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Tree Island Steel Ltd.

TSX : TSL

TSX : TSL.DB



March 14, 2013 16:30 ET

Tree Island Announces Fourth Quarter and Full Year 2012 Results

VANCOUVER, BRITISH COLUMBIA--(Marketwire - March 14, 2013) - Tree Island Steel Ltd. (TSX:TSL)(TSX:TSL.DB) -

Q4 2012 Financial Highlights:

- Revenue of \$28.7 million as compared to \$35.1 million in Q4 2011
- Gross Profit of \$1.3 million or 4.6% of revenues as compared to \$1.1 million or 3.1% of revenues in Q4 2011

2012 Financial Highlights:

- Revenue of \$146.2 million as compared to \$150.0 million in 2011
- Gross Profit of \$13.0 million or 8.9% of revenue as compared to \$10.5 million or 7.0% of revenues in 2011
- EBITDA⁽³⁾ (before foreign exchange) at \$3.6 million as compared to \$1.3 million in 2011

Tree Island Steel Ltd. (formerly Tree Island Wire Income Fund or the "Fund") ("Tree Island"⁽¹⁾ or the "Company") announced today its financial results for the three and twelve month periods ended December 31, 2012.

For the three-month period ended December 31, 2012⁽²⁾, gross profit improved to \$1.3 million from \$1.1 million and gross profit per ton also improved to \$61 per ton from \$44 per ton in the same period in 2011. The increase in gross profit and gross profit per ton primarily reflects Tree Island's ongoing focus on profitable growth coupled with the decrease in raw material costs during the quarter. Gross profit and gross profit per ton continued to demonstrate improvement on a year over year basis as the Company maintained price discipline and further improved operational efficiencies. Despite a \$0.4 million decrease in foreign exchange gain, EBITDA remained consistent at \$1.1 million during the fourth quarter of 2012 as compared to the corresponding period in 2011 as a result of Tree Island's ongoing focus on pricing and cost management.

For the year ended December 31, 2012⁽²⁾, Tree Island's gross profit and EBITDA increased to \$13.0 million and \$3.6 million, respectively. The year-over-year improvement in financial results is largely the result of management initiatives.

During the year ended December 31, 2012, Tree Island purchased 1,050,900 shares / units at an average price of \$0.30 per share / unit, under its previously announced normal course issuer bid. These shares / units were cancelled by the Company at the end of the month of purchase. On September 6, 2012, the normal course issuer bid was extended to September 6, 2013. Under the renewed normal course issuer bid the Company may purchase up to 1,700,000 shares / units.

"I am pleased with our ability to navigate through the continued industry wide challenges faced in 2012. Our focus and sound strategies during the past year allowed Tree Island to further strengthen its position as a manufacturer and supplier of choice in a recovering market," said Dale R. MacLean, President and CEO of Tree Island Steel "On the heels of improved financial performance in 2012, we are seeing early market signals of demand recovery and price stabilization emerging which provides us with a reasonable opportunity to build a path to a stronger year in 2013."

Amar S. Doman, Chairman of Tree Island Steel noted, "2012 came with its challenges but the Tree Island team once again responded with strength and commitment to the industry-wide issues, focused on operational efficiencies and provided best in class service to customers and partners, all of which led to a significant year-over-year improvement in the Company's overall operational and financial performance. I am looking forward to working with the management team and another improvement year ahead for Tree Island."

	Three Months Ended December 31		Year Ended December 31	
	2012	2011	2012	2011
Summary of Results (\$000's except for tonnage and per unit amounts)				
Sales Volumes - Tons⁽¹⁾	21,583	25,282	102,408	110,314
Sales	\$ 28,657	\$ 35,081	\$ 146,238	\$ 150,030
Cost of sales	(26,568)	(33,196)	(130,132)	(136,331)
Depreciation	(775)	(782)	(3,074)	(3,241)
Gross profit	1,314	1,103	13,032	10,458
Selling, general and administrative expenses	(3,221)	(3,018)	(12,527)	(12,411)
Operating (loss) income	(1,907)	(1,915)	505	(1,953)
Foreign exchange gain (loss)	12	517	87	(722)
Gain on sale of property, plant and equipment	18	-	448	11
Changes in financial liabilities recognized at fair value	10	30	(717)	2,331
Gain (loss) on renegotiated debt	-	-	17,805	(3,234)
Financing Expenses	(1,324)	(2,241)	(7,299)	(8,500)
(Loss) income before income taxes	(3,191)	(4,467)	10,829	(12,925)
Income tax (expense) recovery	846	210	(458)	64
Net (loss) income	(2,345)	(4,257)	10,371	(12,861)
Operating (loss) income	(1,907)	(1,915)	505	(1,953)
Add back depreciation	775	782	3,074	3,241
EBITDA⁽²⁾	(1,132)	(1,133)	3,579	1,288
Foreign exchange gain (loss)	12	517	87	(722)
EBITDA including foreign exchange	(1,120)	(616)	3,666	566
Net (loss) income	(2,345)	(4,257)	10,371	(12,861)
Add back significant non-cash items				
Non-cash financing expenses	648	1,387	3,961	5,349
Non-cash (gain) loss on renegotiated debt	-	-	(17,805)	3,234
Changes in financial liabilities recognized at fair value	(10)	(30)	717	(2,331)
Deferred income tax recovery	200	99	1,207	(13)
Adjusted net loss⁽²⁾	(1,507)	(2,801)	(1,549)	(6,622)
Per share / unit				
Net (loss) income per share / unit - basic	(0.11)	(0.19)	0.47	(0.56)
Net (loss) income per share / unit - diluted	(0.11)	(0.19)	0.25	(0.56)
Per ton				
Gross profit per ton	61	44	127	95
EBITDA per ton	(52)	(45)	35	12
			As at December 31 2012	As at December 31 2011
Financial position				
Total assets			\$ 81,102	\$ 91,005
Total non-current financial liabilities			\$ 29,790	\$ 42,789

(a) Sales volumes exclude tons which were processed as part of tolling arrangements

(b) See definition of EBITDA and Adjusted Net Loss in footnote 3 to the press release

About Tree Island Steel

Tree Island Steel has a 100% ownership interest in Tree Island Industries Ltd. and its performance depends on the performance of Tree Island Industries Ltd. Headquartered in Richmond, British Columbia, since 1964, Tree Island, 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 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. Tree Island also owns and operates a China-based company that assists the international sourcing of products to Tree Island Industries Ltd. and its customers.

Forward-Looking Statements

This press release includes forward-looking information with respect to Tree Island and Tree Island Industries Ltd., including their 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. References to Tree Island include references to Tree Island Industries Ltd. as the context may require.
2. Please refer to our 2012 MD&A for further information.
3. References made above to "EBITDA" are to operating profit plus depreciation and references to "Adjusted Net Income (Loss)" are to net income (loss) per IFRS adjusted for certain non-cash items including non-cash financing expenses, changes in fair value of convertible instruments, gain (loss) on renegotiated debt, and deferred income tax recovery (expense). 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 (Loss) 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 (Loss) are earnings measures recognized by IFRS and do not have a standardized meaning prescribed by IFRS. We believe that EBITDA and Adjusted Net Income (Loss) are important supplemental measure in evaluating the Fund's performance. You are cautioned that EBITDA and Adjusted Net Income (Loss) 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 (Loss) may differ from methods used by other issuers and, accordingly, our EBITDA or Adjusted Net Income (Loss) 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)

	December 31 2012	December 31 2011
Assets		
<i>Current</i>		
Cash	2,371	3,852
Accounts receivable	11,984	13,835
Inventories	32,732	36,123
Prepaid expenses	2,200	2,533
	49,287	56,343
<i>Property, plant and equipment</i>	31,592	34,303
<i>Other non-current assets</i>	223	359
	81,102	91,005
Liabilities		
<i>Current</i>		
Senior Revolving Facility	10,785	11,247
Accounts payable and accrued liabilities	9,649	13,745
Income taxes payable	1,346	2,093
Other current liabilities	83	158
Fair value of convertible instruments	312	322
Current portion of long-term debt	1,748	4,882
	23,923	32,447
<i>Convertible Debentures</i>	15,634	14,298
<i>Senior Term Loan</i>	4,292	-
<i>Long-term debt</i>	9,639	28,491
<i>Finance Lease</i>	87	-
<i>Other non-current liabilities</i>	449	364
<i>Deferred income taxes</i>	1,973	766
	55,997	76,366
Shareholders' Equity	25,105	-
Unitholders' Equity	-	14,639
	81,102	91,005

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

	Three Months Ended December 31		Year Ended December 31	
	2012	2011	2012	2011
Sales	\$ 28,657	\$ 35,081	\$ 146,238	\$ 114,949
Cost of goods sold	26,568	33,196	130,132	103,135
Depreciation	775	782	3,074	2,459
Gross profit	1,314	1,103	13,032	9,355
Selling, general and administrative expenses	3,221	3,018	12,527	9,393
Operating (loss) income	(1,907)	(1,915)	505	(38)
Foreign exchange gain (loss)	12	517	87	(1,239)
Gain on sale of property, plant and equipment	18	-	448	11
Changes in financial liabilities recognized at fair value	10	30	(717)	2,301
Gain (loss) on renegotiated debt	-	-	17,805	(3,234)
Financing expenses	(1,324)	(2,241)	(7,299)	(6,259)
(Loss) income before income taxes	(3,191)	(4,467)	10,829	(8,458)
Income tax recovery (expense)	846	210	(458)	(146)
Net (loss) income for the period	\$ (2,345)	\$ (4,257)	\$ 10,371	\$ (8,604)
Net (loss) income per share / unit				
Basic	\$ (0.14)	\$ (0.19)	\$ 0.47	\$ (0.38)
Diluted	\$ (0.14)	\$ (0.19)	\$ 0.25	\$ (0.38)
Weighted-average number of shares / units				
Basic	21,799,448	22,843,741	21,978,006	22,867,849
Diluted	21,799,448	22,843,741	60,590,536	22,867,849

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

	Three Months Ended December 31		Year Ended December 31	
	2012	2011	2012	2011
Cash flows from operating activities				
Net (loss) income for the year	\$ (2,345)	\$ (4,257)	\$ 10,371	\$ (12,861)
Adjustments for				
Depreciation	775	782	3,074	3,241
Changes in financial liabilities recognized at fair value	(10)	(30)	717	(2,331)
Gain on sale of property, plant and equipment	(18)	-	(448)	(11)
Property, plant and equipment impairment	-	858	-	858
(Gain) loss on renegotiated debt	-	-	(17,805)	3,234
Net finance costs	1,324	2,241	7,299	8,500
Deferred income tax (recovery) expense	(200)	(99)	1,207	(13)
Fair value change on Phantom Units	(128)	(16)	(64)	33
Exchange revaluation on foreign denominated debt	123	(1,141)	(389)	817
Working capital (Note 24)	6,928	3,735	133	(8,260)
Net cash provided by (used in) operating activities	6,449	2,073	4,095	(6,793)
Cash flows from investing activities				
Proceeds on disposal of property, plant and equipment	33	-	520	49
Purchase of property, plant and equipment	(117)	(152)	(349)	(471)
Net cash (used in) provided by investing activities	(85)	(152)	171	(422)
Cash flows from financing activities				
Senior Term Loan, net	(83)	-	4,792	-
Repayment of long-term debt	(298)	(294)	(6,812)	(2,892)
Interest paid	(608)	(783)	(2,929)	(2,871)
Normal course issuer bid (Note 14)	(16)	(21)	(317)	(26)
(Payment of) advance on Senior Revolving Facility	(5,846)	(94)	(462)	11,247
Net cash (used in) provided by financing activities	(6,852)	(1,192)	(5,729)	5,458
Effect of exchange rate changes on cash	8	(17)	(18)	(25)
(Decrease) increase in cash	(479)	712	(1,481)	(1,782)
Cash, beginning of period	2,850	3,140	3,852	5,634
Cash, end of period	\$ 2,371	\$ 3,852	\$ 2,371	\$ 3,852

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