

## Tree Island Wire Income Fund

TSX: TIL.UN, TIL.DB



Nov 05, 2010 18:32 ET

## Tree Island Announces Third Quarter 2010 Results

## Continued Improvement on a Year-Over-Year Comparative Basis

VANCOUVER, BRITISH COLUMBIA--(Marketwire - Nov. 5, 2010) - Tree Island Wire Income Fund (TSX:TIL.UN)(TSX:TIL.DB) -

## Q3 2010 Highlights

- Revenues amount to \$31.4 million
- Gross loss reduced to \$0.4 million from a gross loss of \$1.7 million in Q3 2009
- EBITDA(before foreign exchange)<sup>(3)</sup> improved by \$3.0 million to a loss of \$2.3 million from an EBITDA loss of \$5.3 million in Q3 2009

Tree Island Wire Income Fund ("Tree Island" or the "Fund"<sup>(1)</sup>) announced today its third quarter fiscal 2010 financial results for the period ended September 30, 2010.

For the three months ended September 30, 2010<sup>(2)</sup>, the Fund reported revenue of \$31.4 million, compared to \$38.5 million during the same period in 2009. Gross loss improved and was reduced by \$1.3 million to a loss of \$0.4 million and gross loss per ton decreased to \$18 per ton. The significant decrease in gross loss and gross loss per ton reflects Tree Island's focus on more profitable products, higher selling prices, no inventory write downs and a continued focus on cost control. However, the ongoing poor economic conditions in some of our primary end markets, particularly in the United States, resulted in lower sales volumes and pressure on product selling prices during the third quarter, which led to a gross loss position.

Our ongoing focus on cost management continued to favourably impact our results with Q3 SG&A expenses of \$3.2 million, \$1.7 million less than in Q3 2009. This resulted in an EBITDA loss of \$2.3 million, a \$3.0 million improvement from the 2009 Q3 EBITDA loss of \$5.3 million.

The Fund reported a net loss of \$4.9 million for the three months ended September 30, 2010, compared to a net loss of \$1.6 million in the same period in 2009. The 2009 loss contains a non-recurring gain on the sale of surplus land of \$5.4 million.

For the nine months ended September 30, 2010<sup>(2)</sup>, the Fund's revenues amounted to \$104.7 million versus \$138.8 million during the corresponding period in 2009. Gross profit increased by \$27.5 million to \$5.9 million during the nine month period in 2010. EBITDA also improved by \$33.4 million to break even, while net loss reduced by \$28.9 million to \$11.3 million.

"Certain of our key end markets appear to be stalled with little or negligible signs of recovery, while we continue to manage our costs and inventory in preparation for our seasonally slower months ahead of us," said Ted Leja, President and CEO of Tree Island Industries. "Our year-to-date results are indicative of the financial and operating improvements that have been made. We will continue to closely manage our costs and pursue every opportunity to grow our sales to generate positive profit in the future; however we continue to remain cautious regarding the months ahead."

Amar Doman, Chairman of the Fund noted, "We have successfully addressed many of the issues facing the Fund and strengthened the Fund on many fronts which has resulted in a sounder business and a platform for profitable growth when demand in our end markets resumes."

|  | Three Months Ended Sept 30 |          | Nine Months Ended Sept 30 |           |
|--|----------------------------|----------|---------------------------|-----------|
|  | 2010                       | 2009     | 2010                      | 2009      |
| <b>Income</b>  |                            |          |                           |           |
| <i>Sales Volumes – Tons<sup>(3)</sup></i>                  | 23,192                     | 31,565   | 78,810                    | 115,026   |
| Revenue  | 31,391                     | 38,456   | 104,665                   | 138,841   |
| Cost of Goods Sold   | (30,430)                   | (38,773) | (94,535)                  | (154,813) |
| Depreciation   | (1,379)                    | (1,401)  | (4,220)                   | (5,649)   |
| Gross Profit (Loss)  | (418)                      | (1,718)  | 5,910                     | (21,621)  |
| <i>Gross Profit (Loss) per Ton</i>                         | (18)                       | (54)     | 75                        | (188)     |
| Selling, General and Administrative Expenses               | (3,243)                    | (4,986)  | (10,090)                  | (17,435)  |
| Operating Profit (Loss)                                    | (3,661)                    | (6,704)  | (4,180)                   | (39,056)  |
| Foreign Exchange Gain (Loss)                               | 696                        | 1,162    | (601)                     | 2,291     |
| Financing Expenses   | (2,514)                    | (1,661)  | (8,377)                   | (5,384)   |
| Gain on Sale of Property, Plant & Equipment                | 80                         | 5,399    | 80                        | 5,462     |
| Fair Value Changes on Derivatives                          | -                          | 128      | -                         | 250       |
| Amortization of Deferred Gain                              | 120                        | 128      | 360                       | 407       |
| Impairment and Amortization of Intangible Assets           | -                          | -        | -                         | (6,022)   |
| Income Tax (Expense) Recovery                              | 400                        | (77)     | 1,462                     | 1,882     |
| Net Loss   | (4,879)                    | (1,625)  | (11,256)                  | (40,170)  |
| <b>EBITDA</b>  |                            |          |                           |           |
| Operating Profit (Loss)                                    | (3,661)                    | (6,704)  | (4,180)                   | (39,056)  |
| Add back Depreciation                                      | 1,379                      | 1,401    | 4,220                     | 5,649     |
| EBITDA <sup>(1)</sup>                                      | (2,282)                    | (5,303)  | 40                        | (33,407)  |
| Foreign Exchange Gain (Loss)                               | 696                        | 1,162    | (601)                     | 2,291     |
| EBITDA Adjusted for Foreign Exchange                       | (1,586)                    | (4,141)  | (561)                     | (31,116)  |
| <b>Distributable Cash</b>                                  |                            |          |                           |           |
| Standardized Distributable Cash per Unit <sup>(1)</sup>    | 0.1169                     | 0.2505   | (0.3727)                  | 1.9138    |
| Adjusted Distributable Cash per Unit <sup>(1)</sup>        | (0.1258)                   | 0.1539   | (0.0966)                  | (1.1949)  |
| Distributable Cash Paid or Payable per Unit <sup>(1)</sup> | -                          | -        | -                         | -         |
| Standardized Distribution Payout % <sup>(2)</sup>          | 0%                         | 0%       | 0%                        | 0%        |
| Adjusted Distribution Payout % <sup>(2)</sup>              | 0%                         | 0%       | 0%                        | 0%        |

|  | As at September 30<br>2010 | As at December 31<br>2009 |
|--|----------------------------|---------------------------|
| <b>Balance Sheet</b>   |                            |                           |
| Total Assets   | 101,562                    | 99,693                    |
| Long-term Debt and Convertible Debentures  | 35,871                     | 28,779                    |
| Revolving Credit, net of Cash  | 1,046                      | (1,307)                   |
| (1) See definition of EBITDA, Standardized Distributable Cash and Adjusted Distributable Cash in the Non-GAAP Measures section of the Q3 2010 MD&A   |                            |                           |
| (2) Distribution Payout % is calculated as distributions paid or payable per unit divided by distributable cash generated per unit.  |                            |                           |
| (3) Sales volumes for Q3 2010 exclude 827 tons (2009 – 3,594 tons) which were processed as part of tolling arrangements. For the nine months ended September 2010 sales volumes exclude 5,996 tons (2009 – 8,194 tons) which were processed as part of tolling arrangements. |                            |                           |

#### About Tree Island Wire Income Fund

The Fund was launched on November 12, 2002 with the completion on an initial public offering. The Fund has a 100% ownership interest in Tree Island Industries Ltd and its performance depends on the performance of Tree Island Industries Ltd. 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, TI Wire, Industrial Alloys, Tough Strand, and Select brand names. Tree Island also owns and operates a Hong Kong-based company that provides internationally sourced products to the Company and its customers.

#### Forward-Looking Statements

This press release includes forward-looking information with respect to the Fund and the company, including their 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 management believes that expectations reflected in forward-looking statements are reasonable, such statements involve risks and uncertainties including the risks and uncertainties discussed under the heading "Risk Factors" in the Fund's annual information form and management discussion and analysis for update date.

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 the company's products, supplies of and costs for its 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 working capital position, the impact on liquidity if the Fund were to go offside of covenants in its debt facilities, the impact that changes in supplier payment terms or slow payment of accounts receivable could have on 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 the Fund's 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.

(1) References to the Fund or Tree Island include references to Tree Island Industries Ltd. as the context may require.

(2) Please refer to our Q3 2010 MD&A for further information.

(3) Reference is made above to EBITDA. We define EBITDA as operating profit or loss plus depreciation. Please refer to our Annual Report and Q3 2010 MD&A for further information.

EBITDA is a measure used by management of Tree Island to evaluate financial performance. EBITDA, however, is not a measure of earnings or financial performance recognized by Canadian generally accepted accounting principles ("GAAP") and does not have standardized meanings prescribed by GAAP. Items excluded from EBITDA are significant to understanding and assessing financial performance. EBITDA should not be considered in isolation or as alternatives to net income, cash flows generated by operations or other financial statement data presented in the consolidated financial statements of the Fund, as indicators of financial performance or liquidity under GAAP. Because EBITDA is not a measure determined in accordance with GAAP, as presented, investors are cautioned that EBITDA may not be comparable to similarly-titled measures presented by other issuers (such as other income funds).

#### Tree Island Wire Income Fund CONSOLIDATED BALANCE SHEETS (In thousands of dollars)(unaudited)

|   | As at<br>September 30, 2010 | As at<br>December 31, 2009 |
|---|-----------------------------|----------------------------|
| <b>Assets</b>                                 |                             |                            |
| <i>Current</i>                                |                             |                            |
| Cash  | \$ 3,470                    | \$ 4,153                   |
| Accounts receivable                           | 13,905                      | 9,064                      |
| Income and other taxes receivable             | 6,078                       | 6,121                      |
| Inventories                                   | 35,579                      | 33,626                     |
| Prepaid expenses                              | 3,730                       | 3,113                      |
|   | 62,762                      | 56,077                     |
| <i>Property, plant and equipment</i>          | 38,792                      | 43,047                     |
| <i>Other non-current assets</i>               | 8                           | 569                        |
|   | \$ 101,562                  | \$ 99,693                  |
| <b>Liabilities</b>                            |                             |                            |
| <i>Current</i>                                |                             |                            |
| Revolving credit                              | \$ 4,516                    | \$ 2,846                   |
| Accounts payable and accrued liabilities      | 19,061                      | 18,351                     |
| Income taxes payable                          | 308                         | 748                        |
| Interest payable                              | 83                          | 41                         |
| Current portion of long-term debt             | 4,840                       | 3,030                      |
|   | 28,808                      | 25,016                     |
| <i>Convertible Debentures</i>                 | 12,855                      | 5,716                      |
| <i>Long-term debt</i>                         | 23,016                      | 23,063                     |
| <i>Deferred gain on sale of option</i>        | 2,925                       | 3,337                      |
| <i>Other non-current liabilities</i>          | 682                         | 361                        |
| <i>Future income taxes</i>                    | 1,516                       | 2,848                      |
|   | 69,802                      | 60,341                     |
| <i>Contingent liabilities and commitments</i> |                             |                            |
| <b>Unitholders' Equity</b>                    | 31,760                      | 39,352                     |
|   | \$ 101,562                  | \$ 99,693                  |

#### Tree Island Wire Income Fund CONSOLIDATED STATEMENTS OF OPERATIONS (In thousands of dollars, except units and per-unit amounts)(unaudited)

|  | Three Months Ended September 30 |                   | Nine Months Ended September 30 |                    |
|--|---------------------------------|-------------------|--------------------------------|--------------------|
|  | 2010                            | 2009              | 2010                           | 2009               |
| Sales  | \$ 31,391                       | \$ 38,456         | \$ 104,665                     | \$ 138,841         |
| Cost of goods sold                               | 30,430                          | 38,773            | 94,535                         | 154,813            |
| Depreciation                                     | 1,379                           | 1,401             | 4,220                          | 5,649              |
| Gross profit (loss)                              | (418)                           | (1,718)           | 5,910                          | (21,621)           |
| Selling, general and administrative expenses     | 3,243                           | 4,986             | 10,090                         | 17,435             |
| Operating (loss)                                 | (3,661)                         | (6,704)           | (4,180)                        | (39,056)           |
| Foreign exchange gain (loss)                     | 696                             | 1,162             | (601)                          | 2,291              |
| Gain on sale of property, plant and equipment    | 80                              | 5,399             | 80                             | 5,462              |
| Impairment and amortization of intangible assets | -                               | -                 | -                              | (6,022)            |
| Amortization of deferred gain                    | 120                             | 128               | 360                            | 407                |
| Fair value changes on derivatives                | -                               | 128               | -                              | 250                |
| Financing expenses                               | (2,514)                         | (1,661)           | (8,377)                        | (5,384)            |
| Loss before income taxes                         | (5,279)                         | (1,548)           | (12,718)                       | (42,052)           |
| Income tax recovery (expense)                    | 400                             | (77)              | 1,462                          | 1,882              |
| <b>Net loss for the period</b>                   | <b>\$ (4,879)</b>               | <b>\$ (1,625)</b> | <b>\$ (11,256)</b>             | <b>\$ (40,170)</b> |
| <b>Net loss per unit</b>                         |                                 |                   |                                |                    |
| Basic  | \$ (0.21)                       | \$ (0.07)         | \$ (0.50)                      | \$ (1.83)          |
| Diluted  | \$ (0.21)                       | \$ (0.07)         | \$ (0.50)                      | \$ (1.83)          |
| <b>Weighted-average number of units</b>          |                                 |                   |                                |                    |
| Basic  | 22,861,661                      | 22,053,614        | 22,567,497                     | 22,008,940         |
| Diluted  | 22,861,661                      | 22,053,614        | 22,567,497                     | 22,008,940         |

**Tree Island Wire Income Fund**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands of dollars)(unaudited)

|  | Three Months Ended September 30 |                 | Nine Months Ended September 30 |                 |
|--|---------------------------------|-----------------|--------------------------------|-----------------|
|  | 2010                            | 2009            | 2010                           | 2009            |
| <b>Cash flows from operating activities</b>                  |                                 |                 |                                |                 |
| Net loss for the period                                      | \$ (4,879)                      | \$ (1,625)      | \$ (11,256)                    | \$ (40,170)     |
| Items not involving cash                                     |                                 |                 |                                |                 |
| Depreciation   | 1,379                           | 1,401           | 4,220                          | 5,649           |
| Fair value changes on derivatives                            | -                               | (128)           | -                              | (250)           |
| Gain on disposal of property, plant and equipment            | (80)                            | (5,399)         | (80)                           | (5,462)         |
| Amortization and write-off of deferred financing             | 57                              | 425             | 1,302                          | 1,223           |
| Impairment and amortization of intangibles                   | -                               | -               | -                              | 6,022           |
| Amortization of deferred gain                                | (120)                           | (128)           | (360)                          | (407)           |
| Non cash accretion of debt discount                          | 1,782                           | -               | 5,508                          | -               |
| Future income tax (recoveries) expense                       | (407)                           | 212             | (1,326)                        | (1,768)         |
| Unit-based compensation                                      | 109                             | -               | 327                            | 286             |
| Exchange revaluation on foreign denominated debt             | (683)                           | -               | (437)                          | -               |
|  | (2,842)                         | (5,242)         | (2,102)                        | (34,877)        |
| Change in non-cash operating assets and liabilities          | 5,547                           | 10,786          | (6,229)                        | 77,143          |
| <b>Net cash (used in) provided by operating activities</b>   | <b>2,705</b>                    | <b>5,544</b>    | <b>(8,331)</b>                 | <b>42,266</b>   |
| <b>Cash flows from investing activities</b>                  |                                 |                 |                                |                 |
| Proceeds on disposal of long-lived assets                    | 80                              | 8,656           | 80                             | 8,871           |
| Purchase of property, plant and equipment                    | (33)                            | (20)            | (79)                           | (145)           |
| <b>Net cash provided by investing activities</b>             | <b>47</b>                       | <b>8,636</b>    | <b>1</b>                       | <b>8,726</b>    |
| <b>Cash flows from financing activities</b>                  |                                 |                 |                                |                 |
| Issuance of Convertible Debentures, net of transaction costs | -                               | -               | 9,519                          | -               |
| Repayment of long-term debt                                  | (729)                           | -               | (2,213)                        | -               |
| Financing transaction costs incurred                         | (144)                           | -               | (961)                          | (664)           |
| (Repayment of) advance on revolving credit                   | (2,060)                         | (16,216)        | 1,359                          | (49,278)        |
| <b>Net cash (used in) provided by financing activities</b>   | <b>(2,933)</b>                  | <b>(16,216)</b> | <b>7,704</b>                   | <b>(49,942)</b> |
| <b>Effect of exchange rate changes on cash</b>               | <b>(70)</b>                     | <b>(33)</b>     | <b>(57)</b>                    | <b>(54)</b>     |
| <b>(Decrease) increase in cash</b>                           | <b>(251)</b>                    | <b>(2,069)</b>  | <b>(683)</b>                   | <b>996</b>      |
| <b>Cash, beginning of period</b>                             | <b>3,721</b>                    | <b>4,266</b>    | <b>4,153</b>                   | <b>1,201</b>    |
| <b>Cash, end of period</b>                                   | <b>\$ 3,470</b>                 | <b>\$ 2,197</b> | <b>\$ 3,470</b>                | <b>\$ 2,197</b> |
| <b>Supplemental cash flow information:</b>                   |                                 |                 |                                |                 |
| Interest paid  | \$ 703                          | \$ 883          | \$ 1,569                       | \$ 2,168        |
| Income taxes   | \$ -                            | \$ -            | \$ 302                         | \$ 6            |

**For more information, please contact**

Tree Island Industries Ltd.  
Brian Irving  
Chief Financial Officer  
(604) 523-4516  
**birving@treeisland.com**

[www.treeisland.com](http://www.treeisland.com)

[Back](#)

---

Privacy Statement | Terms of Service | Sitemap | © 2010 Marketwire, Incorporated. All rights reserved.  
Your newswire of choice for expert news release distribution.  
1-800-774-9473 (US) | 1-888-299-0338 (Canada) | +44-20-7562-6550 (UK)