

STEEL DYNAMICS INC  
Form 10-Q  
May 10, 2006

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

**FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended March 31, 2006

OR

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File Number 0-21719

**Steel Dynamics, Inc.**

(Exact name of registrant as specified in its charter)

**Indiana**

(State or other jurisdiction of incorporation or organization)

**35-1929476**

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

**6714 Pointe Inverness Way, Suite 200, Fort Wayne, IN**  
(Address of principal executive offices)

**46804**  
(Zip Code)

Registrant's telephone number, including area code: **(260) 459-3553**

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer (see definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act).

(Check one): Large accelerated filer  Accelerated filer  Non-accelerated filer

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 May 5, 2006, Registrant had 48,675,685 outstanding shares of Common Stock.

**STEEL DYNAMICS, INC.**  
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**STEEL DYNAMICS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share data)

	March 31, 2006 (Unaudited)	December 31, 2005
<b>Assets</b>		
Current assets:		
Cash and equivalents	\$ 195,705	\$ 65,518
Accounts receivable, net	229,124	202,878
Accounts receivable-related parties	31,771	38,830
Inventories	381,505	398,684
Deferred taxes	6,950	6,516
Other current assets	13,300	13,307
Total current assets	858,355	725,733
Property, plant and equipment, net	990,506	999,969
Restricted cash	2,139	1,588
Other assets	30,619	30,397
Total assets	\$ 1,881,619	\$ 1,757,687
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 178,501	\$ 111,067
Accounts payable-related parties	1,614	4,475
Other accrued expenses	63,041	89,479
Current maturities of long-term debt	1,072	2,156
Total current liabilities	244,228	207,177
Long-term debt		
Senior unsecured 9.5% notes	300,000	300,000
Subordinated convertible 4.0% notes	110,000	115,000
Other long-term debt	17,807	17,960
Unamortized bond premium	5,037	5,459
	432,844	438,419
Deferred taxes	231,668	231,105
Minority interest	1,357	1,118
Commitments and contingencies		
Stockholders equity:		
Common stock voting, \$.01 par value; 100,000,000 shares authorized; 53,617,457 and 53,055,720 shares issued, and 44,061,455 and 43,183,989 shares outstanding, as of March 31, 2006 and December 31, 2005, respectively	534	529
Treasury stock, at cost; 9,556,002 and 9,871,731 shares, at March 31, 2006 and December 31, 2005, respectively	(262,241	) (270,905
Additional paid-in capital	421,648	405,900
Retained earnings	811,581	744,344
Total stockholders equity	971,522	879,868
Total liabilities and stockholders equity	\$ 1,881,619	1,757,687

See notes to consolidated financial statements.



**STEEL DYNAMICS, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**  
**(in thousands, except per share data)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	<b>2005</b>
	<b>2006</b>	
Net sales		
Unrelated parties	\$ 608,618	\$ 500,846
Related parties	57,260	69,860
Total net sales	665,878	570,706
Costs of goods sold	506,391	441,929
Gross profit	159,487	128,777
Selling, general and administrative expenses	28,375	22,454
Operating income	131,112	106,323
Interest expense	8,136	8,077
Other income, net	(681 )	(578 )
Income before income taxes	123,657	98,824
Income taxes	47,608	38,047
Net income	\$ 76,049	\$ 60,777
Basic earnings per share	\$ 1.75	\$ 1.27
Weighted average common shares outstanding	43,517	47,703
Diluted earnings per share, including effect of assumed conversions	\$ 1.52	\$ 1.12
Weighted average common shares and share equivalents outstanding	50,336	54,828
Dividends declared per share	\$ .20	\$ .10

See notes to consolidated financial statements.

**STEEL DYNAMICS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
(in thousands)

	Three Months Ended March 31,	
	2006	2005
<b>Operating activities:</b>		
Net income	\$ 76,049	\$ 60,777
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	24,917	21,830
Deferred income taxes	128	13,033
Loss on disposal of property, plant and equipment	46	
Minority interest	239	119
Changes in certain assets and liabilities:		
Accounts receivable	(19,187 )	(13,932 )
Inventories	17,179	(14,147 )
Other assets	3,020	10,519
Accounts payable	60,079	10,843
Accrued expenses	(26,438 )	(34,067 )
Net cash provided by operating activities	136,032	54,975
<b>Investing activities:</b>		
Purchase of property, plant and equipment	(14,585 )	(19,141 )
Purchase of short-term investments	(14,075 )	
Maturities of short-term investments	9,375	
Net cash used in investing activities	(19,285 )	(19,141 )
<b>Financing activities:</b>		
Issuance of long-term debt		61,308
Repayment of long-term debt	(6,658 )	(40,511 )
Issuance of common stock (net of expenses) and proceeds and tax benefits from exercise of stock options	15,753	12,364
Issuance (purchase) of treasury stock	8,664	(76,700 )
Dividends paid	(4,319 )	(4,882 )
Net cash provided by (used in) financing activities	13,440	(48,421 )
Increase (decrease) in cash and equivalents	130,187	(12,587 )
Cash and equivalents at beginning of period	65,518	16,334
Cash and equivalents at end of period	\$ 195,705	\$ 3,747
<b>Supplemental disclosure information:</b>		
Cash paid for interest	\$ 14,268	\$ 14,057
Cash paid for federal and state income taxes	\$ 1,176	\$ 170

See notes to consolidated financial statements.