

CASTLE A M & CO

FORM 8-K (Current report filing)

Filed 11/10/11 for the Period Ending 11/10/11

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|-------------|--|
| Address | 1420 KENSINGTON ROAD SUITE 220 OAK BROOK, IL 60523 |
| Telephone | 8474557111 |
| CIK | 0000018172 |
| Symbol | CAS |
| SIC Code | 5051 - Metals Service Centers and Offices |
| Industry | Misc. Fabricated Products |
| Sector | Basic Materials |
| Fiscal Year | 12/31 |

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report: **November 10, 2011**
(Date of earliest event reported)

A. M. CASTLE & CO.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation)

1-5415
(Commission File Number)

36-0879160
(IRS Employer Identification No.)

1420 Kensington Road, Suite 220
Oak Brook, IL 60523
(Address of principal executive offices)

Registrant's telephone number including area code: **(847) 455-7111**

Not Applicable
(Former name or former address if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13 e-4(c) under the Exchange Act (17 CFR 240.13 e-4(c))
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Item 7.01. Regulation FD Disclosure.

In accordance with General Instruction B.2. to Form 8-K, the following information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

On November 10, 2011, A. M. Castle & Co. (“Company”), announced that it has entered into a definitive agreement to acquire Tube Supply, Inc. (“Tube Supply”), for \$165 million, subject to customary adjustments at closing. The acquisition, subject to review under the Hart-Scott-Rodino Act and other customary closing conditions, is expected to close by the end of the first quarter of 2012. A copy of the November 10, 2011 press release announcing the agreement is attached to this Current Report as Exhibit 99.1 and is incorporated by reference herein.

The Company also announced that management will hold a conference call at 12:00 p.m. EST on Thursday, November 10, 2011, to discuss the acquisition. Copies of the slides containing information regarding the acquisition to be used as part of the call are attached as Exhibit 99.2 to this Current Report and are incorporated by reference herein. The call can be accessed via a link on the Company’s website at <http://www.amcastle.com>.

An archived version of the conference call will be accessible for replay on the above website until the Company’s next earnings conference call. A replay of the conference call will also be available for seven days by calling 480-629-9772 (international) or 877-941-2332 and citing code 4487345.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

| Exhibit Number | Description |
|-----------------------|--|
| 99.1 | Press Release, dated November 10, 2011 |
| 99.2 | Slide Presentation for Conference Call to be held on November 10, 2011 |

Cautionary Statement on Risks Associated with Forward Looking Statements

Information provided and statements contained in this report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (“Securities Act”), Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act”), and the Private Securities Litigation Reform Act of 1995. Such forward-looking statements only speak as of the date of this report and the Company assumes no obligation to update the information included in this release. Such forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy and outlook. These statements often include words such as “may,” “will,” “believe,” “expect,” “anticipate,” “intend,” “predict,” “plan,” or similar expressions. These statements are not guarantees of performance or results, and they involve risks, uncertainties, and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, there are many factors that could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements. Such risks and uncertainties include, but are not limited to: the ability to successfully close the transaction by the end of the first quarter of 2012 or at all; the ability to successfully integrate Tube Supply and achieve the expected results or synergies of the transaction; the ability to retain Tube Supply’s management team and Tube Supply’s relationships with customers and suppliers; and general and global business, economic, financial, credit and political conditions. Further information on these and other risks and uncertainties is provided under Item 1A “Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which disclosure is incorporated herein by reference, and elsewhere in reports that we file or furnish with the SEC. All future written and oral forward-looking statements by us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to above. Except for our ongoing obligations to disclose material information as required by the federal securities laws, we do not have any obligations or intention to release publicly any revisions to any forward-looking statements to reflect events or circumstances in the future or to reflect the occurrence of unanticipated events.

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 hereunto duly authorized.

November 10, 2011

A. M. CASTLE & CO.

By: /s/ Robert J. Perna
Robert J. Perna
Vice President, General Counsel & Secretary

EXHIBIT INDEX

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A. M. CASTLE & CO.

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Traded: NYSE:CAS
Member: S&P SmallCapp 600 Index

FOR IMMEDIATE RELEASE
THURSDAY, NOVEMBER 10, 2011

A. M. Castle & Co. To Expand Presence in Oil & Gas Industry with Acquisition of Tube Supply, Inc.

OAK BROOK, IL, NOVEMBER 10TH — **A. M. Castle & Co. (NYSE:CAS; A. M. Castle)**, a global distributor of specialty metal and plastic products, value-added services and supply chain solutions, has announced today that it has executed a definitive agreement to acquire Houston, TX – based Tube Supply, Inc. (Tube Supply), a leading value-added distributor of specialty tubular and bar products for the oil and gas industry. The purchase price of \$165 million is subject to customary adjustments at closing, and the acquisition is expected to be immediately accretive to A. M. Castle's earnings. A. M. Castle expects to close the transaction by the end of the first quarter of 2012, subject to customary closing conditions and regulatory approvals.

Tube Supply has provided high quality products and services primarily to the North American oilfield equipment manufacturing industry for the past 25 years. Today, Tube Supply has the reputation of being a world-class provider of a broad range of oilfield quality metals with a specific focus on the equipment and tools used in downhole completion and wellhead applications. Tube Supply had unaudited revenues of approximately \$208 million for the twelve-month period ended October 31, 2011. Tube Supply operates service centers in Houston, Texas and Edmonton, Alberta and has recently completed construction of a new, 250,000 square foot facility located at its Houston headquarters.

Tube Supply's management team will remain in place and the combination of the two businesses will be led by Nick Jones, President of A. M. Castle's Oil & Gas Commercial Unit which is also headquartered in Houston. A. M. Castle & Co. is a global leader in the supply of specialty metals to the oil and gas industry with locations in the United States, Canada, the United Kingdom, France, Singapore and China.

"We are extremely excited to add such a high quality company, experienced management team and dedicated employees to the A. M. Castle family," said Michael Goldberg, President and CEO of A. M. Castle & Co. "Tube Supply is a strong complement to our existing oil and gas business, and our presence in the oil and gas industry will nearly triple with this acquisition. Tube Supply has a solid track record in the oil and gas market and we anticipate further growth through expanded product offerings to both Tube Supply's and A. M. Castle's customers. This partnership is a great long-term strategic fit that will allow us to capitalize on the growing demand and exciting opportunities we see in this sector. We believe that the combination of A. M. Castle and Tube Supply will add value for our shareholders, customers and employees."

“The entire Tube Supply team is delighted at the prospect of joining A. M. Castle, a highly respected organization that is so well-known for its over 120 years of service within the industry,” noted Paul Sorensen, President of Tube Supply, Inc. “Together, we plan to leverage our product, processing and supply-chain expertise to deliver the best possible solutions to meet our customers’ growing requirements.”

Jefferies & Company, Inc. served as financial advisor to A. M. Castle. In addition, Jefferies Group, Inc. and its affiliates have provided A. M. Castle with a firm commitment for financing of up to \$375 million. A. M. Castle & Co. plans to refinance its existing outstanding debt in conjunction with closing the acquisition of Tube Supply.

Tube Supply has been advised by Duff & Phelps.

Management will hold a conference call at 12:00 p.m. EST today, November 10, 2011, to discuss the proposed acquisition. The call can be accessed via the Internet live or as a replay. Those who would like to listen to the call may access the webcast through <http://www.amcastle.com>.

An archived version of the conference call webcast will be accessible for replay on the above website until the next earnings conference call. A replay of the conference call will also be available for seven days by calling 480-629-9772 (international) or 877-941-2332 and citing code 4487345.

About A. M. Castle & Co.

Founded in 1890, A. M. Castle & Co. is a global distributor of specialty metal and plastic products and supply chain services, principally serving the producer durable equipment sector of the economy. Its customer base includes many Fortune 500 companies as well as thousands of medium and smaller-sized firms spread across a variety of industries. Within its core metals business, it specializes in the distribution of alloy and stainless steels; nickel alloys; aluminum and carbon. Through its subsidiary, Total Plastics, Inc., the Company also distributes a broad range of value-added industrial plastics. Together, A. M. Castle operates over 50 locations throughout North America and Europe. Its common stock is traded on the New York Stock Exchange under the ticker symbol "CAS".

About Tube Supply, Inc.

Founded in 1986, Tube Supply is a leading value-added distributor of high performance steel and alloy products for the high-end and specialty oilfield equipment and downhole tool manufacturing market. Tube Supply is based in Houston, Texas and its wholly owned subsidiary, Tube Supply Canada ULC operates a warehouse facility in Edmonton, Alberta. Tube Supply’s products include highly-engineered prime carbon and alloy mechanical tubing, bars and blocks, which are designed to operate in severe conditions in the oilfield. Tube Supply also provides value-added services including heat-treating, boring, honing, saw cutting, and machine work. Tube Supply was founded by Paul Sorensen and Jerry Willeford and employs approximately 90 people. More information about Tube Supply and its product and service offerings is available on their website at www.tubesupply.com.

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Acquisition of Tube Supply, Inc.



NYSE: CAS ●●●●

●●●● November 10, 2011



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Transaction Summary



Transaction Summary

Deal Overview

- On November 9, 2011 A. M. Castle & Co. (“A. M. Castle”), agreed to acquire Tube Supply, Inc. (“Tube Supply”)
 - Leading value-added metals distributor servicing the Oil & Gas industry
 - Focused on tubular and bar products and in downhole completion and wellhead applications
 - Unaudited October 2011 Trailing Twelve Month Revenue was approximately \$208 million
- \$165 million purchase price
 - Free and clear of all indebtedness
 - Subject to customary working capital adjustment
- In connection with the acquisition, A. M. Castle has been provided with a firm commitment for financing in an aggregate principal amount of up to \$375 million by Jefferies Group, Inc. and its affiliates
- Expected closing by the end of the first quarter of 2012 subject to customary closing conditions and regulatory approvals



Transaction Summary

Tube Supply Investment Highlights

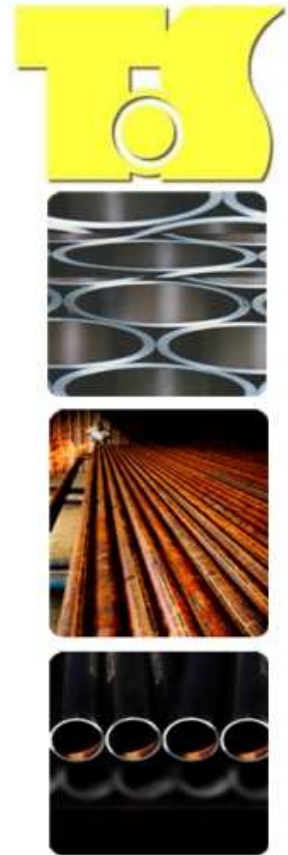
- Unique position in oilfield supply chain by supplying specialized materials for wellhead and downhole applications
 - Wide range of product forms and sizes, and services such as heat treating, boring, honing, cutting and machine work
 - Able to supply products generally not available on a quick-response basis
- Highly experienced technical sales force and long-term mill relationships
 - Key relationships with the three largest alloy tube mills
- Strong financial performance
- Favorable exposure to oil and gas shale markets
- Longstanding blue chip customer base
- High quality management and workforce



Tube Supply Overview

Business Description

- Founded in 1986 and headquartered in Houston, TX with wholly owned subsidiary in Edmonton, Canada
- High level service centers specializing in providing high performance steel and alloy products for the specialty oilfield equipment and downhole tool manufacturing markets
- Specialists in value-added (heat-treatment, first and second stage machining, technical solution development) services and quality to meet the stringent technical demands of the oil and gas industry
 - Approximately 35% of products sold are modified in some way
- Selling primarily to Tier 1 and Tier 2 OEM and third party machine shops producing drilling and completions tools with a focus, amongst others, on fracking related equipment
- Broad and deep long-term supplier relationships resulting in reliable access to products in times of high demand
- Strong technical approach drives high value solutions and customer loyalty

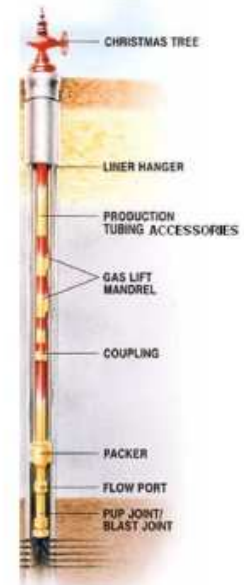
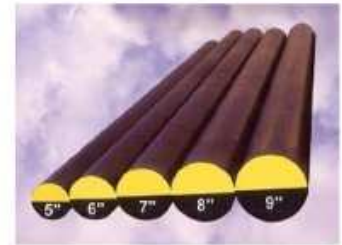




Tube Supply Overview

Key Markets & Products

- Main markets today are North America and Canada selling to all major equipment manufacturers:
 - Significant exposure to oilfield equipment and tools used in oil and gas shale plays
 - “Go-to” provider of alloy products for manufacturers of high end/specialty completion and downhole tools and pressure and flow control equipment
 - Specializes in high value tubing based products that meet demanding technical requirements
 - Value-added services including heat-treating, boring, and first and second stage machining through third-party vendors
 - Broad array of mainly alloy steels, little exposure to stainless and nickel markets
 - Diverse range of product sizes – over 2,000 core SKUs – designed to optimize product selection alternatives for their customer base
 - Little international activity currently but well poised through this proposed acquisition to expand into key overseas markets to meet customers’ growing requirements





Tube Supply Overview

Facilities

- Existing Houston office and warehouse (leased)
 - 28,500 square foot office and warehouse
- New Houston facility completed Q3 2011 (leased)
 - Over 250,000 square foot purpose built warehouse provides significant expansion opportunity
 - Doubles in-house saw cutting capacity
 - Includes implementation of a bar coding system and reduced forklift costs through the installation of overhead cranes
- Edmonton office (leased)
 - 33,150 square foot sales office and warehouse
 - In-house saw cutting services, all else outsourced

Existing Houston Office and Warehouse



New Houston Warehouse



Edmonton Office and Warehouse





Acquisition Rationale

Transaction Benefits

- Complements A. M. Castle's existing Oil & Gas business
- Achieves strategic plan of growth in the Oil & Gas sector
 - Strong exposure to shale
 - Long-term vendor relationships
 - Expanded product offering
- Immediately accretive to A. M. Castle's earnings
- Diversifies end markets with an expanded product range, mainly tubular products which compliments Castle's bar focus
- Focus on high value-added, high margin products and services
- Favorable industry dynamics continue to produce strong growth opportunities
- Potential supply chain and purchasing synergies
- Global growth opportunities
- Strong management team and sales force