

RELIANCE STEEL & ALUMINUM CO
Form 10-Q
July 31, 2015
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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, 2015

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.

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(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

95-1142616
(I.R.S. Employer
Identification No.)

350 South Grand Avenue, Suite 5100

Los Angeles, California 90071

(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 30, 2015, 73,469,819 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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Table of Contents**PART I -- FINANCIAL INFORMATION****Item 1. Financial Statements****RELIANCE STEEL & ALUMINUM CO.****UNAUDITED CONSOLIDATED BALANCE SHEETS**

(in millions, except share amounts)

ASSETS

	June 30, 2015	December 31, 2014*
Current assets:		
Cash and cash equivalents	\$ 131.9	\$ 106.2
Accounts receivable, less allowance for doubtful accounts of \$19.4 at June 30, 2015 and \$18.3 at December 31, 2014	1,117.1	1,144.6
Inventories	1,672.8	1,752.1
Prepaid expenses and other current assets	56.0	71.8
Income taxes receivable	14.7	
Deferred income taxes	46.4	46.4
Total current assets	3,038.9	3,121.1
Property, plant and equipment:		
Land	197.2	197.5
Buildings	990.5	983.2
Machinery and equipment	1,539.4	1,479.8
Accumulated depreciation	(1,078.5)	(1,004.1)
	1,648.6	1,656.4
Goodwill	1,732.4	1,736.4
Intangible assets, net	1,195.9	1,227.4
Cash surrender value of life insurance policies, net	40.4	46.4
Other assets	35.0	34.7
Total assets	\$ 7,691.2	\$ 7,822.4

LIABILITIES AND EQUITY

Current liabilities:		
Accounts payable	\$ 371.0	\$ 286.5
Accrued expenses	82.7	98.2
Accrued compensation and retirement costs	106.8	128.4
Accrued insurance costs	43.7	46.6
Current maturities of long-term debt and short-term borrowings	107.1	93.9
Income taxes payable		9.2
Total current liabilities	711.3	662.8
Long-term debt	2,094.3	2,208.1
Long-term retirement costs	104.7	102.2
Other long-term liabilities	28.0	28.5
Deferred income taxes	690.6	692.9

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Commitments and contingencies

Equity:

Common stock and additional paid-in capital, \$0.001 par value:

Authorized shares 200,000,000

Issued and outstanding shares 74,379,301 at June 30, 2015 and
77,337,251 at December 31, 2014

	641.0	819.4
Retained earnings	3,457.6	3,328.5
Accumulated other comprehensive loss	(66.3)	(48.9)
Total Reliance stockholders' equity	4,032.3	4,099.0
Noncontrolling interests	30.0	28.9
Total equity	4,062.3	4,127.9
Total liabilities and equity	\$ 7,691.2	\$ 7,822.4

* Amounts were derived from audited financial statements.

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**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,	
	2015	2014	2015	2014
Net sales	\$ 2,423.7	\$ 2,616.8	\$ 5,038.1	\$ 5,169.8
Costs and expenses:				
Cost of sales (exclusive of depreciation and amortization shown below)	1,767.8	1,943.5	3,711.5	3,849.3
Warehouse, delivery, selling, general and administrative	440.8	444.9	886.9	885.9
Depreciation and amortization	54.9	52.7	110.2	104.6
	2,263.5	2,441.1	4,708.6	4,839.8
Operating income	160.2	175.7	329.5	330.0
Other expense:				
Interest	(21.5)	(20.2)	(42.1)	(40.4)
Other expense, net	(2.8)	(1.3)	(0.9)	(1.3)
Income before income taxes	135.9	154.2	286.5	288.3
Income tax provision	44.3	56.4	92.0	102.6
Net income	91.6	97.8	194.5	185.7
Less: Net income attributable to noncontrolling interests	1.4	1.3	3.0	2.0
Net income attributable to Reliance	\$ 90.2	\$ 96.5	\$ 191.5	\$ 183.7
Earnings per share attributable to Reliance stockholders:				
Diluted	\$ 1.20	\$ 1.22	\$ 2.50	\$ 2.34
Basic	\$ 1.21	\$ 1.24	\$ 2.53	\$ 2.37
Cash dividends per share	\$ 0.40	\$ 0.35	\$ 0.80	\$ 0.70

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**RELIANCE STEEL & ALUMINUM CO.****UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(in millions)**

	Three Months Ended			Six Months Ended				
	2015	June 30,	2014	2015	June 30,	2014		
Net income	\$	91.6	\$	97.8	\$	194.5	\$	185.7
Other comprehensive income (loss):								
Foreign currency translation gain (loss)		7.9		14.2		(17.0)		5.3
Unrealized (loss) gain on investments, net of tax		(0.5)				(0.4)		0.1
Total other comprehensive income (loss)		7.4		14.2		(17.4)		5.4
Comprehensive income		99.0		112.0		177.1		191.1
Less: comprehensive income attributable to noncontrolling interests		1.4		1.3		3.0		2.0
Comprehensive income attributable to Reliance	\$	97.6	\$	110.7	\$	174.1	\$	189.1

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,	
	2015	2014
Operating activities:		
Net income	\$ 194.5	\$ 185.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	110.2	104.6
Deferred income tax benefit	(2.0)	(1.5)
Gain on sales of property, plant and equipment	(0.3)	(1.0)
Stock-based compensation expense	12.4	12.9
Other	5.1	3.4
Changes in operating assets and liabilities:		
Accounts receivable	25.0	(188.0)
Inventories	75.3	(230.4)
Prepaid expenses and other assets	0.4	37.2
Accounts payable and other liabilities	43.3	186.6
Net cash provided by operating activities	463.9	109.5
Investing activities:		
Purchases of property, plant and equipment	(77.1)	(86.9)
Proceeds from sale of business, net		26.2
Other	(1.5)	(9.0)
Net cash used in investing activities	(78.6)	(69.7)
Financing activities:		
Net short-term debt borrowings (repayments)	6.8	(3.6)
Proceeds from long-term debt borrowings	412.0	297.0
Principal payments on long-term debt	(521.8)	(270.3)
Dividends and dividend equivalents paid	(61.4)	(54.4)
Exercise of stock options	10.6	21.3
Share repurchases	(200.0)	
Other	(4.3)	(1.1)
Net cash used in financing activities	(358.1)	(11.1)
Effect of exchange rate changes on cash	(1.5)	1.2
Increase in cash and cash equivalents	25.7	29.9
Cash and cash equivalents at beginning of year	106.2	83.6
Cash and cash equivalents at end of period	\$ 131.9	\$ 113.5
Supplemental cash flow information:		
Interest paid during the period	\$ 42.2	\$ 40.5
Income taxes paid during the period, net	\$ 118.2	\$ 62.5

See accompanying notes to unaudited consolidated financial statements.

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

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, 2015 are not necessarily indicative of the results for the full year ending December 31, 2015. These financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto for the year ended December 31, 2014, 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

Simplifying the Presentation of Debt Issuance Costs In April 2015, the Financial Accounting Standards Board (FASB) issued accounting changes which simplify the presentation of debt issuance costs. The guidance requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with the presentation of debt discounts. The guidance is to be applied

retrospectively to all prior periods presented in the financial statements. We adopted these accounting changes during the three months ended June 30, 2015, which resulted in a \$14.2 million reduction of our Intangible assets, net and Long-term debt at December 31, 2014.

Impact of Recently Issued Accounting Standards Not Yet Adopted

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 guidance will be effective for fiscal years beginning after December 15, 2017. Early adoption is permitted for fiscal years beginning after December 15, 2016. We are evaluating the new standard, but do not expect this standard will have a material impact on our consolidated financial statements.

3. Acquisitions

2014 Acquisitions

On December 1, 2014, we acquired Fox Metals and Alloys, Inc. (Fox), a Houston, Texas-based steel distributor specializing in alloy, carbon and stainless steel bar and plate products, primarily servicing OEMs and machine shops that manufacture or support the manufacturing of equipment for the oil, gas and petrochemical industries. Fox's in-house processing services include saw cutting, plate burning and testing. Net sales of Fox for the six months ended June 30, 2015 were \$14.9 million.

Table of Contents**RELIANCE STEEL & ALUMINUM CO.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2015**

On August 1, 2014, we acquired Aluminium Services UK Limited, the parent holding company of All Metal Services (AMS). AMS provides comprehensive materials management solutions to aerospace and defense OEMs and their subcontractors on a global basis, supporting customers in more than 40 countries worldwide. AMS offers a broad range of aerospace metals including aluminum, steel, titanium, nickel alloys and aluminum bronze, offering full or cut to size materials. AMS also offers in-house machining and water-jet cutting for more complex requirements. AMS has eight locations in four countries including China, France, Malaysia, and the United Kingdom. Net sales of AMS for the six months ended June 30, 2015 were \$132.1 million.

On August 1, 2014, we acquired Northern Illinois Steel Supply Co. (NIS), a value-added distributor and fabricator of a variety of steel and non-ferrous metal products, primarily structural steel components and parts, located in Channahon, Illinois. Net sales of NIS for the six months ended June 30, 2015 were \$9.1 million.

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

The preliminary allocation of the total purchase price of our 2014 acquisitions to the fair values of the assets acquired and liabilities assumed was as follows:

	(in millions)	
Cash	\$	1.6
Accounts receivable		67.1
Inventories		89.2
Property, plant and equipment		23.4
Goodwill		51.2
Intangible assets subject to amortization		37.5
Intangible assets not subject to amortization		39.0
Other current and long-term assets		1.5
Total assets acquired		310.5
Deferred taxes		9.0
Current and long-term debt		39.2
Other current and long-term liabilities		53.1
Total liabilities assumed		101.3
Net assets acquired	\$	209.2

Purchase price allocations

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All of 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 sheets reflect the allocation of each acquisition's purchase price as of June 30, 2015 and December 31, 2014. The purchase price allocations for the 2014 acquisitions are preliminary and are pending the completion of various pre-acquisition period income tax returns. The measurement periods for purchase price allocations do not exceed 12 months from the acquisition date.

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

	(in millions)	
Balance at January 1, 2015	\$	1,736.4
Acquisition		0.3
Purchase price allocation adjustment		(0.4)
Effect of foreign currency translation		(3.9)
Balance at June 30, 2015	\$	1,732.4

We had no accumulated impairment losses related to goodwill at June 30, 2015.

5. Intangible Assets, net

Intangible assets, net consisted of the following:

	Weighted Average Amortizable Life in Years	June 30, 2015		December 31, 2014	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Intangible assets subject to amortization:					
Covenants not to compete	4.4	\$ 1.4	\$ (0.9)	\$ 2.3	\$ (1.7)
Customer lists/relationships	14.2	690.9	(273.7)	694.7	(249.3)
Software internal use	10.0	8.1	(7.5)	8.1	(7.1)
Other	5.4	6.4	(4.4)	7.2	(4.5)
		706.8	(286.5)	712.3	(262.6)
Intangible assets not subject to amortization:					
Trade names		775.6		777.7	
		\$ 1,482.4	\$ (286.5)	\$ 1,490.0	\$ (262.6)

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We recognized amortization expense for intangible assets of \$27.7 million and \$28.2 million for the six months ended June 30, 2015 and 2014, respectively. Other changes in intangible assets, net during the six months ended June 30, 2015 are mainly due to foreign currency translation losses of \$4.7 million.

The following is a summary of estimated aggregate amortization expense for the remaining six months of 2015 and each of the succeeding five years:

	(in millions)	
2015	\$	26.7
2016		52.0
2017		47.7
2018		43.4
2019		43.3
2020		43.3

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

6. Debt

Debt consisted of the following:

	June 30, 2015	(in millions)	December 31, 2014
Unsecured revolving credit facility due April 4, 2018	\$ 585.0		\$ 675.0
Unsecured term loan due from September 30, 2015 to April 4, 2018	423.8		442.5
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	107.8		101.6
Total	2,216.6		2,319.1
Less: unamortized discount and debt issuance costs	(15.2)		(17.1)
Less: amounts due within one year and short-term borrowings	(107.1)		(93.9)
Total long-term debt	\$ 2,094.3		\$ 2,208.1

Unsecured Credit Facility

On April 4, 2013, we entered into a syndicated Third Amended and Restated Credit Agreement with 26 banks as lenders (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-month period ended June 30, 2015 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 and term loan were 1.44% and 1.42% as of June 30, 2015 and December 31, 2014, respectively. As of June 30, 2015, we had \$585.0 million of outstanding borrowings, \$58.9 million of letters of credit issued and \$856.1 million available on the revolving credit facility.

Senior Unsecured Notes

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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 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 guarantee our revolving credit facility. 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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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

Other Notes and Revolving Credit Facilities

Other revolving credit facilities with a combined credit limit of approximately \$80.6 million are in place for operations in Asia and Europe with combined outstanding balances of \$55.3 million and \$48.3 million as of June 30, 2015 and December 31, 2014, respectively.

Pursuant to our acquisition of Metals USA, we assumed industrial revenue bonds with combined outstanding balances of \$11.5 million as of June 30, 2015 and December 31, 2014 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 have outstanding balances of \$41.1 million and \$41.8 million as of June 30, 2015 and December 31, 2014, respectively. The mortgages, which are secured by the underlying properties, have a fixed interest rate of 6.40% and scheduled amortization payments with a lump sum payment of \$39.2 million due October 2016.

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, 2015.

7. Income Taxes

Our effective income tax rates for the three-month periods ended June 30, 2015 and 2014 were 32.6% and 36.6%, respectively. Our effective income tax rates for the six-month periods ended June 30, 2015 and 2014 were 32.1% and 35.6%, respectively. Our 2014 three-month and six-month period effective income tax rates were unfavorably impacted by the sale of certain non-core assets acquired in the Metals USA acquisition. 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

Reincorporation

During the second quarter of 2015, the Company's shareholders approved the reincorporation of the Company from California by means of a merger with and into a wholly-owned Delaware subsidiary. The reincorporation did not result in any change in the business, physical location, management, assets, liabilities, net worth or number of authorized shares of the Company. The Company's common stock continues to be listed under the symbol "RS" on the New York Stock Exchange. However, the amendments to the Company's Restated Articles of Incorporation established par value of the Company's common stock and unissued preferred stock of \$0.001 per share.

Common Stock

During the three months ended June 30, 2015, we issued 112,175 shares of common stock in connection with the exercise of employee stock options for total proceeds of approximately \$4.5 million. During the six months ended June 30, 2015, we issued 221,731 shares of common stock in connection with the exercise of employee stock options for total proceeds of approximately \$10.6 million. In addition, during the six months ended June 30, 2015, we issued 258,719 shares of common stock pursuant to vested performance and time-based restricted stock units (RSUs) that were granted in 2012.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

Dividends

On July 21, 2015, our Board of Directors declared the 2015 third quarter cash dividend of \$0.40 per share. The dividend is payable on September 11, 2015 to stockholders of record as of August 14, 2015.

During the three months ended June 30, 2015, we declared and paid a quarterly dividend of \$0.40 per share, or \$29.7 million in total, compared to a quarterly dividend of \$0.35 per share, or \$27.2 million in total, for the same period in 2014. During the six months ended June 30, 2015, we declared and paid quarterly dividends of \$0.80 per share, or \$60.4 million in total, compared to quarterly dividends of \$0.70 per share, or \$54.4 million in total, for the same period in 2014. During the six months ended June 30, 2015, we also paid \$1.0 million in dividend equivalents with respect to vested RSUs.

Stock-Based Compensation

We annually grant time-based and performance-based RSUs, which have both service and performance goal criteria, to officers and key employees that generally have 3-year vesting periods. Additionally, we grant restricted stock to the non-employee members of the Board of Directors. The fair value of the RSUs and restricted stock 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 time-based and performance-based RSUs as of June 30, 2015 and changes during the period then ended is as follows:

Unvested RSUs and Restricted Stock	Shares		Weighted Average Grant Date Fair Value
Unvested at January 1, 2015	846,760	\$	65.10
Granted(1)	570,479		59.42
Vested	(75,719)		58.87
Canceled	(91,995)		58.06
Unvested at June 30, 2015	1,249,525	\$	63.31
Shares reserved for future grants (all plans)	2,088,837		

(1) 557,760 RSUs, including 225,450 performance-based RSUs, and 12,719 restricted stock grants.

Share Repurchase Plan

During the three months ended June 30, 2015, we repurchased 251,165 shares of our common stock at an average cost of \$59.97 per share for \$15.1 million through open market purchases under a plan complying with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the Exchange Act). During the six months ended June 30, 2015, we repurchased 3,438,400 shares of our common stock at an average cost of \$58.17 per share for \$200.0 million through open market purchases, including under a plan complying with Rule 10b5-1 under the Exchange Act. During the period July 1, 2015 through July 30, 2015, we repurchased an additional 1,206,586 shares at an average cost of \$59.11 per share for \$71.3 million under a plan complying with Rule 10b5-1 under the Exchange Act. Since initiating the share repurchase plan in 1994 we have purchased approximately 20.6 million shares at an average cost of \$29.17 per share. As of July 30, 2015, we had authorization to purchase an additional 2,478,247 shares (or about 3% of shares currently outstanding) under our existing share repurchase plan. Repurchased and subsequently retired shares are restored to the status of authorized but unissued shares.

Table of Contents**RELIANCE STEEL & ALUMINUM CO.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2015***Accumulated Other Comprehensive Loss*

Accumulated other comprehensive loss included the following:

	Foreign Currency Translation Loss	Unrealized Gain (Loss) on Investments, Net of Tax	Pension and Postretirement Benefit Adjustments, Net of Tax	Accumulated Other Comprehensive Loss
	(in millions)			
Balance as of January 1, 2015	\$ (23.2)	\$ 0.4	\$ (26.1)	\$ (48.9)
Current-period change	(17.0)	(0.4)		(17.4)
Balance as of June 30, 2015	\$ (40.2)	\$	\$ (26.1)	\$ (66.3)

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, 2015 and December 31, 2014.

9. Commitments and Contingencies*Environmental Contingencies*

We are currently involved with certain environmental remediation projects related to activities at former manufacturing operations of Earle M. Jorgensen Company (EMJ), our 100%-owned subsidiary, that 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

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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 other matters will be resolved without a material adverse effect on our results of operations or financial condition. We maintain liability insurance against risks arising out of our ordinary course of business.

Table of Contents**RELIANCE STEEL & ALUMINUM CO.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2015****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,	
	2015	2014	2015	2014
	(in millions, except share and per share amounts)			
Numerator:				
Net income attributable to Reliance	\$ 90.2	\$ 96.5	\$ 191.5	\$ 183.7
Denominator:				
Weighted average shares outstanding	74,316,582	77,735,301	75,710,182	77,621,983
Dilutive effect of stock-based awards	777,480	1,042,451	745,267	946,439
Weighted average diluted shares outstanding	75,094,062	78,777,752	76,455,449	78,568,422
Earnings per share attributable to Reliance stockholders:				
Diluted	\$ 1.20	\$ 1.22	\$ 2.50	\$ 2.34
Basic	\$ 1.21	\$ 1.24	\$ 2.53	\$ 2.37

The computations of earnings per share for the three months ended June 30, 2015 and 2014 do not include 39,834 and 46,255 weighted average shares for RSUs and stock options, respectively, because their inclusion would have been anti-dilutive.

The computations of earnings per share for the six months ended June 30, 2015 and 2014 do not include 123,617 and 31,940 weighted average shares for RSUs and stock options, respectively, because their inclusion would have been anti-dilutive.

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 SEC 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 guarantor subsidiaries. There are no significant restrictions on our ability to obtain funds from any of the guarantor subsidiaries by dividends or loans. The supplemental consolidating financial information has been presented in lieu of separate financial statements of the guarantors as such separate financial statements are not considered meaningful.

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

Condensed Unaudited Consolidating Balance Sheet

As of June 30, 2015

(in millions)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets					
Cash and cash equivalents	\$ 44.1	\$ 1.7	\$ 86.1	\$	\$ 131.9
Accounts receivable, net	79.1	887.6	170.4	(20.0)	1,117.1
Inventories	53.6	1,367.3	251.9		1,672.8
Income taxes receivable	63.2			(48.5)	14.7
Other current assets	126.7	36.1	16.3	(76.7)	102.4
Total current assets	366.7	2,292.7	524.7	(145.2)	3,038.9
Investments in subsidiaries	4,895.5	299.9		(5,195.4)	
Property, plant and equipment, net	104.0	1,330.9	213.7		1,648.6
Goodwill	23.8	1,570.9	137.7		1,732.4
Intangible assets, net	15.1	1,034.6	146.2		1,195.9
Intercompany receivables	1,120.2	33.7	23.2	(1,177.1)	
Other assets	25.1	44.6	5.7		75.4
Total assets	\$ 6,550.4	\$ 6,607.3	\$ 1,051.2	\$ (6,517.7)	\$ 7,691.2
Liabilities & Equity					
Accounts payable	\$ 36.6	\$ 269.5	\$ 84.9	\$ (20.0)	\$ 371.0
Accrued compensation and retirement costs	17.8	79.1	9.9		106.8
Other current liabilities	54.3	61.7	59.8	(49.4)	126.4
Deferred income taxes		75.2	0.6	(75.8)	
Current maturities of long-term debt and short-term borrowings	50.0		57.1		107.1
Total current liabilities	158.7	485.5	212.3	(145.2)	711.3
Long-term debt	2,043.5	5.7	45.1		2,094.3
Intercompany borrowings		1,023.4	153.7	(1,177.1)	
Other long-term liabilities	315.9	454.9	52.5		823.3
Total Reliance stockholders' equity	4,032.3	4,631.2	564.2	(5,195.4)	4,032.3
Noncontrolling interests		6.6	23.4		30.0
Total equity	4,032.3	4,637.8	587.6	(5,195.4)	4,062.3
Total liabilities and equity	\$ 6,550.4	\$ 6,607.3	\$ 1,051.2	\$ (6,517.7)	\$ 7,691.2

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

Condensed Unaudited Consolidating Balance Sheet

As of December 31, 2014

(in millions)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets					
Cash and cash equivalents	\$ 41.9	\$ (8.3)	\$ 72.6	\$	\$ 106.2
Accounts receivable, net	72.7	923.1	164.8	(16.0)	1,144.6
Inventories	57.6	1,454.2	240.3		1,752.1
Other current assets	139.3	38.5	16.1	(75.7)	118.2
Total current assets	311.5	2,407.5	493.8	(91.7)	3,121.1
Investments in subsidiaries	4,891.8	299.9		(5,191.7)	
Property, plant and equipment, net	103.8	1,333.7	218.9		1,656.4
Goodwill	23.8	1,571.0	141.6		1,736.4
Intangible assets, net	16.1	1,056.7	154.6		1,227.4
Intercompany receivables	1,361.7	26.1	18.2	(1,406.0)	
Other assets	22.7	52.5	5.9		81.1
Total assets	\$ 6,731.4	\$ 6,747.4	\$ 1,033.0	\$ (6,689.4)	\$ 7,822.4
Liabilities & Equity					
Accounts payable	\$ 29.2	\$ 212.3	\$ 60.6	\$ (15.6)	\$ 286.5
Accrued compensation and retirement costs	23.9	89.9	14.6		128.4
Other current liabilities	65.2	26.1	62.6	0.1	154.0
Deferred income taxes		75.1	0.6	(75.7)	
Current maturities of long-term debt and short-term borrowings	43.8		50.1		93.9
Total current liabilities	162.1	403.4	188.5	(91.2)	662.8
Long-term debt	2,156.6	5.7	45.8		2,208.1
Intercompany borrowings		1,242.5	163.5	(1,406.0)	
Other long-term liabilities	313.7	456.2	54.1	(0.4)	823.6
Total Reliance stockholders' equity	4,099.0	4,633.4	558.4	(5,191.8)	4,099.0
Noncontrolling interests		6.2	22.7		28.9
Total equity	4,099.0	4,639.6	581.1	(5,191.8)	4,127.9
Total liabilities and equity	\$ 6,731.4	\$ 6,747.4	\$ 1,033.0	\$ (6,689.4)	\$ 7,822.4

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

Condensed Unaudited Consolidating Statement of Comprehensive Income

For the Three Months Ended June 30, 2015

(in millions)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	\$ 185.6	\$ 2,069.2	\$ 219.4	\$ (50.5)	\$ 2,423.7
Costs and expenses:					
Cost of sales (exclusive of depreciation and amortization shown below)	128.4	1,521.4	168.6	(50.6)	1,767.8
Warehouse, delivery, selling, general and administrative	41.5	379.9	37.2	(17.8)	440.8
Depreciation and amortization	3.9	45.3	5.7		54.9
	173.8	1,946.6	211.5	(68.4)	2,263.5
Operating income	11.8	122.6	7.9	17.9	160.2
Other income (expense):					
Interest	(20.6)	(5.1)	(1.8)	6.0	(21.5)
Other income (expense), net	18.5	(0.7)	3.3	(23.9)	(2.8)
Income before equity in earnings of subsidiaries and income taxes	9.7	116.8	9.4		135.9
Equity in earnings of subsidiaries	74.0	2.6		(76.6)	
Income before income taxes	83.7	119.4	9.4	(76.6)	135.9
Income tax (benefit) provision	(6.5)	45.7	5.1		44.3
Net income	90.2	73.7	4.3	(76.6)	91.6
Less: Net income attributable to noncontrolling interests		1.3	0.1		1.4
Net income attributable to Reliance	\$ 90.2	\$ 72.4	\$ 4.2	\$ (76.6)	\$ 90.2
Comprehensive income attributable to Reliance	\$ 97.6	\$ 76.8	\$ 6.3	\$ (83.1)	\$ 97.6

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

Condensed Unaudited Consolidating Statement of Comprehensive Income

For the Three Months Ended June 30, 2014

(in millions)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	\$ 191.8	\$ 2,311.4	\$ 173.6	\$ (60.0)	\$ 2,616.8
Costs and expenses:					
Cost of sales (exclusive of depreciation and amortization shown below)	136.0	1,738.6	128.9	(60.0)	1,943.5
Warehouse, delivery, selling, general and administrative	42.6	387.6	31.1	(16.4)	444.9
Depreciation and amortization	5.0	42.9	4.8		52.7
	183.6	2,169.1	164.8	(76.4)	2,441.1
Operating income	8.2	142.3	8.8	16.4	175.7
Other income (expense):					
Interest	(19.3)	(7.6)	(1.3)	8.0	(20.2)
Other income (expense), net	23.1	0.4	(0.4)	(24.4)	(1.3)
Income before equity in earnings of subsidiaries and income taxes	12.0	135.1	7.1		154.2
Equity in earnings of subsidiaries	76.5	3.8		(80.3)	
Income before income taxes	88.5	138.9	7.1	(80.3)	154.2
Income tax (benefit) provision	(8.0)	61.4	3.0		56.4
Net income	96.5	77.5	4.1	(80.3)	97.8
Less: Net income attributable to noncontrolling interests		1.2	0.1		1.3
Net income attributable to Reliance	\$ 96.5	\$ 76.3	\$ 4.0	\$ (80.3)	\$ 96.5
Comprehensive income attributable to Reliance	\$ 110.7	\$ 84.8	\$ 17.5	\$ (102.3)	\$ 110.7

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

Condensed Unaudited Consolidating Statement of Comprehensive Income

For the Six Months Ended June 30, 2015

(in millions)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	\$ 377.7	\$ 4,306.3	\$ 457.3	\$ (103.2)	\$ 5,038.1
Costs and expenses:					
Cost of sales (exclusive of depreciation and amortization shown below)	283.5	3,182.3	349.0	(103.3)	3,711.5
Warehouse, delivery, selling, general and administrative	81.4	765.3	74.6	(34.4)	886.9
Depreciation and amortization	9.0	89.8	11.4		110.2
	373.9	4,037.4	435.0	(137.7)	4,708.6
Operating income	3.8	268.9	22.3	34.5	329.5
Other income (expense):					
Interest	(40.2)	(11.0)	(3.3)	12.4	(42.1)
Other income (expense), net	37.4	(0.4)	9.0	(46.9)	(0.9)
Income before equity in earnings of subsidiaries and income taxes	1.0	257.5	28.0		286.5
Equity in earnings of subsidiaries	172.8	6.1		(178.9)	
Income before income taxes	173.8	263.6	28.0	(178.9)	286.5
Income tax (benefit) provision	(17.7)	100.7	9.0		92.0
Net income	191.5	162.9	19.0	(178.9)	194.5
Less: Net income attributable to noncontrolling interests		2.7	0.3		3.0
Net income attributable to Reliance	\$ 191.5	\$ 160.2	\$ 18.7	\$ (178.9)	\$ 191.5
Comprehensive income attributable to Reliance	\$ 174.1	\$ 146.9	\$ 0.5	\$ (147.4)	\$ 174.1

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

Condensed Unaudited Consolidating Statement of Comprehensive Income

For the Six Months Ended June 30, 2014

(in millions)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	\$ 374.2	\$ 4,556.3	\$ 361.2	\$ (121.9)	\$ 5,169.8
Costs and expenses:					
Cost of sales (exclusive of depreciation and amortization shown below)	282.1	3,417.2	271.9	(121.9)	3,849.3
Warehouse, delivery, selling, general and administrative	87.7	768.7	62.3	(32.8)	885.9
Depreciation and amortization	9.5	85.8	9.3		104.6
	379.3	4,271.7	343.5	(154.7)	4,839.8
Operating (loss) income	(5.1)	284.6	17.7	32.8	330.0
Other income (expense):					
Interest	(38.5)	(13.8)	(2.5)	14.4	(40.4)
Other income (expense), net	43.6	0.2	2.1	(47.2)	(1.3)
Income before equity in earnings of subsidiaries and income taxes		271.0	17.3		288.3
Equity in earnings of subsidiaries	161.2	6.6		(167.8)	
Income before income taxes	161.2	277.6	17.3	(167.8)	288.3
Income tax (benefit) provision	(22.5)	118.2	6.9		102.6
Net income	183.7	159.4	10.4	(167.8)	185.7
Less: Net income attributable to noncontrolling interests		1.9	0.1		2.0
Net income attributable to Reliance	\$ 183.7	\$ 157.5	\$ 10.3	\$ (167.8)	\$ 183.7
Comprehensive income attributable to Reliance	\$ 189.1	\$ 158.5	\$ 14.7	\$ (173.2)	\$ 189.1

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

Condensed Unaudited Consolidating Cash Flow Statement

For the Six Months Ended June 30, 2015

(in millions)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash provided by operating activities	\$ 130.1	\$ 304.2	\$ 29.6	\$	\$ 463.9
Investing activities:					
Purchases of property, plant and equipment	(7.4)	(65.0)	(4.7)		(77.1)
Net repayments from subsidiaries	241.5			(241.5)	
Other investing activities, net		(1.5)			(1.5)
Net cash provided by (used in) investing activities	234.1	(66.5)	(4.7)	(241.5)	(78.6)
Financing activities:					
Net short-term debt borrowings			6.8		6.8
Proceeds from long-term debt borrowings	412.0				412.0
Principal payments on long-term debt	(520.8)	(1.0)			(521.8)
Dividends and dividend equivalents paid	(61.4)				(61.4)
Share repurchases	(200.0)				(200.0)
Net intercompany repayments		(226.7)	(14.8)	241.5	
Other financing activities, net	8.2		(1.9)		6.3
Net cash used in financing activities	(362.0)	(227.7)	(9.9)	241.5	(358.1)
Effect of exchange rate changes on cash and cash equivalents			(1.5)		(1.5)
Increase in cash and cash equivalents	2.2	10.0	13.5		25.7
Cash and cash equivalents at beginning of year	41.9	(8.3)	72.6		106.2
Cash and cash equivalents at end of period	\$ 44.1	\$ 1.7	\$ 86.1	\$	\$ 131.9

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	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash provided by (used in) operating activities	\$ 167.8	\$ (63.2)	\$ 4.9	\$	\$ 109.5
Investing activities:					
Purchases of property, plant and equipment	(10.4)	(72.7)	(3.8)		(86.9)
Net advances to subsidiaries	(123.0)			123.0	
Other investing activities, net	0.1	(9.1)	26.2		17.2
Net cash (used) in provided by investing activities	(133.3)	(81.8)	22.4	123.0	(69.7)
Financing activities:					
Net short-term debt repayments			(3.6)		(3.6)
Proceeds from long-term debt borrowings	297.0				297.0
Principal payments on long-term debt	(269.5)	(0.8)			(270.3)
Dividends and dividend equivalents paid	(54.4)				(54.4)
Net intercompany borrowings (repayments)		137.5	(14.5)	(123.0)	
Other financing activities, net	22.1	(1.9)			20.2
Net cash (used in) provided by financing activities	(4.8)	134.8	(18.1)	(123.0)	(11.1)
Effect of exchange rate changes on cash and cash equivalents			1.2		