

Tree Island Wire Income Fund

TSX: TIL.UN



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Tree Island Announces Fourth Quarter and Full Year 2009 Results

VANCOUVER, BRITISH COLUMBIA--(Marketwire - March 29, 2010) - Tree Island Wire Income Fund (the "Fund") (TSX:TIL.UN) today released fourth quarter and full year 2009 financial results. The Fund's results are based on the performance of Tree Island Industries Ltd. ("Tree Island" or "the company")-one of North America's largest producers of wire and fabricated wire products.

2009 Financial Overview

For the 12 months ended December 31, 2009

- The Fund reported 2009 revenue of \$165.6 million, an EBITDA loss adjusted for foreign exchange of \$36.5 million and a net loss of \$26.9 million.
- Selling, general and administrative ("SG&A") expenses decreased by 11.7% compared to 2008.
- Inventories were reduced by \$72.9 million during 2009, a decrease of 68.4%.
- The Fund reduced its revolving credit balance, net of cash, by \$65.3 million, ending the year with a net cash position of \$1.3 million.
- The Fund raised \$19.75 million of new capital by way of a private placement of \$9.75 million of debentures on November 26, 2009 and a rights offering to unitholders of \$10 million. The rights offering closed on January 27, 2010.
- Subsequent to the year-end, on March 25, 2010, the Fund announced a new three-year, \$35 million senior secured revolving credit facility with Wachovia Capital Finance Corporation.

"2009 was the most challenging year in our history as residential construction markets reached a 50-year low and we faced significant financing risks in our business," said Ted Leja, President and CEO of Tree Island Industries and a Trustee of the Fund. "We took appropriate steps to address these issues, and our business viability and future prospects have improved as a result."

"Financially, our priorities were to resolve our loan defaults, strengthen our balance sheet and secure alternate sources of credit to finance our operations. We worked steadily to reduce debt under our previous credit facility, selling surplus lands at our Richmond manufacturing facility for net proceeds of \$8.7 million, and tightening our management of working capital and cash. We also negotiated with two significant trade creditors to convert amounts owing into long-term debt," said Mr. Leja.

"In addition, we raised \$9.75 million of new capital by way of a private placement of debentures in the fourth quarter of 2009, and in January 2010, we raised a further \$10 million through a rights offering to unitholders. As at December 31, 2009, we had significantly reduced our revolving credit balance and ended the year with a net cash position of \$1.3 million. Subsequent to the year-end, we announced a new three-year, \$35 million senior secured revolving credit facility with Wachovia Capital Finance Corporation. With these actions, we believe we now have the appropriate financing in place to support our business, and we will be in a much better positioned to fund our working capital requirements as markets gradually improve," said Mr. Leja.

Amar Doman, Chairman of the Fund added, "I am pleased with the work we have done thus far in rebuilding Tree Island. The Company's focus is now on driving profitabilities. The recapitalization is now complete with the successful capital raises and the new Wachovia credit facility."

On the market front, residential construction markets began to stabilize in the second half of the year, ending a three-year downward trend. However, the overall level of activity remained at historically low levels. According to the US Census Bureau, 2009 housing starts of just 116,900 in the key US Western Region represented a 50-year low, and were down 40.4% from 2008. Demand from the commercial construction and industrial/OEM markets also remained weak in both the US and Canada, reflecting the impact of depressed economic conditions and tight credit markets.

Tree Island's sales volumes reflected the low demand levels, as well as the impact of restrictions on working capital, which led the company to focus production resources on more profitable product lines, and away from higher-volume, lower-margin products. Total sales volumes declined by 45.2% in the fourth quarter and by 42.6% for the full year, compared to the same periods in 2008. Sales volumes to the industrial/OEM, commercial construction and residential construction markets experienced the most significant reduction, with agricultural, specialty and international trading sales volumes also showing declines.

While finished product prices stabilized during the second half of 2009, on a full-year basis, they were significantly weaker than in 2008. The decline in average product prices reflects lower demand levels, the impact of the significant drop in steel prices that began in Q4 2008, and the industry-wide liquidation of product inventories that followed. The combination of lower sales volumes and weaker year-over-year selling prices resulted in a reduction in revenues in both the fourth quarter and full-year periods.

In response to these challenges, Tree Island continued to reorganize its operations in line with market conditions. The company closed its Fontana manufacturing and Corona distribution facilities, both located in California. Activities from these operations were consolidated into remaining facilities to ensure the continued supply of a full range of Tree Island's quality products to customers. Workforce reductions also continued, with the company reducing its hourly workforce by 50% and its salaried workforce by 32% since July 2008.

Tree Island's business strategy, meanwhile, shifted away from volume growth and towards a "Back to Basics" strategy designed to improve profitability through a focus on pricing discipline, improved efficiencies, premium products, customer service, and the value Tree Island brings to customers. These initiatives, together with a reduction in writedowns as inventory values became better aligned with market conditions, contributed to an improvement in gross profit per ton in the second half of 2009, compared to the first half. Cost control initiatives, meanwhile, helped to reduce 2009 SG&A expenses by \$2.8 million, compared to 2008, an improvement of 11.7%.

As a result of these achievements and the significant reduction in inventory writedowns, Q4 2009 gross profit improved by \$22 million, gross profit per ton improved by \$497, and EBITDA, adjusted for foreign exchange, improved by \$21.2 million compared to Q4 2008. The Fund also reported fourth quarter net income of \$13.3 million, compared to a net loss of \$79.9 million in Q4 2008.

Results from Operations

(\$000's except for tonnage)

and per unit amounts)	3 Months Ended Dec 31		12 Months Ended Dec 31	
	2009	2008	2009	2008
Income				
Sales Volumes - Tons (1)	21,171	38,618	136,198	237,190
Revenue	\$ 26,740	\$ 57,823	\$ 165,581	\$ 322,743
Cost of Goods Sold	(28,632)	(80,547)	(183,445)	(304,152)
Depreciation	(1,486)	(2,664)	(7,135)	(10,456)
Gross (Loss) Profit	(3,378)	(25,388)	(24,999)	8,135
Gross (Loss) Profit per Ton	\$(160)	\$(657)	\$(184)	\$34
Selling, General and Administrative Expenses	(3,622)	(4,927)	(21,057)	(23,851)
Operating (Loss) Profit	(7,000)	(30,315)	(46,056)	(15,716)
Foreign Exchange Gain	150	1,047	2,441	6,645
Financing Expenses	(2,276)	(1,596)	(7,660)	(5,896)
Gain (Loss) on Sale of Property, Plant & Equipment	(14)	-	5,448	(24)
Fair Value Changes on Derivatives	(7)	(243)	243	(243)
Amortization of Deferred Gain	122	140	529	495
Amortization of Intangible Assets	-	(265)	(660)	(1,120)
Goodwill Impairment		(52,128)		(52,128)
Impairment of Intangible Assets	-	-	(5,362)	-
Impairment of Property, Plant and Equipment	(346)	(1,720)	(346)	(1,720)
Gain on renegotiated debt	17,835		17,835	
Income Tax (Expense) Recovery	4,830	5,209	6,712	4,719
Net Income (Loss)	13,294	(79,871)	(26,876)	(64,988)
EBITDA				
Operating (Loss) Profit	(7,000)	(30,315)	(46,056)	(15,716)
Add back Depreciation	1,486	2,664	7,135	10,456
EBITDA (1)	(5,514)	(27,651)	(38,921)	(5,260)
Foreign Exchange Gain	150	1,047	2,441	6,645
EBITDA Adjusted for Foreign Exchange	(5,364)	(26,604)	(36,480)	1,385
Distributable Cash				
Standardized Distributable Cash per Unit (2)				
- Basic	0.0998	(0.5270)	2.0117	(0.0539)
- Fully Diluted	0.0739	(0.5270)	2.0117	(0.0539)
Adjusted Distributable Cash per Unit (2)				
- Basic	(0.0099)	(1.1893)	(1.2034)	(0.1440)
- Fully Diluted	(0.0074)	(1.1893)	(1.2034)	(0.1440)
Distributable Cash Paid or Payable per Unit				
Basic & Fully Diluted (2)	-	0.1667	-	0.9168
Standardized Distribution Payout % (3)	0%	0%	0%	0%
Adjusted Distribution Payout % (3)	0%	0%	0%	0%
Balance Sheet				
Total Assets	99,693	203,286	99,693	203,286
Net Cash/(Revolving Credit net of Cash)	1,307	(64,008)	1,307	(64,008)
Long-term Debt and Debentures	(28,779)	-	(28,779)	-

(1) Sales volumes in 2009 exclude tons which were processed as part of tolling arrangements

(2) See definition of EBITDA, Standardized Distributable Cash and Adjusted Distributable Cash in the Non-GAAP Measures section of the annual report.

(3) Distribution Payout % is calculated as distributions paid or payable per unit divided by distributable cash generated per unit.

Outlook

With Tree Island's balance sheet significantly strengthened, costs and inventories in line with market demand, and key markets stabilized, Tree Island is moving into 2010 in an improved position.

The US residential construction market is expected to begin a gradual recovery in 2010 and demand from the agriculture and specialty alloys markets has stabilized. While these are positive developments, Tree Island's expectations for 2010 remain cautious. The residential construction market is building from an extremely low level,

the commercial construction segment is expected to experience a delayed recovery and the industrial/OEM market remains weak. Raw material costs, meanwhile, are on the rise with steel prices up approximately 30% since January 2010. This price inflation reflects higher costs for the iron ore and scrap metal used to make steel. In response to the higher steel costs, Tree Island and competitors have announced price increases for finished products.

"Overall, we see a gradual strengthening of our business in 2010, against a backdrop of some continued challenges," said Mr. Leja. "Moving forward, we will retain our focus on pricing discipline and on tight management of costs and working capital, while continuing to pursue improved profitability with our Back to Basics strategy."

Forward-Looking Statements

This press release includes forward-looking information with respect to the Fund and the Company, including our 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 we believe that expectations reflected in forward-looking statements are reasonable, such statements involve risks and uncertainties, including the risks and uncertainties discussed under the heading "Risks Relating to the Company's Business" in the Fund's AIF for the year ended December 31, 2009.

Forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the statements. Such risks and uncertainties include, but are not limited to: general economic conditions and markets and, in particular, the potential impact of the current economic downturn, risks associated with operations such as competition, dependence on the construction industry, market conditions for our products, supplies of and costs for our raw materials, dependence on key personnel, labour relations, regulatory matters, environmental risks, the successful execution of acquisition and integration strategies and other strategic initiatives, foreign exchange fluctuations, the effect of leverage and restrictive covenants in financing arrangements, the cost and availability of capital, the possibility of deterioration in our working capital position, the impact on liquidity if we were to go offside of covenants in our debt facilities, the impact that changes in supplier payment terms or slow payment of accounts receivable could have on our liquidity, product liability, the ability to obtain insurance, energy cost increases, changes in tax legislation, other legislation and governmental regulation, changes in accounting policies and practices, operations in a foreign country, and other risks and uncertainties set forth in our publicly filed materials.

This press release has been reviewed by the Fund's board of trustees, 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 Fund 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.

Non-GAAP Measures

References in this news release to "EBITDA" are to operating profit plus depreciation. EBITDA is a measure used by many investors to compare issuers on the basis of ability to generate cash flows from operations. EBITDA is not an earnings measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. Management believes that EBITDA is an important supplemental measure in evaluating the Fund's performance. You are cautioned that EBITDA should not be construed as an alternative to net income or loss determined in accordance with GAAP as indicators of performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. Tree Island's method of calculating EBITDA may differ from methods used by other issuers and, accordingly, Tree Island's EBITDA may not be comparable to similar measures presented by other issuers.

"Distributable cash" is also not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Canadian open-ended income trusts, such as this Fund, use distributable cash as an indicator of financial performance and ability to fund distributions. We define distributable cash as net cash from operating activities less all capital expenditures, plus the change in non-cash operating assets and liabilities, plus non-maintenance capital expenditures, plus the 2006 pre-tax proceeds on the sale of a property option, (the tax provision for these proceeds on sale is included in the net cash provided from operating activities) plus for 2009 the proceeds on the sale of surplus land (taxable gain offset by tax operating losses). Changes in non-cash operating assets and liabilities and non-maintenance capital expenditures are added back in the calculation of distributable cash because they are funded through the Fund's committed credit facilities. Tree Island's distributable cash may differ from similar computations as reported by other entities and, accordingly, may not be comparable to distributable cash as reported by such entities. The Fund believes that distributable cash is a useful supplemental measure that may assist investors in assessing the return on their investment in units.

The Fund defines maintenance capital expenditures as cash outlays required to maintain our plant and equipment at current operating capacity and efficiency levels. Non-maintenance capital expenditures are defined as cash outlays required to increase business operating capacity or improve operating efficiency, and are also referred to as profit improvement capital.

Fund Profile

The Fund was launched on November 12, 2002, with the completion of an Initial Public Offering. The Fund holds a 100% ownership interest in Tree Island Industries Ltd. (the "Company"). The Fund's performance depends entirely on the performance of the Company.

Tree Island Profile

Headquartered in Richmond, British Columbia, Tree Island Industries Ltd. produces wire products for a diverse range of construction, agricultural, manufacturing and industrial applications. Its products include bright wire, stainless steel wire and galvanized wire; a broad array of fasteners, including packaged, collated and bulk nails; stucco reinforcing products, engineered structural mesh, fencing and other fabricated wire products. The Company markets these products under the Tree Island, Halsteel, K-Lath, Industrial Alloys, TI Wire, Tough Strand and TI Select brand names. Tree Island also owns and operates a Hong Kong-based trading company that provides internationally sourced products to the Company and its customers.

INTERIM CONSOLIDATED BALANCE SHEETS (In thousands of dollars) (unaudited)

	As at December 31 2009	As at December 31 2008
Assets		
Current		
Cash	\$ 4,153	\$ 1,201
Accounts receivable	9,064	25,094
Income and other taxes receivable	6,121	5,018
Inventories	33,626	106,563
Prepaid expenses	3,113	4,010
Future income taxes	-	116
	56,077	142,002
Property, plant and equipment	43,047	54,980
Intangible assets	-	6,304
Other non-current assets	569	-
	\$ 99,693	\$ 203,286
Liabilities		
Current		
Revolving credit	\$ 2,846	\$ 65,209
Accounts payable and accrued liabilities	18,351	66,783
Income taxes payable	748	963

Interest payable	41	495
Current portion of long-term debt	3,030	-

Convertible Debentures	25,016	133,450
Long-term debt, net of current portion	5,716	-
Deferred gain on sale of option	23,063	-
Other non-current liabilities	3,337	4,471
Future income taxes	361	207
	2,848	4,140

	60,341	142,268

Contingent liabilities and commitments

Unitholders' Equity	39,352	61,018

	\$ 99,693	\$ 203,286

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands of dollars, except units and per-unit amounts) (unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31		December 31	
	2009	2008	2009	2008
Sales	\$ 26,740	\$ 57,823	\$ 165,581	\$ 322,743
Cost of goods sold and inventory writedowns	28,632	80,547	183,445	304,152
Depreciation	1,486	2,664	7,135	10,456

Gross (loss) profit	(3,378)	(25,388)	(24,999)	8,135
Selling, general and administrative expenses	3,622	4,927	21,057	23,851

Operating loss	(7,000)	(30,315)	(46,056)	(15,716)
Foreign exchange gain	150	1,047	2,441	6,645
Gain (loss) on sale of property, plant and equipment	(14)	-	5,448	(24)
Goodwill impairment		(52,128)	-	(52,128)
Impairment of intangible assets	-	-	(5,362)	-
Property, plant and equipment impairment	(346)	(1,720)	(346)	(1,720)
Amortization of intangible assets	-	(265)	(660)	(1,120)
Amortization of deferred gain	122	140	529	495
Fair value changes on natural gas derivatives	(7)	(243)	243	(243)
Gain on renegotiated debt	17,835	-	17,835	-
Financing expenses	(2,276)	(1,596)	(7,660)	(5,896)

(Loss) income before income taxes	8,464	(85,080)	(33,588)	(69,707)
Income tax recovery	4,830	5,209	6,712	4,719

Net (loss) income for the period	\$ 13,294	\$ (79,871)	\$ (26,876)	\$ (64,988)

Net (loss) income per unit				
Basic	\$ 0.60	\$ (3.64)	\$ (1.22)	\$ (2.96)
Diluted	\$ 0.45	\$ (3.64)	\$ (1.22)	\$ (2.96)

Weighted-average number of units				
Basic	22,112,489	21,960,447	22,035,040	21,953,784
Diluted	29,831,543	21,960,447	22,035,040	21,953,784

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of dollars) (unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31		December 31	
	2009	2008	2009	2008
Cash flows from operating activities				
Net (loss) income for the period	\$ 13,294	\$ (79,871)	\$ (26,876)	\$ (64,988)
Items not involving cash				
Depreciation	1,486	2,664	7,135	10,456

Fair value changes on derivatives	7	243	(243)	243
(Gain) loss on disposal of property, plant and equipment	14	-	(5,448)	24
Amortization and write-off of deferred financing	746	95	1,969	357
Impairment and amortization of intangible assets	-	265	6,022	1,120
Amortization of deferred gain	(122)	(140)	(529)	(495)
Gain on renegotiated debt	(17,835)	-	(17,835)	-
Property, plant and equipment impairment	346	1,720	346	1,720
Goodwill impairment	-	52,128	-	52,128
Non cash accretion/interest	589	-	589	-
Future income taxes	1,343	(2,544)	(425)	(2,843)
Unit-based compensation	104	142	390	514
	(28)	(25,298)	(34,905)	(1,764)
Change in non-cash operating assets and liabilities	2,420	14,604	79,563	2,099
Net cash provided by (used in) operating activities	2,392	(10,694)	44,658	335
Cash flows from investing activities				
Proceeds on disposal of long-lived assets	212	-	9,083	39
Purchase of property, plant and equipment	(186)	(880)	(331)	(1,519)
Net cash provided by (used in) investing activities	26	(880)	8,752	(1,480)
Cash flows from financing activities				
Issuance of Convertible Debentures, net of costs	8,650	-	8,650	-
Repayment of long-term debt	(209)	(18)	(209)	(84)
Deferred financing costs	(1,803)	-	(2,467)	-
Advance on (repayment of) revolving credit	(7,091)	14,129	(56,369)	15,385
Distributions to unitholders	-	(3,660)	-	(20,127)
Net cash provided by (used in) financing activities	(453)	10,451	(50,395)	(4,826)
Effect of exchange rate changes on cash	(9)	794	(63)	1,140
(Decrease) increase in cash	1,956	(329)	2,952	(4,831)
Cash, beginning of period	2,197	1,530	1,201	6,032
Cash, end of period	\$ 4,153	\$ 1,201	\$ 4,153	\$ 1,201
Supplemental cash flow information:				
Interest paid	\$ 888	\$ 1,006	\$ 3,056	\$ 5,184
Income taxes (refunded)	\$ (4,207)	\$ (392)	\$ (4,201)	\$ (2,470)

For more information, please contact

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[Back](#)

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