

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 (Date of earliest event reported): **July 22, 2014**



**SYNALLOY CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation)

**0-19687**

(Commission File Number)

**57-0426694**

(IRS Employer Identification  
No.)

**775 Spartan Blvd, Suite 102, PO Box 5627, Spartanburg, SC**

(Address of principal executive offices)

**29304**

(Zip Code)

Registrant's telephone number, including area code: **(864) 585-3605**

**Inapplicable**

(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 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

On July 22, 2014, Synalloy Corporation ("the Company") issued a press release announcing financial information for its second quarter ended June 28, 2014. The press release is attached as Exhibit 99 to this Form 8-K and is furnished to, but not filed with, the Commission.

**ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS**

(c) Exhibits

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
99	Synalloy Corporation Press Release dated July 22, 2014.

Please see Exhibit 99 for Registrant's 2014 second quarter earnings release.

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on behalf by the undersigned hereunto duly authorized.

**SYNALLOY CORPORATION**

By: /S/ RICHARD D. SIERADZKI

Richard D. Sieradzi

Chief Financial Officer and Principal Accounting Officer

Dated: July 22, 2014

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**Exhibit Number**

**Name**

99

Press Release of Synalloy Corporation dated July 22, 2014.

## NEWS RELEASE

### FOR IMMEDIATE RELEASE

#### **Synalloy Reports Double Digit Increases in Adjusted EBITDA for the Second Quarter and First Six Months of 2014**

Spartanburg, South Carolina, July 22, 2014...Synalloy Corporation (Nasdaq:SYNL), a growth oriented company that engages in a number of diverse business activities including the production of stainless steel pipe, fiberglass and steel storage tanks, specialty chemicals and fabrication of stainless and carbon steel piping systems, announces that the second quarter of 2014 produced net sales from continuing operations of \$58,797,000, an increase of \$5,350,000 or 10% when compared to net sales from continuing operations for the second quarter of 2013 of \$53,447,000. Net sales from continuing operations for the first six months of 2014 were \$111,683,000, an increase of \$4,752,000 or 4% from net sales from continuing operations of \$106,931,000 for the same period of the prior year. For the second quarter of 2014 the Company recorded net earnings from continuing operations of \$5,746,000, or \$0.66 per share, a 215% increase when compared to net earnings from continuing operations of \$1,824,000, or \$0.28 per share for the same quarter in the prior year. Net earnings from continuing operations for the first six months of 2014 amounted to \$7,959,000, or \$0.91 per share, which represents an increase of 160% when compared to net earnings from continuing operations of \$3,061,000, or \$0.48 per share, for the first six months of 2013. As a result of the Company's common stock offering in September 2013, an additional 2,300,000 shares were sold and therefore are included in the weighted average share calculation for the second quarter and first six months of 2014. These additional shares have a dilutive effect when comparing all "per share" calculations for second quarter and first six months of 2014 with the same periods of the prior year.

On June 27, 2014 the Company completed the planned closure of the Bristol Fabrication unit of Synalloy Fabrication, LLC ("Bristol Fab"). The unit lost approximately \$2,258,000 in the first six months of 2014. Bristol Fab's collective bargaining agreement with the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada Local Union No. 538 (the "Union") expired on February 15, 2014. Bristol Fab began negotiations with the Union in early January 2014. During negotiations, Bristol Fab sought concessions from the Union to reduce its overall cost structure such that it could operate profitably based on current market conditions and pricing. After months of negotiations with the Union, however, Bristol Fab was unable to reach an agreement that would allow Bristol Fab to operate profitably. Also, upon closure of the operation, the Company is legally obligated to pay a withdrawal liability to the Union's pension fund of over \$1.9 million. Management believes the decision to close Bristol Fab leaves the overall Company stronger by eliminating a chronically unprofitable unit. The Company plans to reallocate management and other resources from Bristol Fab to other growth and acquisition initiatives within the Metals Segment. The Company realized a one-time charge in the second quarter of 2014 of \$6,988,000 for costs associated with the closure of Bristol Fab. Included in this amount is a non-cash charge for the disposal of inventory of hand of \$3,026,000. These costs, along with all non-recurring expenses associated with Bristol Fab are included in the respective financial statements as discontinued operations.

The Company evaluates its financial performance by eliminating all non-recurring, non-operational items from net income and earnings per share. Adjusted Net Income, a non-GAAP financial measure, represents reported income before taxes and eliminates discontinued operations, the effect of inventory gains and losses from changes in nickel prices, lower of cost or market inventory adjustment, acquisition costs, shelf registration costs, the Palmer earn-out adjustment, and retention expense. In addition, recurring operating expenses that are in one period but not in the other are adjusted. Finally, a fixed 34% effective tax rate is applied to all periods to eliminate any income tax effect on operating results. The Company utilizes these non-GAAP measurements to present a more meaningful picture of core operations. The Adjusted Net Income for the second quarter of 2014 was \$2,852,000, or \$0.33 per share. This represents an 18% increase over the second quarter of 2013 of \$2,420,000, or \$0.38 per share. For the first six months of 2014, Adjusted Net Income was \$5,488,000, or \$0.63 per share, up 34% over 2013 results of \$4,083,000, or \$0.63.

Earnings before discontinued operations, interest, change in fair value of interest rate swap, income taxes, depreciation, amortization, inventory loss from change in nickel prices, lower of cost or market inventory adjustment, acquisition costs, shelf registration costs, the Palmer earn-out adjustment, and retention expense ("Adjusted EBITDA"), a non-GAAP financial measure increased \$1,437,000 to \$6,170,000 in the second quarter of 2014, or \$0.71 per share from \$4,733,000, or \$0.74 per share for the second quarter of the prior year. For the first six months of 2014, Adjusted EBITDA was \$11,947,000, or \$1.37 per share, compared to \$8,776,000, or \$1.36 per share for the first six months of 2013.

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## **Metals Segment**

Sales from continuing operations during the second quarter of 2014 totaled \$41,941,000, an increase of \$2,898,000 or 7% from \$39,043,000 for the same quarter last year. Sales from continuing operations for the first six months of 2014 were \$78,392,000, a decrease of \$959,000 or 1% from the first six months of 2013. Palmer's sales were relatively flat for the second quarter and first six months of 2014 when compared to the same periods of the prior year. Pipe and piping systems sales from continuing operations increased 9% and decreased 1% for the second quarter and first six months, respectively, of 2014 when compared to the prior year. The pipe and piping systems sales increase for the second quarter resulted from a 1% decrease in average selling price combined with an 11% increase in average unit volumes. In the second quarter, the Metals Segment experienced commodity unit volumes decreasing 7% while non-commodity unit volume increased 52%. Selling prices for commodity pipe increased approximately 4% while selling prices for non-commodity pipe decreased approximately 23%. The non-commodity price decrease was largely attributable to mix differences between the periods.

The pipe and piping systems sales decrease for the first six months of 2014 resulted from a 3% decrease in average selling prices combined with a 2% increase in average unit volumes. In the first six months of 2014, the Metals Segment experienced commodity unit volumes decreasing 12% while non-commodity unit volume increased 31%. Selling prices for commodity pipe were flat year-over-year while selling prices for non-commodity pipe decreased approximately 19%.

The Bechtel nuclear project was completed during the fourth quarter of 2013 which accounted for the decrease in Metals Segment sales in the first six months of 2014. The Segment also focused on obtaining an improved sales mix in 2014. Less profitable commodity pipe sales were replaced with higher margin commodity and special alloy welded stainless pipe shipments. Also, non-commodity unit volumes for the second quarter and first six months of 2014 were favorably affected by higher Synalloy Fabrication shipments. Special alloy inquiries, bookings and backlog remained strong in the second quarter of 2014.

The Metals Segment's operating income from continuing operations increased 115% to \$4,041,000 for the second quarter of 2014 compared to \$1,882,000 for the second quarter of 2013. Operating income from continuing operations for the first six months of 2014 for the Metals Segment increased \$3,549,000 or 102% to \$7,027,000 when compared to \$3,478,000 for the first six months of the prior year. Operating income from continuing operations, which increased \$2,159,000 and \$3,549,000 for the second quarter and first six months of 2014, respectively, compared to the same periods of 2013, was impacted by the following factors:

- a) The Company-wide cost cutting initiatives implemented in January 2014 had a favorable effect on profitability for the first six months of 2014. The Segment is meeting or exceeding all of the financial metric targets that were implemented.
- b) As mentioned above, BRISMET's product mix changed significantly in 2014. New sales pricing tools have allowed the sales department to focus on profitable sales quotes while backing away from low margin business.
- c) With the favorable trade case ruling against Vietnam, Malaysia and Thailand, BRISMET realized improved margins on all small diameter pipe.
- d) Sales and operating income for 2013 were significantly affected by the low margin Bechtel nuclear project. The facility successfully converted that effort to higher margin products in 2014.
- e) As a result of rising nickel prices during 2014, inventory losses decreased for the second quarter and first six months of 2014 compared to the prior year. Inventory losses were approximately \$60,000 and \$697,000 for the second quarter and first six months of 2014, respectively, compared to inventory losses of approximately \$641,000 and \$1,207,000, respectively, for the same periods of 2013. The Company experienced an inventory gain of \$163,000 in June, 2014.

## **Specialty Chemicals Segment**

Sales for the Specialty Chemicals Segment in the second quarter of 2014 were \$16,856,000, which represented a 17% increase from \$14,404,000 for the same quarter of 2013. Sales for the first six months of 2014 were \$33,291,000, an increase of \$5,711,000 or 21% from \$27,580,000 for the same period of 2013. Overall selling prices decreased 9% and 11% in the second quarter and first six months of 2014 when compared to the same periods of 2013 due in part to a significant increase in usage of a lower cost raw material that is reflected in the selling price at Manufacturers Chemicals and generally lower average selling prices at CRI Tolling. Operating income for the second quarter of 2014 and 2013 was \$1,715,000 and \$1,596,000, respectively, an increase of 7%. For the first six months of 2014, operating income was \$3,357,000 compared to \$2,889,000 for the same period of 2013, which represents an increase of 16%. CRI Tolling continues to outperform management's acquisition projections and had a positive impact on profitability during the first six months of 2014. The Specialty Chemicals Segment continues to focus on improving the product mix to higher margin products and controlling operating and support costs. At CRI Tolling, improving production capabilities by streamlining processes and adding necessary equipment will be a major focus. Manufacturers Chemicals will continue to focus on penetrating multiple new markets that will impact long-term organic growth.

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On August 26, 2013, CRI Tolling completed the purchase of substantially all of the assets and assumed certain operating liabilities of Color Resources, LLC ("CRI"). Located in Fountain Inn, South Carolina, CRI Tolling will continue CRI's business as that of a toll manufacturer that provides outside manufacturing resources to global and regional chemical companies. The assets purchased from CRI included equipment and certain other assets and approximately \$387,000 of inventory and accounts receivables, net of assumed payables. The total purchase price was \$1,100,000. The Company acquired the building and land where CRI operates in a separate transaction on August 9, 2013 for approximately \$3,500,000. The Company viewed both the building and operating assets of CRI together as one business, capable of providing a return to ownership by expanding the Segment's production capacity. Accordingly, the acquisition meets the definition of a business and the transaction is structured in a way that meets the definition of a business combination.

The Company funded the acquisition of CRI through a new term loan with the Company's bank, plus an increase in its line of credit.

#### **Other Items**

Unallocated corporate expenses for the second quarter of 2014 increased \$224,000 to \$1,057,000 (1.8% of sales) compared to \$833,000 (1.6% of sales) for the second quarter of 2013. For the first six months, unallocated corporate expenses increased \$317,000 to \$1,956,000 (1.8% of sales) for 2014 from \$1,639,000 (1.5% of sales) for 2013. The second quarter and first six months results were affected by higher incentive based bonuses partially offset by lower travel and general public company costs.

Interest expense for the second quarter of 2014 was \$262,000 compared to \$372,000 for the second quarter of 2013. For the first six months, interest expense decreased to \$528,000 for 2014 compared to \$714,000 for 2013. The lower expense levels resulted from the Company paying off the outstanding balance of its line of credit in October 2013 with a portion of the proceeds from the September 30, 2013 public stock offering.

In connection with the acquisition of CRI, on August 9, 2013 the Company amended its credit agreement for a new ten-year term loan in the amount of \$4,033,000, with monthly principal payments customized to account for the 20 year amortization of the real estate assets combined with a 5-year amortization of the equipment assets purchased. In conjunction with the new term loan, to mitigate the variability of interest rate risk, the Company entered into an interest rate swap contract on September 3, 2013. The interest rate swap is for an initial notional amount of \$4,033,250 with a fixed interest rate of 4.83% and runs for ten years to August 19, 2023, which equates to the due date of the term loan. The notional amount of the interest rate swap decreases as monthly principal payments are made.

Also, as a result of continuing low interest rates, the change in the fair value of the interest rate swap contracts increased unallocated expenses for the second quarter of 2014 by \$176,000 and decreased unallocated expenses by \$495,000 for the second quarter of 2013. For the first six months of 2014, unallocated expenses increased by \$294,000 for the change in the fair value of the interest rate swap contracts while decreasing unallocated expenses by \$633,000 for the first six months of 2013.

During the second quarter, management reviewed the reserves for Palmer's second and third year earn-out payments. The earn-out period runs from August 22<sup>nd</sup> to August 21<sup>st</sup> of the following year, with a threshold target of \$5.825 million in EBITDA in order for the former shareholders of Palmer to receive an earn-out payment of \$2.5 million. An additional earn-out payment of \$1.0 million can be achieved at \$6.825 million in EBITDA. While Palmer's EBITDA results in the second quarter of this year exceeded the same period last year, EBITDA in the fourth quarter of 2013 and in January and February of this year, trailed the threshold EBITDA target required for the sellers to receive the base earn-out payment.

With approximately 7 weeks remaining in the earn-out period, management does not expect the threshold EBITDA target of \$5.825 million to be achieved. Looking out to the third and final year of the earn-out period, management does expect Palmer to achieve the threshold EBITDA target of \$5.825 million. The Company remains pleased with Palmer's performance to date and its prospects for the future, however management does not expect the business unit to reach the \$6.825 million level in the final earn-out period.

The amounts originally estimated for future earn-out payments and our current estimates are as follows:

	<u>Original estimate</u>	<u>Current estimate</u>	<u>Difference</u>
Year 2	2,500,000	—	2,500,000
Year 3	3,500,000	2,500,000	1,000,000
Total	<u>6,000,000</u>	<u>2,500,000</u>	<u>3,500,000</u>

During the second quarter of 2014, the Company recorded a one-time favorable adjustment at the parent company level of \$3,476,000 to reduce the earn-out liability to the present value of our current estimate.

The Company's cash balance increased \$4,312,000 during 2014 from \$1,777,000 at the end of 2013 to \$6,089,000 as of June 28, 2014.

- a) Net accounts receivable increased \$4,771,000 at June 28, 2014 when compared to the prior year end which resulted from consolidated sales for June 2014 increasing by 53% from December 2013;
- b) Net inventories increased \$1,217,000 as of June 28, 2014 compared to the end of 2013 entirely for BRISMET as inventory lead times were lengthened by both steel suppliers during 2014 and additional inventory was required to support third quarter 2014 shipments;
- c) The Company generated cash during the second quarter of 2014 as accounts payable increased \$7,373,000 as of June 28, 2014 from the prior year end due to the timing of raw material purchases late in the second quarter of 2014 combined with the Company experiencing an expansion in the number of accounts payable days outstanding; and
- d) Capital expenditures for the first six months of 2014 were \$2,812,000, of which \$1,714,000 was for the planned CRI expansion.

These items contributed to the Company having approximately \$22,172,000 of fixed-rate bank debt outstanding as of June 28, 2014. Covenants under the various debt agreements include maintaining a certain Funded Debt to EBITDA ratio, a minimum tangible net worth and total liabilities to tangible net worth ratio. The Company is also limited to a maximum amount of capital expenditures per year, which is in line with the Company's current projected needs. The Company is in compliance with all debt covenants at June 28, 2014.

## **Outlook**

The directives that management implemented in December 2013 and January 2014 remain in place. We will continue to reduce and monitor the cost structure in all of our business units, improve the product mix at both BRISMET and Palmer, and continue to penetrate new markets in the Specialty Chemicals Segment. Management is pleased that all remaining business units have reported results in excess of their targets thus far in 2014.

The Metals Segment's business continues to be highly dependent on its customers' capital expenditures. We expect to see additional improvements through the remainder of 2014 with increased quoting activity and new project startups. We expect continued improvement in the pricing of our commodity products over 2013 and will continue to focus on higher margin business opportunities. Nickel prices, which result in stainless steel surcharges, peaked during Mid-May, with an increase of approximately 50% since the end of the year. Since that time, nickel prices decreased slightly and stabilized in June at approximately 34% higher than the prior year-end value. If the Indonesian ban on ore exports remains in place, nickel prices have room to increase from their current levels. Our inventory gains and losses are determined by a number of factors including sales mix and the holding period of particular products. As a consequence, there may not be a direct correlation between the direction of stainless steel surcharges and inventory profits or losses at a particular point in time. Our experience has been that over the course of a business cycle, this volatility has tended towards zero.

We believe we are the largest and most capable domestic producer of non-commodity stainless steel pipe and an effective producer of commodity stainless steel pipe. Our market position remains strong in the commodity pipe market and we continue to see strong order activity in special alloys. Gulf coast activity remains vigorous for chemical, petro-chem, fertilizer and plastic end-user applications. Management anticipates continued strong sales of fiberglass and steel tanks at Palmer as the oil drilling expansion continues in the Permian Basin and Eagle Ford Shale areas of Texas. During the remainder of 2014, we will continue to focus on gaining production efficiencies and improving our product mix.

As a result of the closure of the BristolFab facility, all fabrication backlog amounts have been adjusted to include only those jobs assigned to our Ram-Fab location. Fabrication backlog was \$17,427,000 at June 28, 2014, \$33,453,000 at December 28, 2013 and \$20,850,000 at June 29, 2013. Management continues to address staffing levels, customer requirements and outsourcing opportunities as we work to complete the backlog, profitably and on schedule. Palmer backlog was \$11,843,000 at June 28, 2014 and \$11,477,000 at December 28, 2013. Historical backlog information for Palmer is not available prior to December 28, 2013.

Specialty Chemicals Segment's sales should continue to show improvement throughout 2014 as both units aggressively pursue new business opportunities, evaluate product pricing, increase growth to direct customers and identify new sales opportunities for product offerings that have available production capacity. The Specialty Chemicals Segment's project pipeline is heavily weighted with oil and gas opportunities attained through new growth market penetration efforts, which should favorably impact the remainder of the year. Management expects operating margins to hold steady at current levels. The expansion of the CRI Tolling facility is on schedule with an anticipated completion date of late third quarter 2014.

For more information about Synalloy Corporation, please visit our web site at [www.synalloy.com](http://www.synalloy.com).

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## **Forward-Looking Statements**

This earnings release includes and incorporates by reference "forward-looking statements" within the meaning of the federal securities laws. All statements that are not historical facts are "forward-looking statements." The words "estimate," "project," "intend," "expect," "believe," "should," "anticipate," "hope," "optimistic," "plan," "outlook," "should," "could," "may" and similar expressions identify forward-looking statements. The forward-looking statements are subject to certain risks and uncertainties, including without limitation those identified below, which could cause actual results to differ materially from historical results or those anticipated. Readers are cautioned not to place undue reliance on these forward-looking statements. The following factors could cause actual results to differ materially from historical results or those anticipated: adverse economic conditions; the impact of competitive products and pricing; product demand and acceptance risks; raw material and other increased costs; raw materials availability; employee relations; ability to maintain workforce by hiring trained employees; labor efficiencies; customer delays or difficulties in the production of products; new fracking regulations; a prolonged decrease in oil prices; unforeseen delays in completing the integrations of acquisitions; risks associated with mergers, acquisitions, dispositions and other expansion activities; financial stability of our customers; environmental issues; unavailability of debt financing on acceptable terms and exposure to increased market interest rate risk; inability to comply with covenants and ratios required by our debt financing arrangements; ability to weather an economic downturn; loss of consumer or investor confidence and other risks detailed from time-to-time in the Company's Securities and Exchange Commission filings. The Company assumes no obligation to update the information included in this release.

## **Non-GAAP Financial Information**

Statements included in this earnings release include non-GAAP (Generally Accepted Accounting Principles) measures and should be read along with the accompanying tables which provide a reconciliation of non-GAAP measures to GAAP measures.

Adjusted Net Income and Adjusted Net Income per Share are non-GAAP measures and exclude discontinued operations, inventory gain/(loss) due to changes in nickel prices, lower of cost or market adjustment, acquisition costs, shelf registration costs, the one-time favorable Palmer earn-out adjustment, and retention costs from net income. They also utilize a constant effective tax rate to reflect tax neutral results.

Adjusted EBITDA is a non-GAAP measure and excludes discontinued operations, interest expense, change in fair value of interest rate swap, income taxes, depreciation, amortization, inventory gain/(loss) due to changes in nickel prices, lower of cost or market adjustment, acquisition costs, shelf registration costs, the one-time favorable Palmer earn-out adjustment, and retention costs from net income.

Management believes that these non-GAAP measures provide additional useful information to allow readers to compare the financial results between periods. Non-GAAP measures should not be considered as an alternative to any measure of performance or financial condition as promulgated under GAAP, and investors should consider the Company's performance and financial condition as reported under GAAP and all other relevant information when assessing the performance or financial condition of the Company. Non-GAAP measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the Company's results or financial condition as reported under GAAP.

Contact: Rick Sieradzki at (864) 596-1558

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## SYNALLOY CORPORATION COMPARATIVE ANALYSIS

(unaudited)	THREE MONTHS ENDED		SIX MONTHS ENDED	
	Jun 28, 2014	Jun 29, 2013	Jun 28, 2014	Jun 29, 2013
<b>Net sales from continuing operations</b>				
Metals Segment	\$ 41,941,000	\$ 39,043,000	\$ 78,392,000	\$ 79,351,000
Specialty Chemicals Segment	16,856,000	14,404,000	33,291,000	27,580,000
	\$ 58,797,000	\$ 53,447,000	\$ 111,683,000	\$ 106,931,000
<b>Operating income from continuing operations</b>				
Metals Segment	\$ 4,041,000	\$ 1,882,000	\$ 7,027,000	\$ 3,478,000
Specialty Chemicals Segment	1,715,000	1,596,000	3,357,000	2,889,000
	5,756,000	3,478,000	10,384,000	6,367,000
<b>Unallocated expenses</b>				
Corporate	1,057,000	833,000	1,956,000	1,639,000
Acquisition costs	—	13,000	(3,000)	51,000
Interest expense	262,000	372,000	528,000	714,000
Change in fair value of interest rate swap	176,000	(495,000)	294,000	(633,000)
Palmer earn-out adjustment	(3,476,000)	—	(3,476,000)	—
	(3,476,000)	—	(3,476,000)	—
<b>Net income from continuing operations</b>				
<b>before income taxes</b>	7,737,000	2,755,000	11,085,000	4,596,000
Provision for income taxes	1,991,000	931,000	3,126,000	1,535,000
	5,746,000	1,824,000	7,959,000	3,061,000
<b>Net income from continuing operations</b>				
(Loss) income from discontinued operations, net of tax	(5,346,000)	89,000	(5,782,000)	317,000
	(5,346,000)	89,000	(5,782,000)	317,000
<b>Net income</b>	\$ 400,000	\$ 1,913,000	\$ 2,177,000	\$ 3,378,000
<b>Net income per common share from</b>				
<b>continuing operations</b>				
Basic	\$ 0.66	\$ 0.29	\$ 0.92	\$ 0.48
Diluted	\$ 0.66	\$ 0.28	\$ 0.91	\$ 0.48
<b>Net (loss) income per common share from</b>				
<b>discontinued operations</b>				
Basic	\$ (0.61)	\$ 0.01	\$ (0.66)	\$ 0.05
Diluted	\$ (0.61)	\$ 0.01	\$ (0.66)	\$ 0.05
<b>Average shares outstanding</b>				
Basic	8,701,000	6,379,000	8,696,000	6,371,000
Diluted	8,711,000	6,438,000	8,705,000	6,430,000
<b>Other data:</b>				
Adjusted EBITDA (1)	\$ 6,170,000	\$ 4,733,000	\$ 11,947,000	\$ 8,776,000
Backlog - Ram-Fab	\$ 17,427,000	\$ 20,850,000		
Palmer	\$ 11,843,000	not available		

(1) The term Adjusted EBITDA (earnings before discontinued operations, interest, change in fair value of interest rate swap, income taxes, depreciation, amortization, inventory gain/(loss) due to change in nickel prices, lower of cost or market inventory adjustment, acquisition costs, shelf registration costs, retention costs and the Palmer earn-out adjustment) is a non-GAAP financial measure that the Company believes is useful to investors in evaluating its results to determine the value of a company. For a reconciliation of this non-GAAP measure to the most comparable GAAP equivalent, refer to the Reconciliation of Net Income to Adjusted EBITDA as shown on next page.

## Reconciliation of Net Income from Continuing Operations to Adjusted EBITDA

(unaudited)	THREE MONTHS ENDED		SIX MONTHS ENDED	
	Jun 28, 2014	Jun 29, 2013	Jun 28, 2014	Jun 29, 2013
<b>Consolidated</b>				
Net income from continuing operations	\$ 5,746,000	\$ 1,824,000	\$ 7,959,000	\$ 3,061,000
Adjustments:				
Interest expense	262,000	372,000	528,000	714,000
Change in fair value of interest rate swap	176,000	(495,000)	294,000	(633,000)
Income taxes	1,991,000	931,000	3,126,000	1,535,000
Depreciation	1,068,000	798,000	2,125,000	1,735,000
Amortization	343,000	392,000	685,000	774,000
Inventory loss from change in nickel prices	60,000	641,000	697,000	1,207,000
Lower of cost or market inventory adjustment	(23,000)	182,000	(11,000)	182,000
Acquisition costs	—	13,000	(3,000)	51,000
Shelf registration costs	23,000	—	23,000	—
Palmer earn-out adjustment	(3,476,000)	—	(3,476,000)	—
Retention expense	—	75,000	—	150,000
Adjusted EBITDA	<u>\$ 6,170,000</u>	<u>\$ 4,733,000</u>	<u>\$ 11,947,000</u>	<u>\$ 8,776,000</u>
% sales	10.5%	8.9%	10.7%	8.2%
Adjusted EBITDA per share, diluted	<u>\$ 0.71</u>	<u>\$ 0.74</u>	<u>\$ 1.37</u>	<u>\$ 1.36</u>
<b>Metals Segment</b>				
Net income from continuing operations	\$ 4,041,000	\$ 1,882,000	\$ 7,027,000	\$ 3,478,000
Adjustments:				
Depreciation expense	802,000	623,000	1,603,000	1,384,000
Amortization expense	323,000	383,000	645,000	765,000
Inventory loss from change in nickel prices	60,000	641,000	697,000	1,207,000
Lower of cost or market inventory adjustment	(23,000)	182,000	(11,000)	182,000
Retention expense	—	75,000	—	150,000
Metals Segment Adjusted EBITDA	<u>\$ 5,203,000</u>	<u>\$ 3,786,000</u>	<u>\$ 9,961,000</u>	<u>\$ 7,166,000</u>
% segment sales	12.4%	9.7%	12.7%	9.0%
<b>Specialty Chemicals Segment</b>				
Net income	\$ 1,715,000	\$ 1,596,000	\$ 3,357,000	\$ 2,889,000
Adjustments:				
Depreciation expense	245,000	132,000	479,000	265,000
Amortization expense	6,000	9,000	11,000	9,000
Specialty Chemicals Segment Adjusted EBITDA	<u>\$ 1,966,000</u>	<u>\$ 1,737,000</u>	<u>\$ 3,847,000</u>	<u>\$ 3,163,000</u>
% segment sales	11.7%	12.1%	11.6%	11.5%

## Reconciliation of Net Income and Earnings Per Share to Adjusted Net Income and Adjusted Earnings per Share

(unaudited)	THREE MONTHS ENDED		SIX MONTHS ENDED	
	Jun 28, 2014	Jun 29, 2013	Jun 28, 2014	Jun 29, 2013
Income from continuing operations before taxes, as reported	\$ 7,737,000	\$ 2,755,000	\$ 11,085,000	\$ 4,596,000
Adjustments:				
Inventory loss from change in nickel prices	60,000	641,000	697,000	1,207,000
Lower of cost or market inventory adjustment	(23,000)	182,000	(11,000)	182,000
Acquisition costs	—	13,000	(3,000)	51,000
Shelf registration costs	23,000	—	23,000	—
Palmer earn-out adjustment	(3,476,000)	—	(3,476,000)	—
Retention expense	—	75,000	—	150,000
Adjusted income from continuing operations before income taxes	4,321,000	3,666,000	8,315,000	6,186,000
Provision for income taxes at 34%	1,469,000	1,246,000	2,827,000	2,103,000
Adjusted net income from continuing operations	<u>\$ 2,852,000</u>	<u>\$ 2,420,000</u>	<u>\$ 5,488,000</u>	<u>\$ 4,083,000</u>
Average shares outstanding, as reported				
Basic	<u>8,701,000</u>	<u>6,379,000</u>	<u>8,696,000</u>	<u>6,371,000</u>
Diluted	<u>8,711,000</u>	<u>6,438,000</u>	<u>8,705,000</u>	<u>6,430,000</u>
Adjusted net income from continuing operations per common share				
Basic	<u>\$ 0.33</u>	<u>\$ 0.38</u>	<u>\$ 0.63</u>	<u>\$ 0.64</u>
Diluted	<u>\$ 0.33</u>	<u>\$ 0.38</u>	<u>\$ 0.63</u>	<u>\$ 0.63</u>

## Condensed Consolidated Balance Sheets

	Jun 28, 2014	Dec 28, 2013
	(unaudited)	
<b>Assets</b>		
Cash	\$ 6,089,000	\$ 1,777,000
Accounts receivable, net	35,160,000	30,389,000
Inventories	51,997,000	50,780,000
Sundry current assets	8,705,000	7,767,000
Current assets of discontinued operations	6,466,000	8,898,000
<b>Total current assets</b>	108,417,000	99,611,000
Property, plant and equipment, net	36,570,000	35,883,000
Goodwill	18,253,000	18,253,000
Intangible asset, net	6,369,000	7,012,000
Other assets	2,334,000	2,501,000
<b>Total assets</b>	\$ 171,943,000	\$ 163,260,000
<b>Liabilities and Shareholders' Equity</b>		
Accounts payable	\$ 18,305,000	\$ 10,932,000
Accrued expenses	7,244,000	6,183,000
Current portion of long-term debt	2,534,000	2,534,000
Current portion of contingent consideration	—	2,500,000
Current liabilities of discontinued operations	4,942,000	2,475,000
<b>Total current liabilities</b>	33,025,000	24,624,000
Long-term debt	19,638,000	20,904,000
Long-term contingent consideration	2,446,000	3,362,000
Other long-term liabilities	8,272,000	8,272,000
<b>Shareholders' equity</b>	108,562,000	106,098,000
<b>Total liabilities and shareholders' equity</b>	\$ 171,943,000	\$ 163,260,000