

FORM 10-Q  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

(Mark one)

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

For the quarterly period ended March 31, 2001

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 0-22462

Gibraltar Steel Corporation  
(Exact name of Registrant as specified in its charter)

Delaware 16-1445150  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

3556 Lake Shore Road, P.O. Box 2028, Buffalo, New York 14219-0228  
(Address of principal executive offices)

(716) 826-6500  
(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 .

As of March 31, 2001, the number of common shares outstanding was: 12,579,147.

GIBRALTAR STEEL CORPORATION

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**GIBRALTAR STEEL CORPORATION**

**CONDENSED CONSOLIDATED BALANCE SHEET**  
(in thousands)

	March 31, 2001 (unaudited)	December 31, 2000 (audited)
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 3,161	\$ 1,701
Accounts receivable	92,395	78,358
Inventories	92,316	100,987
Other current assets	7,271	6,548
Total current assets	195,143	187,594
Property, plant and equipment, net	234,150	229,159
Goodwill	135,839	130,368
Other assets	9,200	8,925
	\$ 574,332	\$ 556,046
	=====	=====
<u>Liabilities and Shareholders' Equity</u>		
Current liabilities:		
Accounts payable	\$ 48,973	\$ 39,285
Accrued expenses	14,073	15,575
Current maturities of long-term debt	327	327
Total current liabilities	63,373	55,187
Long-term debt	261,730	255,526
Deferred income taxes	34,807	34,325
Other non-current liabilities	4,277	2,660
Shareholders' equity		
Preferred shares	-	-
Common shares	126	126
Additional paid-in capital	68,673	68,475
Retained earnings	142,255	139,747
Accumulated comprehensive loss	(909)	-
Total shareholders' equity	210,145	208,348
	\$ 574,332	\$ 556,046
	=====	=====

See accompanying notes to financial statements

GIBRALTAR STEEL CORPORATION

**CONDENSED CONSOLIDATED STATEMENT OF INCOME**  
(in thousands, except per share data)

	Three Months Ended March 31,	
	<u>2001</u>	<u>2000</u>
	(unaudited)	
Net sales	\$ 150,550	\$ 167,634
Cost of sales	<u>122,065</u>	<u>133,086</u>
Gross profit	28,485	34,548
Selling, general and administrative expense	<u>18,743</u>	<u>20,230</u>
Income from operations	9,742	14,318
Interest expense	<u>4,892</u>	<u>4,208</u>
Income before taxes	4,850	10,110
Provision for income taxes	<u>1,964</u>	<u>4,095</u>
Net income	\$ 2,886 =====	\$ 6,015 =====
Net income per share-Basic	\$ .23 =====	\$ .48 =====
Weighted average shares outstanding-Basic	12,577 =====	12,579 =====
Net income per share-Diluted	\$ .23 =====	\$ .47 =====
Weighted average shares outstanding-Diluted	12,681 =====	12,717 =====

See accompanying notes to financial statements

**GIBRALTAR STEEL CORPORATION**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
(in thousands)

	Three Months Ended March 31,	
	<u>2001</u>	<u>2000</u>
	(unaudited)	
<u>Cash flows from operating activities</u>		
Net income	\$ 2,886	\$ 6,015
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,670	5,116
Provision for deferred income taxes	1,241	81
Undistributed equity investment income	138	(318)
Other noncash adjustments	29	29
Increase (decrease) in cash resulting from changes in (net of acquisitions):		
Accounts receivable	(13,409)	(14,974)
Inventories	8,671	(3,185)
Other current assets	(1,153)	(165)
Accounts payable and accrued expenses	6,946	5,431
Other assets	<u>(503)</u>	<u>(329)</u>
Net cash provided by (used in) operating activities	<u>10,516</u>	<u>(2,299)</u>
<u>Cash flows from investing activities</u>		
Acquisitions, net of cash acquired	(10,832)	-
Purchases of property, plant and equipment	(5,372)	(5,302)
Net proceeds from sale of property and equipment	<u>152</u>	<u>7,114</u>
Net cash (used in) provided by investing activities	<u>(16,052)</u>	<u>1,812</u>
<u>Cash flows from financing activities</u>		
Long-term debt reduction	(9,699)	(14,771)
Proceeds from long-term debt	16,903	13,872
Payment of dividends	(377)	(314)
Net proceeds from issuance of common stock	<u>169</u>	<u>35</u>
Net cash provided by (used in) financing activities	<u>6,996</u>	<u>(1,178)</u>
Net increase (decrease) in cash and cash equivalents	1,460	(1,665)
Cash and cash equivalents at beginning of year	<u>1,701</u>	<u>4,687</u>
Cash and cash equivalents at end of period	\$ 3,161 =====	\$ 3,022 =====

See accompanying notes to financial statements

**GIBRALTAR STEEL CORPORATION**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

**1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying condensed consolidated financial statements as of March 31, 2001 and 2000 have been prepared by the Company without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations and cash flows at March 31, 2001 and 2000 have been included.

Certain information and footnote disclosures including significant accounting policies normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements included in the Company's Annual Report to Shareholders for the year ended December 31, 2000.

The results of operations for the three month period ended March 31, 2001 are not necessarily indicative of the results to be expected for the full year.

**2. INVENTORIES**

Inventories consist of the following:

	(in thousands)	
	March 31, 2001 (unaudited)	December 31, 2000 (audited)
Raw material	\$ 45,688	\$ 54,640
Finished goods and work-in-process	<u>46,628</u>	<u>46,347</u>
Total inventories	\$ 92,316 =====	\$100,987 =====

### 3. SHAREHOLDERS' EQUITY

The changes in shareholders' equity consist of:

(in thousands)

	<u>Common Shares</u>	<u>Shares Amount</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Comprehensive Loss</u>
December 31, 2000	12,567	\$ 126	\$ 68,475	\$139,747	\$ -
Implementation of FAS 133	-	-	-	-	(191)
Net Income	-	-	-	2,886	-
Stock options exercised	12	-	169	-	-
Earned portion of Restricted Stock	-	-	29	-	-
Cash dividends- \$.03 per share	-	-	-	(378)	-
Interest rate swap adjustments	-	-	-	-	(718)
March 31, 2001	12,579	\$ 126	\$ 68,673	\$142,255	\$ (909)

On January 1, 2001, the Company implemented the provisions of Statement of Financial Accounting Standards No. 133 *Accounting for Derivative Instruments and Hedging Activities* (FAS 133) and recognized the fair value of its interest rate swap agreements as other non-current liabilities. Gains or losses from changes in the fair value of the swap agreements are recorded, net of taxes, as components of Accumulated Comprehensive Loss.

### 4. EARNINGS PER SHARE

Basic net income per share equals net income divided by the weighted average shares outstanding for the three months ended March 31, 2001 and 2000. The computation of diluted net income per share includes all dilutive common stock equivalents in the weighted average shares outstanding.

Options to purchase 1,139,344 shares of the Company's common stock are outstanding as of March 31, 2001 and are exercisable at prices ranging from \$10.00 to \$22.50 per share. Included in diluted shares are common stock equivalents relating to options of 103,461 and 137,719 for 2001 and 2000, respectively.

## 5. ACQUISITIONS

On February 13, 2001, the Company purchased all the outstanding capital stock of Pennsylvania Industrial Heat Treaters, Inc. (PIHT) for approximately \$11 million, net of cash acquired. PIHT provides metallurgical heat treating services and specializes in heat treating powdered metal parts.

On July 17, 2000, the Company purchased all the outstanding capital stock of Milcor Limited Partnership (Milcor) for approximately \$43 million in cash. Milcor manufactures a complete line of metal building products, including registers, vents, bath cabinets, access doors, roof hatches and telescoping doors.

These acquisitions have been accounted for under the purchase method with the results of their operations consolidated with the Company's results of operations from the respective acquisition dates. The aggregate excess of the purchase prices of these acquisitions over the fair market values of the net assets of the acquired companies is being amortized over 35 years from the acquisition dates using the straight-line method.

The following information presents the pro forma consolidated condensed results of operations as if the acquisitions had occurred on January 1, 2000. The pro forma amounts may not be indicative of the results that actually would have been achieved had the acquisitions occurred as of January 1, 2000 and are not necessarily indicative of future results of the combined companies.

	(in thousands, except per share data)	
	Three Months Ended	
	March 31	
	<u>2001</u>	<u>2000</u>
	(unaudited)	
Net sales	\$ 151,210	\$ 181,251
	=====	=====
Income before taxes	\$ 1,988	\$ 10,563
	=====	=====
Net income	\$ 2,921	\$ 6,284
	=====	=====
Net income per share-Basic	.23	.50
	=====	=====

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Net sales of \$150.6 million for the first quarter ended March 31, 2001, which included net sales of Milcor (acquired July 17, 2000) and PIHT (acquired February 13, 2001)(collectively, the Acquisitions), decreased 10.2% from net sales of \$167.6 million for the prior year's first quarter. This decrease was due to economic conditions, primarily automotive industry related.

Cost of sales as a percentage of net sales increased to 81.1% for the quarter ended March 31, 2001 from 79.4% for the prior year's quarter, primarily due to higher labor, fringe and utility costs.

Selling, general and administrative expenses decreased by approximately \$1.5 million for the first quarter of 2001 primarily due to decreases in incentive based compensation offset by increases from the Acquisitions.

Interest expense for the first quarter ended March 31, 2001 increased by \$.7 million from the same period in 2000 primarily due to higher interest rates in effect and higher average borrowings during 2001 to finance the Acquisitions and capital expenditures.

As a result of the above, income before taxes decreased by \$5.3 million for the first quarter ended March 31, 2001 from the same period of 2000.

Income taxes for the first quarter ended March 31, 2001 approximated \$2.0 million and were based on a 40.5% effective tax rate.

Liquidity and Capital Resources

Shareholders' equity increased by approximately \$2 million at March 31, 2001 to \$210 million. During the first three months of 2001, the Company's working capital remained constant at approximately \$132 million.

The Company's principal capital requirements are to fund its operations, including working capital, the purchase and funding of improvements to its facilities, machinery and equipment and to fund acquisitions.

Net cash provided by operations of \$10.5 million resulted primarily from net income of \$2.9 million, depreciation and amortization of \$5.7 million, and decreases in inventories of \$8.7 million and increases in accounts payable and accrued expenses of \$6.9 million offset by increases in accounts receivable of \$13.4 million due to increased sales in March 2001 compared to December 2000.

The \$10.5 million of net cash provided by operations and the \$7.2 million in net borrowings under the Company's revolving credit facility were used to fund the \$10.8 million acquisition of PIHT, capital expenditures of \$5.4 million and cash dividends of \$.4 million.

At March 31, 2001 the Company's revolving credit facility available approximated \$310 million, with borrowings of approximately \$256 million and an additional availability of approximately \$54 million.

The Company believes that availability of funds under its credit facilities together with cash generated from operations will be sufficient to provide the Company with the liquidity and capital resources necessary to support its existing operations.

#### Safe Harbor Statement

The Company wishes to take advantage of the Safe Harbor provisions included in the Private Securities Litigation Reform Act of 1995 (the "Act"). Statements by the Company, other than historical information, constitute "forward looking statements" within the meaning of the Act and may be subject to a number of risk factors. Factors that could affect these statements include, but are not limited to, the following: the impact of changing steel prices on the Company's results of operations; changing demand for the Company's products and services; and changes in interest or tax rates.



PART II. OTHER INFORMATION

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

1. Exhibits

- a. Exhibit 10.1 - First Amendment Dated March 30, 2001 to Third Amended and Restated Credit Agreement Dated September 29, 2000 among Gibraltar Steel Corporation, Gibraltar Steel Corporation of New York, Chase Manhattan Bank, N.A., as Administrative Agent, and various Financial Institutions that are signatories thereto

2. Reports on Form 8-K. There were no reports on Form 8-K during the three months ended March 31, 2001.

SIGNATURES

Pursuant to the requirements 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.

GIBRALTAR STEEL CORPORATION  
(Registrant)

By /x/ Brian J. Lipke  
Brian J. Lipke  
Chief Executive Officer and  
Chairman of the Board

By /x/ Walter T. Erazmus  
Walter T. Erazmus  
President

By /x/ John E. Flint  
Vice President  
Chief Financial Officer  
(Principal Financial and  
Chief Accounting Officer)

Date May 11, 2001