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Tree Island Steel Announces Third Quarter 2013 Results

VANCOUVER, BRITISH COLUMBIA--(Marketwired - Nov. 7, 2013) - Tree Island Steel Ltd. (TSX:TSL)(TSX:TSL.DB) -

Q3 2013 versus Q2 2012 Financial Highlights:

- Volumes up by 21.1% at 29,345 tons
- Revenue increases by 14.8% to \$39.0 million
- Gross Profit at \$3.9 million or 10.0% of revenues
- EBITDA² increases by 55.3% to \$1.6 million

Tree Island Steel Ltd. ("Tree Island" or the "Company") (TSX:TSL)(TSX:TSL.DB) announced today its financial results for the three and nine month periods ended September 30, 2013¹.

For the three-month period ended September 30, 2013, revenues increased to \$39.0 million versus \$34.0 million during the third quarter in 2012. Volumes also increased by 21.1% in the third quarter to 29,345 tons, primarily due to increasing demand for industrial and construction products in the Company's markets. Gross profit continued to strengthen in the quarter, amounting to \$3.9 million, representing an 11.7% improvement when compared to \$3.5 million in the corresponding period in 2012. Gross margin decreased slightly to 10.0% from 10.3%, along with gross profit per ton, which decreased to \$133 per ton, from \$144 per ton in the same period in 2012. These decreases were more than offset by the increase in the volume experienced in the quarter, and were a result of market pressure on prices and a focus to grow volume in key markets. These strategies resulted in EBITDA increasing by 55.3% to \$1.6 million, or \$53 per ton, compared to \$1.0 million and \$41 per ton, respectively, during the corresponding period in 2012. The improvements in revenues, volumes, and EBITDA are the result of ongoing focus on profitable growth, cost management and operational efficiencies.

For the nine-month period ended September 30, 2013, revenues amounted to \$117.7 million on 86,107 tons, compared to \$117.6 million on 80,825 tons during the same period in 2012. The higher revenues in 2013 primarily reflect increased volumes particularly in the Industrial and commercial construction market segments. The growth in volume was partially reduced by price adjustments that were in line with corresponding raw material cost reductions, coupled with product mix changes and competitive factors in certain business lines. Gross profit increased to \$13.5 million at a margin of 11.5%, compared to \$11.7 million or 10.0%, while gross profit per ton also increased to \$157 per ton versus \$145 per ton in the corresponding period in 2012. During the period, EBITDA increased by 32.0% to \$6.2 million versus \$4.7 million during the corresponding period last year.

"The third quarter and year-to-date financial results are indicative of our success in remaining focused on our ongoing priorities such as cost management and operational efficiencies, while growing revenues by leveraging Tree Island's brand and quality where we can ultimately realize profitable growth," said Dale R. MacLean, President and CEO of Tree Island Steel. "We continue to see strength and momentum in demand building up in some of our key end markets in the U.S., which combined with our internal priorities leads us to maintain a cautiously optimistic view in the near to mid-term."

Amar S. Doman, Chairman of Tree Island Steel noted, "I am pleased to see key metrics continuing to move in the right direction with revenues and profits increasing on a year-over-year basis. Tree Island is perfectly positioned to benefit from, and service the demand in any of its growing and recovering end markets."

Summary of Results

<i>(\$000's except for tonnage and per unit amounts, unaudited)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Sales Volumes - Tons	29,345	24,242	86,107	80,825
Sales	\$ 39,003	\$ 33,962	\$ 117,690	\$ 117,581
Cost of sales	(34,379)	(29,697)	(101,990)	(103,564)
Depreciation	(728)	(778)	(2,172)	(2,299)
Gross profit	3,896	3,487	13,528	11,718
Selling, general and administrative expenses	(3,074)	(3,267)	(9,482)	(9,306)
Operating income	822	220	4,046	2,412
Foreign exchange gain (loss)	(23)	163	109	75
Gain (loss) on sale of property, plant and equipment	(42)	3	(42)	430
Gain on sale of subsidiary	231	-	231	-
Changes in financial liabilities recognized at fair value	(8)	(727)	12	(727)
Gain on renegotiated debt	-	-	-	17,805

Financing Expenses	(1,476)	(1,422)	(4,400)	(5,975)
Income (loss) before income taxes	(496)	(1,763)	(44)	14,020
Income tax recovery (expense)	453	(228)	54	(1,304)
Net (Loss) Income	(43)	(1,991)	10	12,716
Operating income	822	220	4,046	2,412
Add back depreciation	728	778	2,172	2,299
EBITDA^(a)	1,550	998	6,218	4,711
Foreign exchange gain (loss)	(23)	163	109	75
EBITDA including foreign exchange	1,527	1,161	6,327	4,786
Net (Loss) Income	(43)	(1,991)	10	12,716
<i>Add back significant non-cash items</i>				
Non-cash financing expenses	723	634	2,087	3,313
Non-cash (gain) loss on renegotiated debt	-	-	-	(17,805)
Changes in financial liabilities recognized at fair value	(8)	727	(12)	727
Deferred income tax expense	(438)	224	(68)	1,407
Adjusted net income (loss)^(a)	234	(406)	2,017	358
Per share / unit				
Net (loss) income per share / unit - basic	(0.00)	(0.09)	0.00	0.57
Net (loss) income per share / unit - diluted	(0.00)	(0.09)	0.00	0.27
Per ton				
Gross profit per ton	133	144	157	145
EBITDA per ton	53	41	72	58
			As at September	As at December
			30,	31,
Financial position			2013	2012
Total assets			\$ 84,639	\$ 81,102
Total non-current financial liabilities			\$ 29,977	\$ 29,790

(a) See definition of EBITDA and Adjusted Net Income in footnote 2 to the press release

About Tree Island Steel

Tree Island Steel, headquartered in Richmond, British Columbia, since 1964, through its four operating facilities in Canada and the United States, produces wire products for a diverse range of industrial, residential construction, commercial construction, agricultural, and specialty applications. Its products include galvanized wire, bright wire; a broad array of fasteners, including packaged, collated and bulk nails; stucco reinforcing products; concrete reinforcing mesh; fencing and other fabricated wire products. The Company markets these products under the Tree Island, Halsteel, K-Lath, Industrial Alloys, TI Wire, and Tough Strand and Select Brand names. The Company also owns and operates a China-based company that assists the international sourcing of products to Tree Island and its customers.

Forward-Looking Statements

This press release includes forward-looking information with respect to Tree Island including its business, operations and strategies, as well as financial performance and conditions. The use of forward-looking words such as, "may," "will," "expect" or similar variations generally identify such statements. Any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Although management believes that expectations reflected in forward-looking statements are reasonable, such statements involve risks and uncertainties including risks and uncertainties discussed under the heading "Risk Factors" in Tree Island's most recent annual information form and management discussion and analysis.

The forward looking statements contained herein reflect management's current beliefs and are based upon certain assumptions that management believes to be reasonable based on the information currently available to management. By their very nature, forward looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward looking statements. In evaluating these statements, prospective investors should specifically consider various factors including the risks outlined in the Fund's most recent annual information form and management discussion and analysis which may cause actual results to differ materially from any forward looking statement. Such risks and uncertainties include, but are not limited to: general economic, market and business conditions, the cyclical nature of our business and demand for our products, financial condition of our customers, competition, volume and price pressure from import competition, deterioration in the Company's liquidity, disruption in the supply of raw materials, volatility in the costs of raw materials, significant exposure to the Western United States due to lack of geographic diversity, dependence on the construction industry, transportation costs, foreign exchange fluctuations, leverage and restrictive covenants, labour relations, trade actions, dependence on key personnel and skilled workers, reliance on key customers, intellectual property risks, energy costs, un-insured loss, credit risk, operating risk, management of growth, changes in tax, environmental and other legislation, and other risks and uncertainties set forth in our publicly filed materials.

This press release has been reviewed by the Company's Board of Directors and its Audit Committee, and contains information that is current as of the date of this press release, unless otherwise noted. Events occurring after that date could render the information contained herein inaccurate or misleading in a material respect. Readers are cautioned not to place undue reliance on this forward-looking information and management of the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise except as required by applicable securities laws.

1. Please refer to our Q3 2013 MD&A for further information.

2. References made above to "EBITDA" are to operating profit plus depreciation and references to "Adjusted Net Income" are to net income per IFRS adjusted for certain non-cash items including non-cash financing expenses, changes in fair value of convertible instruments, and deferred income tax. EBITDA is a measure used by many investors to compare issuers on the basis of ability to generate cash flows from operations. Adjusted Net Income is a measure for investors to understand the impact of significant non-cash items that affect our results from operations. Neither EBITDA nor Adjusted Net Income are earnings measures recognized by IFRS and do not have a standardized meaning prescribed by IFRS. We believe that EBITDA and Adjusted Net Income are important supplemental measure in evaluating the Fund's performance. You are cautioned that EBITDA and Adjusted Net Income should not be construed as alternatives to net income or loss, determined in accordance with IFRS, or as indicators of performance. Our method of calculating EBITDA and Adjusted Net Income may differ from methods used by other issuers and, accordingly, our EBITDA or Adjusted Net Income may not be comparable to similar measures presented by other issuers.

Tree Island Steel Ltd.**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***(in thousands of Canadian dollars, unaudited)*

	September 30 2013	December 31 2012
Assets		
<i>Current</i>		
Cash	2,114	2,371
Accounts receivable	18,153	11,984
Inventories	32,807	32,732
Prepaid expenses	1,422	2,200
	54,496	49,287
<i>Property, plant and equipment</i>	29,968	31,592
<i>Other non-current assets</i>	175	223
	84,639	81,102
Liabilities		
<i>Current</i>		
Senior Revolving Facility	14,299	10,785
Accounts payable and accrued liabilities	8,863	9,649
Income taxes payable	814	1,346
Other current liabilities	104	83
Fair value of convertible instruments	275	312
Current portion of long-term debt	1,834	1,748
	26,189	23,923
<i>Convertible Debentures</i>	16,315	15,634
<i>Senior Term Loan</i>	3,917	4,292
<i>Long-term debt</i>	9,563	9,639
<i>Finance Lease</i>	42	87
<i>Other non-current liabilities</i>	415	449
<i>Deferred income taxes</i>	1,905	1,973
	58,346	55,997
Shareholders' Equity	26,293	25,105
	84,639	81,102

Tree Island Steel Ltd.**CONSOLIDATED STATEMENT OF OPERATIONS***(In thousands of Canadian dollars, except share / units and per-share / unit amounts, unaudited)*

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Sales	\$ 39,003	\$ 33,962	\$ 117,690	\$ 117,581
Cost of goods sold	34,379	29,697	101,990	103,564
Depreciation	728	778	2,172	2,299
Gross profit	3,896	3,487	13,528	11,718
Selling, general and administrative expenses	3,074	3,267	9,482	9,306
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Gain on renegotiated debt	-	-	-	17,805
Financing expenses	(1,476)	(1,422)	(4,400)	(5,975)
Income before income taxes	(496)	(1,763)	(44)	14,020
Income tax recovery (expense)	453	(228)	54	(1,304)
Net (loss) income for the period	\$ (43)	\$ (1,991)	\$ 10	\$ 12,716
Net (loss) income per share / unit				
Basic	\$ (0.00)	\$ (0.09)	\$ 0.00	\$ 0.57
Diluted	\$ (0.00)	\$ (0.09)	\$ 0.00	\$ 0.27
Weighted-average number of shares / units				
Basic	23,888,215	21,846,714	23,627,867	22,293,598
Diluted	23,888,215	21,846,714	24,406,130	61,365,072

Tree Island Steel Ltd.**CONSOLIDATED STATEMENT OF CASH FLOWS***(In thousands of Canadian dollars, unaudited)*

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Cash flows from operating activities				
Net (loss) income for the period	\$ (43)	\$ (1,991)	\$ 10	\$ 12,716
Adjustments for:				
Depreciation	728	778	2,172	2,299
Changes in financial liabilities recognized at fair value	(8)	727	(12)	727
Gain on sale of property, plant and equipment	42	(3)	42	(430)
Amortization and write-off of deferred financing	16	-	47	-
Gain on renegotiated debt	-	-	-	(17,805)
Net finance costs	1,460	1,422	4,353	5,975
Deferred income tax (recovery) expense	(438)	224	(68)	1,407
Fair value change on Phantom Units	-	47	-	64
Exchange revaluation on foreign denominated debt	(243)	(388)	362	(512)
Gain on sale of subsidiary	(231)	-	(231)	-
Working capital Adjustments:				
Accounts Receivable	2,477	2,942	(5,948)	(770)
Inventories	2,038	(3,237)	373	(7,395)
Accounts payable and accrued liabilities	(2,168)	(444)	(893)	324
Prepaid expenses	(374)	-	796	-
Income and other taxes	(15)	3	14	(103)
Other	(361)	(74)	(1,269)	1,149
Net cash provided by (used in) operating activities	2,880	6	(252)	(2,354)
Cash flows from investing activities				
Proceeds from sale of subsidiary, net of costs	439	-	439	-
Proceeds on disposal of property, plant and equipment	-	15	-	487
Purchase of property, plant and equipment	(108)	(23)	(382)	(232)
Net cash (used in) provided by investing activities	331	(8)	57	255
Cash flows from financing activities				
Repayment of Senior Term Loan	(125)	(125)	(375)	4,875
Repayment of long-term debt	(367)	(297)	(1,112)	(6,514)
Conversion of Warrants	-	-	171	-
Interest paid	(749)	(813)	(2,286)	(2,321)
Normal course issuer bid	-	(39)	-	(301)
(Repayment) advance on Senior Revolving Facility	(2,307)	(47)	3,514	5,384
Net cash (used in) provided by financing activities	(3,548)	(1,321)	(88)	1,123
Effect of exchange rate changes on cash	(18)	(28)	26	(26)
Decrease in cash	(355)	(1,351)	(257)	(1,002)
Cash, beginning of period	2,469	4,201	2,371	3,852
Cash, end of period	\$ 2,114	\$ 2,850	\$ 2,114	\$ 2,850

CONTACT INFORMATION

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