UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2014

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number: 000-20278

ENCORE WIRE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**75-2274963**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1329 Millwood Road McKinney, Texas	**75069**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (972) 562-9473

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Number of shares of Common Stock, par value $0.01, outstanding as of October 31, 2014: 20,720,052

Table of Contents

ENCORE WIRE CORPORATION

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

ENCORE WIRE CORPORATION

CONSOLIDATED BALANCE SHEETS

In Thousands of Dollars	September 30, 2014 (Unaudited)	December 31, 2013 (See Note)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 38,844	$ 36,778
Accounts receivable, net of allowance of $2,065 and $2,065	230,180	215,739
Inventories	80,473	70,780
Income tax receivable		
Deferred income taxes	414	4,756
Prepaid expenses and other	2,577	2,013
Total current assets	352,488	330,066
Property, plant and equipment at cost:		
Land and land improvements	48,305	47,324
Construction-in-progress	29,262	12,222
Buildings and improvements	96,405	90,930
Machinery and equipment	227,479	224,502
Furniture and fixtures	8,652	8,564
Total property, plant and equipment	410,103	383,542
Accumulated depreciation	(199,874)	(189,288)
Property, plant and equipment net	210,229	194,254
Other assets	1,636	1,506
Total assets	$ 564,353	$ 525,826

In Thousands of Dollars, Except Share Data	September 30, 2014 (Unaudited)	December 31, 2013 (See Note)
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Trade accounts payable	$ 24,865	$ 23,465
Accrued liabilities	26,180	23,006
Income taxes payable	4,897	1,447

Deferred income taxes		
Total current liabilities	55,942	47,918
Non-current deferred income taxes and other	20,045	21,327
Commitments and contingencies		
Stockholders equity:		
Preferred stock, $.01 par value:		
Authorized shares 2,000,000; none issued		
Common stock, $.01 par value:		
Authorized shares 40,000,000; Issued shares 26,654,703 and 26,631,653	267	266
Additional paid-in capital	50,416	49,459
Treasury stock, at cost 5,934,651 and 5,934,651 shares	(88,134)	(88,134)
Retained earnings	525,817	494,990
Total stockholders equity	488,366	456,581
Total liabilities and stockholders equity	$ 564,353	$ 525,826

Note: The consolidated balance sheet at December 31, 2013, as presented, is derived from the audited consolidated financial statements at that date.

See accompanying notes.

1

Table of Contents

ENCORE WIRE CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

In Thousands, Except Per Share Data	Quarter Ended September 30, 2014	Quarter Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Net sales	$ 297,351	$ 309,927	$ 881,637	$ 864,738
Cost of goods sold	263,278	272,023	781,877	762,382
Gross profit	34,073	37,904	99,760	102,356
Selling, general, and administrative expenses	17,442	17,126	51,129	48,485
Operating income	16,631	20,778	48,631	53,871
Net interest and other (income) expenses	(13)	(10)	(32)	(44)
Income before income taxes	16,644	20,788	48,663	53,915
Provision for income taxes	5,581	6,986	16,593	18,216
Net income	$ 11,063	$ 13,802	$ 32,070	$ 35,699
Net income per common and common equivalent share basic	$ 0.53	$ 0.67	$ 1.55	$ 1.73
Weighted average common and common equivalent shares outstanding basic	20,718	20,680	20,712	20,663
Net income per common and common equivalent share diluted	$ 0.53	$ 0.66	$ 1.54	$ 1.72
Weighted average common and common equivalent shares outstanding diluted	20,819	20,768	20,831	20,739
Cash dividends declared per share	$ 0.02	$ 0.02	$ 0.06	$ 0.06

See accompanying notes.

Table of Contents

ENCORE WIRE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended September 30,	
In Thousands of Dollars	2014	2013
OPERATING ACTIVITIES		
Net income	$ 32,070	$ 35,699
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	11,631	10,947
Deferred income taxes	2,937	5,845
Other	324	214
Changes in operating assets and liabilities:		
Accounts receivable	(14,441)	(38,954)
Inventories	(9,693)	(8,957)
Trade accounts payable and accrued liabilities	3,598	13,279
Other assets and liabilities	(697)	2,579
Current income taxes receivable / payable	3,564	1,824
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	29,293	22,476
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(26,624)	(39,465)
Proceeds from sale of assets	75	
Other	(32)	
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(26,581)	(39,465)
FINANCING ACTIVITIES		
Proceeds from issuances of common stock	483	439
Dividends paid	(1,243)	(1,241)
Excess tax benefits of options exercised	114	53
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(646)	(749)
Net increase (decrease) in cash and cash equivalents	2,066	(17,738)
Cash and cash equivalents at beginning of period	36,778	33,883
Cash and cash equivalents at end of period	$ 38,844	$ 16,145

See accompanying notes.

3

Table of Contents

ENCORE WIRE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

September 30, 2014

NOTE 1 BASIS OF PRESENTATION

The unaudited consolidated financial statements of Encore Wire Corporation (the Company) have been prepared in accordance with U.S. generally accepted accounting principles for interim information and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete annual financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments considered necessary for a fair presentation, have been included. Results of operations for interim periods presented do not necessarily indicate the results that may be expected for the entire year. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2013.

NOTE 2 INVENTORIES

Inventories are stated at the lower of cost, determined by the last-in, first-out (LIFO) method, or market.

Inventories consist of the following:

In Thousands of Dollars	September 30, 2014	December 31, 2013
Raw materials	$ 21,129	$ 28,293
Work-in-process	20,998	21,881
Finished goods	93,747	82,997
Total	135,874	133,171
Adjust to LIFO cost	(55,401)	(62,391)
Lower of cost or market adjustment		
Inventory, net	$ 80,473	$ 70,780

LIFO pools are established at the end of each fiscal year. During the first three quarters of every year, LIFO calculations are based on the inventory levels and costs at that time. Accordingly, interim LIFO balances will fluctuate up and down in tandem with inventory levels and costs.

During the first six months of 2014, the Company liquidated a portion of the LIFO inventory layer in the aluminum wire pool established in prior years. This liquidation had an insignificant effect on the net income of the Company. During the third quarter of 2014, that layer was replenished. During the first quarter of 2013, the Company liquidated a portion of the copper layer established in 2011. During the second and third quarters of 2013 that layer was replenished. As a result, under the LIFO method, this inventory layer was liquidated at historical costs that were higher than current costs, which positively impacted net income for the third quarter of 2013 by $0.9 million offsetting the $0.9 million negative net impact from the liquidation in the first six months of 2013. During 2014, LIFO adjustments were recorded decreasing cost of sales by $0.2 million in the third quarter and by $7.0 million in the first nine months.

NOTE 3 ACCRUED LIABILITIES

Accrued liabilities consist of the following:

In Thousands of Dollars	September 30, 2014	December 31, 2013
Sales volume discounts payable	$ 15,444	$ 15,898
Property taxes payable	2,566	3,226
Commissions payable	2,207	2,027
Accrued salaries	4,689	1,314
Other accrued liabilities	1,274	541
Total accrued liabilities	$ 26,180	$ 23,006

Table of Contents

NOTE 4 INCOME TAXES

Income taxes were accrued at an effective rate of 33.5% in the third quarter of 2014 versus 33.6% in the third quarter of 2013, consistent with the Company s estimated liabilities. The decrease in the effective rate was due to a change in the proportional effects of permanent items on the effective rate. For the nine months ended September 30, the Company s effective tax rate was approximately 34.1% in 2014 and 33.8% in 2013.

NOTE 5 EARNINGS PER SHARE

Net earnings (loss) per common and common equivalent share are computed using the weighted average number of shares of common stock and common stock equivalents outstanding during each period. If dilutive, the effect of stock options, treated as common stock equivalents, is calculated using the treasury stock method.

The following table sets forth the computation of basic and diluted net earnings (loss) per share:

	Quarters Ended	
In Thousands	Sept. 30, 2014	Sept. 30, 2013
Numerator:		
Net income (loss)	$ 11,063	$ 13,802
Denominator:		
Denominator for basic net income per common and common equivalent share weighted average shares	20,718	20,680
Effect of dilutive securities:		
Employee stock options	101	88
Denominator for diluted net income per common and common equivalent share weighted average shares	20,819	20,768

The weighted average of employee stock options excluded from the determination of diluted net income per common and common equivalent share for the third quarter was 49,000 in 2014 and zero in 2013. Such options were anti-dilutive for the respective periods.

The following table sets forth the computation of basic and diluted net earnings (loss) per share:

	Nine Months Ended	
In Thousands	Sept. 30, 2014	Sept. 30, 2013
Numerator:		
Net income (loss)	$ 32,070	$ 35,699
Denominator:		
	20,712	20,663

Denominator for basic net income per common and common equivalent share weighted average shares		
Effect of dilutive securities:		
Employee stock options	119	76
Denominator for diluted net income per common and common equivalent share weighted average shares	20,831	20,739

The weighted average of employee stock options excluded from the determination of diluted net income per common and common equivalent share for the nine months ended was 39,000 in 2014 and 127,000 in 2013. Such options were anti-dilutive for the respective periods.

NOTE 6 DEBT

The Company is party to a Credit Agreement with two banks, Bank of America, N.A., as administrative agent and letter of credit issuer, and Wells Fargo Bank, National Association, as syndication agent (the Credit Agreement). The Credit Agreement extends through October 1, 2017 and provides for maximum borrowings of the lesser of $150.0 million or the amount of eligible accounts receivable plus the amount of eligible finished goods and raw materials, less any reserves established by the banks. Additionally, at our request and subject to certain conditions, the commitments under the Credit Agreement may be increased by a maximum of up to $100.0 million as long as existing or new lenders agree to provide such additional commitments. The calculated maximum borrowing amount available at September 30, 2014, as computed under the Credit Agreement, was $149.5 million. Borrowings under the line of credit bear interest, at the Company s option, at either (1) LIBOR plus a margin that varies from 0.875% to 1.75% depending upon the Leverage Ratio (as defined in the Credit Agreement), or (2) the base rate (which is the highest of the federal funds rate plus 0.5%, the prime rate, or LIBOR plus 1.0%) plus 0% to 0.25% (depending upon the Leverage Ratio). A commitment fee ranging from 0.15% to 0.30% (depending upon the Leverage Ratio) is payable on the unused line of credit. At September 30, 2014, there were no borrowings outstanding under the Credit Agreement. Obligations under the Credit Agreement are the only contractual borrowing obligations or commercial borrowing commitments of the Company.

Obligations under the Credit Agreement are unsecured and contain customary covenants and events of default. The Company was in compliance with the covenants as of September 30, 2014.

NOTE 7 STOCKHOLDERS EQUITY

On November 10, 2006, the Board of Directors approved a stock repurchase program authorizing the Company to repurchase up to an authorized amount of shares of its common stock on the open market or through privately negotiated transactions at prices determined by the President of the Company during the term of the program. The Company s Board of Directors has authorized several increases and annual extensions of this stock repurchase program, and as of September 30, 2014, the repurchas