

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 8-K

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**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 31, 2013**

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## **Universal Stainless & Alloy Products, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction  
of incorporation)

**000-25032**  
(Commission  
File Number)

**25-1724540**  
(IRS Employer  
Identification No.)

**600 Mayer Street, Bridgeville, Pennsylvania**  
(Address of principal executive offices)

**15017**  
(Zip code)

**Registrant's telephone number, including area code: (412) 257-7600**

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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.):

- 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))

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Item 2.02. Results of Operations and Financial Condition.

On July 31, 2013, Universal Stainless and Alloy Products, Inc. issued a press release regarding its earnings for the second quarter ended June 30, 2013. A copy of the press release is attached hereto as Exhibit 99.1.

The information in this Current Report on Form 8-K, including the attached press release regarding the Company's earnings for the second quarter ended June 30, 2013, shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, 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.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 Press Release dated July 31, 2013

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SIGNATURE

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.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

By: /s/ Michael D. Bormak  
Vice President of Finance,  
Chief Financial Officer and Treasurer

Dated: July 31, 2013



CONTACTS: Dennis M. Oates  
Chairman,  
President and CEO  
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VP Finance, CFO  
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President  
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FOR IMMEDIATE RELEASE

**UNIVERSAL STAINLESS REPORTS SECOND QUARTER 2013 RESULTS**  
**- Posts Net Sales of \$42.9 Million and Net Income of \$0.06 per Diluted Share**

**BRIDGEVILLE, PA, July 31, 2013** – Universal Stainless & Alloy Products, Inc. (Nasdaq: USAP) today reported that net sales for the second quarter of 2013 were \$42.9 million compared with \$67.9 million in the second quarter of 2012 and \$49.1 million in the first quarter of 2013, primarily due to lower shipment volumes.

Compared with the first quarter of 2013, tons shipped to the aerospace market remained level, while tons shipped to the power generation, oil and gas, and heavy equipment markets were lower by 8%, 19%, and 5%, respectively, reflecting weaker demand in those end markets.

Operating income for the second quarter of 2013 was \$0.4 million compared with \$7.3 million in the second quarter of 2012 and \$0.2 million in the first quarter of 2013. The Company's second quarter 2013 operating income was negatively impacted by a severance charge of \$0.4 million related to the departure of a senior executive.

Net income for the second quarter of 2013 was \$0.5 million, or \$0.06 per diluted share, compared with \$4.5 million, or \$0.62 per diluted share, in the second quarter of 2012, and \$0.04 million, or \$0.01 per diluted share, in the first quarter of 2013. The Company's first and second quarter 2013 results were favorably impacted by tax benefits of \$0.6 million and \$0.8 million, respectively, as a result of favorable state tax apportionment factors as well as research and development tax credits. The tax benefit in the second quarter of 2013 represented approximately \$0.11 per diluted share, which favorably impacted the Company's second quarter net income.

For the first six months of 2013, net sales were \$92.0 million and net income was \$0.5 million, or \$0.06 per diluted share. That compares with net sales of \$142.5 million and net income of \$10.8 million, or \$1.48 per diluted share, in the first six months of 2012. Shipment volume for the first six months of 2013 decreased 33% from the first six months of 2012.

Chairman, President and CEO Dennis Oates commented: "Demand and volumes were lower than anticipated in the second quarter as supply channel destocking continued and declining nickel prices and short industry lead-times encouraged customers to delay new orders. While we saw a pick-up in order entry volume for the quarter and are encouraged that our backlog was up 5% from the end of the first quarter, normal channel demand has not yet returned, even adjusting for the slow summer months."

"Despite our lower shipment volume, our gross margin improved to 12.4% of sales in the second quarter from 9.5% of sales in the first quarter. With the lower volumes, management enacted aggressive cost control measures and flexed production levels to these market conditions. The margin improvement also reflects the fact that some of the major start-up costs at our North Jackson facility are now behind us."

"The addition of our North Jackson operation two years ago launched our strategic plan to move to higher margin premium alloys. We made further progress in that plan in the second quarter by achieving required heat treat accreditation for the balance of our facilities. This is essential for reaching our next objective, which is to win approvals of our processes and products from leading OEMs in aerospace and oil and gas, which also progressed in

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the quarter.”

“Although it is difficult to pinpoint when channel demand will fully recover, the longer-term outlook for our end markets remains strong and it is generally expected that demand will begin to gain traction in the fourth quarter. In the meantime, we are continuing to move forward with our plan to position Universal to capture broader and higher margin opportunities in our end markets.”

Despite these market conditions, during the second quarter and first six months of 2013, the Company generated positive cash flow from operations of \$5.3 million and \$9.7 million, respectively, compared with a use of cash of \$0.5 million and \$4.3 million for the second quarter and first six months of 2012, respectively. Capital expenditures for the first six months of 2013 were \$7.0 million compared to \$20.1 million for the first six months of 2012. Backlog at June 30, 2013 was \$49.2 million compared with \$46.6 million at March 31, 2013 and \$51.7 million at December 31, 2012. At June 30, 2013, the Company reduced its total debt by \$1.3 million to \$103.4 million from March 31, 2013.

#### **Webcast**

The Company has scheduled a conference call for today, July 31, at 10:00 a.m. (Eastern) to discuss second quarter 2013 results. A simultaneous webcast will be available on the Company’s website at [www.univstainless.com](http://www.univstainless.com), and thereafter archived on the website through the end of the third quarter of 2013.

#### **About Universal Stainless & Alloy Products, Inc.**

Universal Stainless & Alloy Products, Inc., headquartered in Bridgeville, PA, manufactures and markets semi-finished and finished specialty steels, including stainless steel, tool steel and certain other alloyed steels. The Company’s products are used in a variety of industries, including aerospace, power generation, oil and gas, and heavy equipment manufacturing. Established in 1994, the Company, with its experience, technical expertise, and dedicated workforce, stands committed to providing the best quality, delivery, and service possible. More information is available at [www.univstainless.com](http://www.univstainless.com).

#### **Forward-Looking Information Safe Harbor**

*Except for historical information contained herein, the statements in this release are forward-looking statements that are made pursuant to the “safe harbor” provision of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks and uncertainties that may cause the Company’s actual results in future periods to differ materially from forecasted results. Those risks include, among others, the concentrated nature of the Company’s customer base to date and the Company’s dependence on its significant customers; the receipt, pricing and timing of future customer orders; changes in product mix; the limited number of raw material and energy suppliers and significant fluctuations that may occur in raw material and energy prices; risks related to property, plant and equipment, including the Company’s reliance on the continuing operation of critical manufacturing equipment; risks associated with labor matters; the Company’s ongoing requirement for continued compliance with laws and regulations, including applicable safety and environmental regulations; the ultimate outcome of the Company’s current and future litigation and matters; risks related to acquisitions that the Company may make; and the impact of various economic, credit and market risk uncertainties. Many of these factors are not within the Company’s control and involve known and unknown risks and uncertainties that may cause the Company’s actual results in future periods to be materially different from any future performance suggested herein. Any unfavorable change in the foregoing or other factors could have a material adverse effect on the Company’s business, financial condition and results of operations. Further, the Company operates in an industry sector where securities values may be volatile and may be influenced by economic and other factors beyond the Company’s control. Certain of these risks and other risks are described in the Company’s filings with the Securities and Exchange Commission (SEC) over the last 12 months, copies of which are available from the SEC or may be obtained upon request from the Company.*

- TABLES FOLLOW -

**UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.**  
**FINANCIAL HIGHLIGHTS**  
(Dollars in thousands, except share and per share information)  
(Unaudited)

**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
<b>Net Sales</b>				
Stainless steel	\$ 32,193	\$ 52,286	\$ 67,670	\$ 112,412
Tool steel	5,118	6,565	10,102	10,870
High-strength low alloy steel	3,865	5,841	10,458	12,079
High-temperature alloy steel	805	1,728	2,075	4,169
Conversion services and other sales	906	1,446	1,717	2,950
<b>Total net sales</b>	<b>42,887</b>	<b>67,866</b>	<b>92,022</b>	<b>142,480</b>
<b>Cost of Products Sold</b>				
Material cost of products sold	22,477	33,759	49,180	71,028
Operating cost of products sold	11,645	19,639	25,736	39,930
Depreciation expense	3,457	2,898	7,152	5,677
<b>Total cost of products sold</b>	<b>37,579</b>	<b>56,296</b>	<b>82,068</b>	<b>116,635</b>
<b>Gross margin</b>	<b>5,308</b>	<b>11,570</b>	<b>9,954</b>	<b>25,845</b>
Selling, general and administrative expenses	4,513	4,145	8,992	8,728
Severance expenses	356	118	356	118
<b>Operating income</b>	<b>439</b>	<b>7,307</b>	<b>606</b>	<b>16,999</b>
Interest expense	(837)	(618)	(1,526)	(1,322)
Other income	35	38	63	61
<b>(Loss) income before income taxes</b>	<b>(363)</b>	<b>6,727</b>	<b>(857)</b>	<b>15,738</b>
(Benefit) provision for income taxes	(841)	2,222	(1,375)	4,947
<b>Net income</b>	<b>\$ 478</b>	<b>\$ 4,505</b>	<b>\$ 518</b>	<b>\$ 10,791</b>
Net income per common share – Basic	\$ 0.07	\$ 0.66	\$ 0.07	\$ 1.57
Net income per common share – Diluted *	\$ 0.06	\$ 0.62	\$ 0.06	\$ 1.48
<b>Weighted average shares of common stock outstanding</b>				
Basic	6,940,831	6,863,904	6,934,182	6,856,310
Diluted	7,485,405	7,465,260	7,494,125	7,445,391

\* Diluted earnings per common share have been adjusted for interest expense, net of tax on convertible notes of (\$32) and \$104 for the three months ended June 30, 2013 and 2012, respectively, and by (\$65) and \$212 for the six months ended June 30, 2013 and 2012, respectively.

**MARKET SEGMENT INFORMATION**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
<b>Net Sales</b>				
Service centers	\$29,103	\$41,804	\$61,612	\$ 83,460
Forgers	4,433	9,149	11,062	22,868
Rerollers	5,578	10,426	11,080	21,422
Original equipment manufacturers	2,867	5,041	6,551	11,780
Conversion services and other sales	906	1,446	1,717	2,950
<b>Total net sales</b>	<b>\$42,887</b>	<b>\$67,866</b>	<b>\$92,022</b>	<b>\$142,480</b>
Tons shipped	8,559	13,277	18,185	27,311

**MELT TYPE INFORMATION**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
<b>Net Sales</b>				
Specialty alloys	\$40,097	\$64,668	\$86,219	\$134,165
Premium alloys *	1,884	1,752	4,086	5,365
Conversion services and other sales	906	1,446	1,717	2,950
<b>Total net sales</b>	<b>\$42,887</b>	<b>\$67,866</b>	<b>\$92,022</b>	<b>\$142,480</b>

**END MARKET INFORMATION \*\***

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
<b>Net Sales</b>				
Aerospace	\$24,990	\$33,721	\$50,725	\$ 70,892
Heavy equipment	5,518	6,565	11,034	10,870
Oil & gas	4,484	14,133	10,776	29,692
Power generation	4,531	8,188	10,290	19,384
General industrial, conversion services and other sales	3,364	5,259	9,197	11,642
<b>Total net sales</b>	<b>\$42,887</b>	<b>\$67,866</b>	<b>\$92,022</b>	<b>\$142,480</b>

\* Premium alloys represents all VIM-produced products.

\*\* End market information is our estimate based upon customers and grade of material sold that will in-turn sell to the ultimate end market customer.

**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<u>June 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
<b>Assets</b>		
Cash	\$ 733	\$ 321
Accounts receivable, net	24,290	24,781
Inventory, net	95,148	95,749
Deferred income taxes	9,562	22,739
Refundable income taxes	2,264	1,594
Other current assets	<u>3,562</u>	<u>2,246</u>
Total current assets	135,559	147,430
Property, plant and equipment, net	205,856	206,150
Goodwill	20,268	20,268
Other long-term assets	<u>2,575</u>	<u>2,418</u>
Total assets	<u>\$364,258</u>	<u>\$ 376,266</u>
<b>Liabilities and Stockholders' Equity</b>		
Accounts payable	\$ 14,071	\$ 10,610
Accrued employment costs	3,892	4,671
Current portion of long-term debt	3,000	1,500
Other current liabilities	<u>1,218</u>	<u>735</u>
Total current liabilities	22,181	17,516
Long-term debt	100,440	105,242
Deferred income taxes	<u>41,224</u>	<u>55,227</u>
Total liabilities	163,845	177,985
Stockholders' equity	<u>200,413</u>	<u>198,281</u>
Total liabilities and stockholders' equity	<u>\$364,258</u>	<u>\$ 376,266</u>



**CONSOLIDATED STATEMENTS OF CASH FLOW**

	Six Months Ended	
	June 30,	
	2013	2012
<b>Operating activities:</b>		
Net income	\$ 518	\$ 10,791
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,279	6,847
Deferred income tax	(826)	10,340
Share-based compensation expense, net of tax benefit	805	672
Changes in assets and liabilities:		
Accounts receivable, net	491	(6,293)
Inventory, net	(57)	(18,749)
Accounts payable	2,612	(4,825)
Accrued employment costs	(779)	(2,575)
Income taxes	(670)	(1,222)
Other, net	(715)	681
Net cash provided by (used in) operating activities	9,658	(4,333)
<b>Investing activity:</b>		
Purchase of property, plant and equipment, net of amount included in accounts payable	(6,149)	(16,196)
Net cash used in investing activities	(6,149)	(16,196)
<b>Financing activities:</b>		
Borrowings under revolving credit facility	45,854	78,664
Payments on revolving credit facility	(49,156)	(38,583)
Payment on term loan facility	—	(20,000)
Proceeds from stock options exercised	613	770
Payment of financing costs	(487)	(348)
Purchase of treasury stock	(38)	(233)
Tax benefit from share-based compensation expense	117	165
Net cash (used in) provided by financing activities	(3,097)	20,435
Net increase (decrease) in cash	412	(94)
Cash at beginning of period	321	274
Cash at end of period	<u>\$ 733</u>	<u>\$ 180</u>
<b>Supplemental Non-Cash Investing Activity:</b>		
Purchase of property, plant and equipment included in accounts payable	<u>\$ 849</u>	<u>\$ 3,865</u>