)	(16,512)	14,287	19,105	999
Net cash flows from investing activities	(17,891)	(20,632)	7,907	19,105	(11,511)
Cash flows from financing activities:					
Net repayments under short-term agreements			816		816
Proceeds from long-term borrowings	23,000				23,000
Principal payments on long-term obligations	(7,000)		(40)		(7,040)
Dividends paid	(4,358)				(4,358)
Proceeds from exercises under stock plans	15,993				15,993
Excess tax benefits from stock option exercises	2,659				2,659
Purchase of treasury shares	(4,802)				(4,802)
Purchase of common treasury shares stock plan exercises	(18,153)				(18,153)

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Net cash flows from financing activities	7,339		776		8,115
Effect of exchange rate changes on cash and cash equivalents			9,076		9,076
Net change in cash and cash equivalents	7,365	562	3,440		11,367
Cash and cash equivalents beginning of year	8,015	619	338,270		346,904
Cash and cash equivalents end of period	\$ 15,380	\$ 1,181	\$ 341,710	\$	\$ 358,271

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

7. Guarantor/Non-Guarantor Financial Information (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Thirteen Weeks Ended March 27, 2010

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Cash flows from operations:					
Net earnings	\$ 16,635	\$ 2,562	\$ 7,550	\$ (10,112)	\$ 16,635