

ENCORE WIRE CORP /DE/

Form 10-K

March 07, 2008

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K**

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

For the fiscal year ended December 31, 2007

**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: 020278
ENCORE WIRE CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State of incorporation)

**1329 Millwood Road
McKinney, Texas**

(Address of principal executive offices)

75-2274963

(I.R.S. Employer Identification No.)

75069

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value \$.01 per share

The NASDAQ Stock Market

(Title of class)

(Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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 than the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The aggregate market value of the Common Stock held by non-affiliates of the Registrant computed by reference to the price at which the Common Stock was last sold as of the last business day of the Registrant's most recently completed second fiscal quarter was \$507,833,405 (Note: The aggregate market value of Common Stock held by the Company's directors, executive officers, immediate family members of such directors and executive officers and 10% or greater stockholders was excluded from the computation of the foregoing amount. The characterization of such persons as affiliates should not be construed as an admission that any such person is an affiliate of the Registrant for any other purpose). Number of shares of Common Stock outstanding as of March 6, 2008: 23,166,131

Documents incorporated by reference

Listed below are documents, parts of which are incorporated herein by reference, and the part of this report into which the document is incorporated:

- (1) Proxy statement for the 2008 annual meeting of stockholders Part III
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PART I

ITEM 1. BUSINESS

General

Encore Wire Corporation is a Delaware corporation, incorporated in 1989, with its principal executive office and manufacturing plants located at 1329 Millwood Road, McKinney, Texas 75069. The Company's telephone number is (972) 562-9473. As used in this Annual Report, unless otherwise required by the context, the terms "Company" and "Encore" refer to Encore Wire Corporation and its consolidated entities.

Encore is a low-cost manufacturer of copper electrical building wire and cable. The Company is a significant supplier of both residential wire for interior electrical wiring in homes, apartments and manufactured housing, and commercial wire for electrical distribution in commercial and industrial buildings.

The principal customers for Encore's wire are wholesale electrical distributors, who sell electric building wire and a variety of other products to electrical contractors. The Company sells its products primarily through manufacturers representatives located throughout the United States and, to a lesser extent, through its own direct in-house marketing efforts.

Encore's strategy is to further expand its share of the markets for building wire primarily by emphasizing a high level of customer service and low-cost production and the addition of new products that compliment its current product line. The Company maintains product inventory levels sufficient to meet anticipated customer demand and believes that the speed and completeness with which it fills customer orders are key competitive advantages critical to marketing its products. Encore's low-cost production capability features an efficient plant design incorporating highly automated manufacturing equipment, an integrated production process and an incentivized work force.

Strategy

Encore's strategy for expanding its share of the building wire markets emphasizes customer service and product innovations coupled with low-cost production.

Customer Service. Responsiveness to customers is a primary focus of Encore, with an emphasis on building and maintaining strong customer relationships. Encore seeks to establish customer loyalty by achieving a high order fill rate and rapidly handling customer orders, shipments, inquiries and returns. The Company maintains product inventories sufficient to meet anticipated customer demand and believes that the speed and completeness with which it fills orders are key competitive advantages critical to marketing its products.

Product Innovation. Encore has been a leader in bringing new ideas to a commodity product. Encore pioneered the widespread use of color feeder sizes of commercial wire and colors in the residential non-metallic wires. The colors have improved on the job safety and reduced installation times for contractors.

Low-Cost Production. Encore's low-cost production capability features an efficient plant design and an incentivized work force.

Efficient Plant Design. Encore's highly automated wire manufacturing equipment is integrated in an efficient design that reduces material handling, labor and in-process inventory.

Incentivized Work Force. Encore's hourly manufacturing employees are eligible to receive incentive pay tied to productivity and quality standards. The Company believes that this compensation program enables the plant's manufacturing lines to attain high output and motivates manufacturing employees to continually maintain product quality. The Company also believes that its stock option plan enhances the motivation of its salaried manufacturing supervisors. The Company has coupled these incentives with a comprehensive safety program that emphasizes employee participation.

Products

Encore offers an electric building wire product line that consists primarily of NM-B cable, UF-B cable, THWN-2 and other types of wire products, including its new armored cable introduced into the market in late 2006. The Company's NM-B, UF-B, THWN-2 and armored cable are all manufactured with copper as the conductor. The Company also purchases small quantities of other types of wire to re-sell to the customers that buy the products it manufactures.

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The Company maintains approximately 6,000 stock-keeping units (SKUs) of building wire. The principal basis for differentiation among SKUs are product diameter, insulation, color and packaging.

NM-B Cable. Non-metallic sheathed cable is used primarily as interior wiring in homes, apartments and manufactured housing. NM-B cable is composed of either two or three insulated copper wire conductors, with or without an uninsulated ground wire, all sheathed in a polyvinyl chloride (PVC) jacket.

UF-B Cable. Underground feeder cable is used to conduct power underground to outside lighting and other applications remote from residential buildings. UF-B cable is composed of two or three PVC insulated copper wire conductors, with or without an un-insulated ground wire, all jacketed in PVC.

THWN-2 Cable. THWN-2 cable is used primarily as feeder, circuit and branch wiring in commercial and industrial buildings. It is composed of a single conductor, either stranded or solid, and insulated with PVC, which is further coated with nylon. Users typically enclose THWN-2 cable in protective pipe or conduit.

Armored Cable. Armored cable is used primarily as feeder, circuit and branch wiring, primarily in commercial and industrial buildings. It is composed of multiple conductors, either stranded or solid, and insulated with PVC, which are further coated with nylon and then fully encased in a flexible aluminum or steel armored protective sheath that eliminates the need to pull the wire through pipe or conduit.

Manufacturing

The efficiency of Encore s highly automated manufacturing facility is a key element of its low-cost production capability. Encore s residential wire manufacturing lines have been integrated so that the handling of product is substantially reduced throughout the production process.

The manufacturing process for the Company s products involves up to seven steps: casting, drawing, stranding, compounding, insulating, jacketing and armoring.

Casting. Rod is produced by melting sheets of copper cathode and copper scrap, casting the molten copper into a bar and rolling the hot copper bar into a 5/16 inch copper rod to be drawn into copper wire.

Drawing. Drawing is the process of reducing 5/16 inch copper rod through converging dies until the specified wire diameter is attained. The wire is then heated with electrical current to soften or anneal the wire to make it easier to handle.

Stranding. Stranding is the process of twisting together from seven to sixty-one individual wire strands to form a single cable. The purpose of stranding is to improve the flexibility of wire while maintaining its electrical current carrying capacity.

PVC Compounding. PVC compounding is the process of mixing the various raw materials that are required to produce the PVC necessary to meet U/L specifications for the insulation and jacket requirements for the wire that is manufactured.

Insulating. Insulating is the process of extruding first PVC and then nylon (where applicable) over the solid or stranded wire.

Jacketing. Jacketing is the process of extruding PVC over two or more insulated conductor wires, with or without an un-insulated ground wire, to form a finished product. The Company s jacketing lines are integrated with packaging lines that cut the wire and coil it onto reels or package it in boxes or shrink-wrap.

Armoring. Armoring is the process of covering two or more insulated conductor wires, with or without an un-insulated ground wire, with a spiral interlocking cover of aluminum or steel to form a finished product.

Encore manufactures and tests all of its products in accordance with the standards of Underwriters Laboratories, Inc. (U/L), a nationally recognized testing and standards agency. Encore s machine operators and quality control inspectors conduct frequent product tests. At three separate manufacturing stages, the Company spark tests insulated wire for defects. The Company tests finished products for electrical continuity to ensure compliance with its own quality standards and those of U/L. Encore s manufacturing lines are equipped with laser micrometers to measure wire diameter and insulation thickness while the lines are in operation. During each shift, operators take physical measurements of products, which Company inspectors randomly verify on a daily basis. Although suppliers pretest PVC and nylon compounds, the Company tests products for aging, cracking and brittleness of insulation and jacketing.

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Customers

Encore sells its wire principally to wholesale electrical distributors throughout the United States and, to a lesser extent, to retail home improvement centers. Most distributors supply products to electrical contractors. The Company sells its products to at least 57% of the top 200 wholesale electrical distributors (by volume) in the United States according to information reported in the June 2007 issue of Electrical Wholesaling magazine. It should be noted, however, that this list is fairly broad in scope and includes distributors who do not sell copper electric building wire. No customer accounted for more than ten percent of net sales in 2007.

Encore believes that the speed and completeness with which it fills customers' orders is crucial to its ability to expand the market share for its products. The Company also believes that, in order to reduce costs, many customers do not maintain substantial inventories. Because of this trend, the Company seeks to maintain sufficient inventories to satisfy customers' prompt delivery requirements.

Marketing and Distribution

Encore markets its products throughout the United States primarily through independent manufacturers' representatives and, to a lesser extent, through its own direct marketing efforts.

Encore maintains the majority of its finished product inventory at its plant in McKinney, Texas. In order to provide flexibility in handling customer requests for immediate delivery of the Company's products, additional product inventories are maintained at warehouses owned and operated by independent manufacturers' representatives located throughout the United States. As of December 31, 2007, additional product inventories are maintained at the warehouses of independent manufacturers' representatives located in Chattanooga, Tennessee; Norcross, Georgia; Cincinnati, Ohio; Detroit, Michigan; Edison, New Jersey; Louisville, Kentucky; Greensboro, North Carolina; Pittsburgh, Pennsylvania; Santa Fe Springs, California; and Hayward, California. Some of these manufacturers' representatives, as well as the Company's other manufacturers' representatives, maintain offices without warehouses in numerous locations throughout the United States.

Finished goods are typically delivered to warehouses and customers by trucks operated by common carriers. The decision regarding the carrier to be used is based primarily on cost and availability.

The Company invoices its customers directly for products purchased and, if an order has been obtained through a manufacturer's representative, pays the representative a commission based on pre-established rates. The Company determines customers' credit limits. The Company's bad debt experience in 2007, 2006 and 2005 was 0.003%, 0.0% and 0.03% of net sales, respectively. The manufacturers' representatives have no discretion to increase customers' credit limits or to determine prices charged for the Company's products, and all sales are subject to approval by the Company. Encore sells all of its products with a one-year replacement warranty. Warranty expenses have historically been nominal.

Employees

Encore believes that its hourly employees are highly motivated and that their motivation contributes significantly to the plant's efficient operation. The Company attributes the motivation of these employees largely to the fact that a significant portion of their compensation comes from incentive pay that is tied to productivity and quality standards. The Company believes that its incentive program focuses its employees on maintaining product quality.

Encore emphasizes safety to its manufacturing employees through its safety program. On a weekly basis, each team of employees meets to review safety standards and, on a monthly basis, a group of participants from each team discusses safety issues and inspects each area of the plant for compliance. The Company's safety program is an integral part of its focus on cost control.

As of December 31, 2007, Encore had 762 employees, 658 of whom were paid hourly wages and were primarily engaged in the operation and maintenance of the Company's manufacturing and warehouse facility. The remainder of the Company's employees were executive, supervisory, administrative, sales and clerical personnel. The Company considers its relations with its employees to be good. The Company has no collective bargaining agreements with any of its employees.

Raw Materials

The principal raw materials used by Encore in manufacturing its products are copper cathode, copper scrap, PVC thermoplastic compounds, aluminum, steel, paper and nylon, all of which are readily available from a number of

suppliers. Copper requirements are purchased primarily from producers and merchants at prices determined each

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month primarily based on the average daily COMEX closing prices for copper for that month, plus a negotiated premium. The Company also purchases raw materials necessary to manufacture various PVC thermoplastic compounds. These raw materials include PVC resin, clay and plasticizer.

The Company produces copper rod in its own rod fabrication facility. The Company produces copper rod from purchased copper cathodes. The Company also reprocesses copper scrap generated by its operations and copper scrap purchased from others. In 2007, the copper rod fabrication facility manufactured the majority of the Company's copper rod requirements.

The Company also compounds its own wire jacket and insulation compounds. The process involves the mixture of PVC raw material components to produce the PVC used to insulate the Company's wire and cable products. The raw materials include PVC resin, clay and plasticizer. During 2007, this facility produced virtually all of the Company's PVC requirements.

Competition

The electrical wire and cable industry is highly competitive. The Company competes with several companies who manufacture and sell wire and cable products beyond the building wire segment in which the Company competes. The Company's primary competitors include Southwire Company, Cerro Wire and Cable Co., Inc., United Copper Industries and AFC Cable Systems, Inc.

The principal elements of competition in the electrical wire and cable industry are, in the opinion of the Company, pricing, order fill rate and, in some instances, breadth of product line. The Company believes that it is competitive with respect to all of these factors.

Competition in the electrical wire and cable industry, although intense, has been primarily from U.S. manufacturers, including foreign owned facilities located in the United States. The Company has encountered no significant competition from imports of building wire. The Company believes this is because direct labor costs generally account for a relatively small percentage of the cost of goods sold for these products.

Intellectual Property Matters

The Company owns the following federally registered trademarks: U.S. Registration Number 2,687,746 for the ENCORE WIRE mark; U.S. Registration Number 2,528,340 for the mark NONLEDEX; U.S. Registration Number 1,900,498 for the ENCORE WIRE LOGO design mark; and U.S. Registration Number 2,263,692 for the mark HANDY MAN'S CHOICE. The current terms of trademark protection for these marks will expire on various dates between 2009 and 2015, but each term can be renewed indefinitely as long as the respective mark continues to be used in commerce. The Company also owns one pending application for the mark SUPER SLICK, Application Number 77/252.066. The application was filed on August 10, 2007 and was published for opposition on February 12, 2008. These trademarks provide source identification for the goods manufactured and sold by the Company and allow the Company to achieve brand recognition within the industry.

Internet Address/SEC Filings

The Company's Internet address is <http://www.encorewire.com>. Under the Investor Relations-Corporate Governance section of our website, the Company provides a link to our electronic Securities and Exchange Commission (SEC) filings, including our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, director and officer reports under Section 16 and any amendments to these reports. All such filings are available free of charge and are available as soon as reasonably practicable after filing.

ITEM 1A. RISK FACTORS

The following are certain risk factors that could affect the Company's business, financial results and results of operations. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this Annual Report on Form 10-K because these factors could cause the actual results and conditions to differ materially from those projected in forward-looking statements. Before purchasing the Company's stock, an investor should know that making such an investment involves some risks, including the risks described below. This list highlights some of the major factors that could affect the Company's operations or stock price, but cannot enumerate all the potential issues that management faces on a day-to-day basis, many of which are totally out of management's control. If any of the risks mentioned or others actually occur, the Company's business, financial condition or results of operations could be negatively affected. In that case, the trading price of its stock could

fluctuate significantly.

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Product Pricing and Volatility of Copper Market

Price competition for copper electrical wire and cable is intense, and the Company sells its product in accordance with prevailing market prices. Copper, a commodity product, is the principal raw material used in the Company's manufacturing operations. Copper accounted for approximately 86.5% and 82.3% of its costs of goods sold during 2007 and 2006, respectively, and the Company expects that copper will continue to account for a significant portion of these costs in the future. The price of copper fluctuates, depending on general economic conditions and in relation to supply and demand and other factors, and causes monthly variations in the cost of copper purchased by the Company. The Company cannot predict copper prices in the future or the effect of fluctuations in the costs of copper on the Company's future operating results. Consequently, fluctuations in copper prices caused by market forces can significantly affect the Company's financial results.

Operating Results May Fluctuate

Encore's quarterly results of operations may fluctuate as a result of a number of factors, including fluctuation in the demand for and shipments of the Company's products. Therefore, quarter-to-quarter comparisons of results of operations have been and will be impacted by the volume of such orders and shipments. In addition, its operating results could be adversely affected by the following factors, among others, such as variations in the mix of product sales, price changes in response to competitive factors, increases in raw material costs and other significant costs, the loss of key manufacturers representatives who sell the Company's product line, increases in utility costs (particularly electricity and natural gas) and various types of insurance coverage and interruptions in plant operations resulting from the interruption of raw material supplies and other factors.

Reliance on Senior Management

Encore's future operating results depend, in part, upon the continued service of its senior management, including, Mr. Daniel L. Jones, the President and Chief Executive Officer, and Mr. Frank J. Bilban, the Company's Vice President and Chief Financial Officer (neither of whom are bound by an employment agreement). The Company's future success will depend upon its continuing ability to attract and retain highly qualified managerial and technical personnel. Competition for such personnel is intense, and there can be no assurance that the Company will retain its key managerial and technical employees or that it will be successful in attracting, assimilating or retaining other highly qualified personnel in the future.

Industry Conditions and Cyclicity

The residential, commercial and industrial construction industries, which are the end users of the Company's products, are cyclical and are affected by a number of factors including changes in interest rates, the general condition of the economy and market demand. Industry sales of electrical wire and cable products tend to parallel general construction activity, which includes remodeling. Housing construction activity in the United States softened significantly in 2006 and continued its downward trend in 2007 which has adversely affected our business as further described herein. There can be no assurance that future downturns in the residential, commercial or industrial construction industries will not have a material adverse effect on the Company.

Competition

The electrical wire and cable industry is highly competitive. The Company competes with several manufacturers of wire and cable products that have substantially greater resources than the Company. Some of these competitors are owned and operated by large, diversified companies. The principal elements of competition in the wire and cable industry are, in the opinion of the Company, pricing, product availability and quality and, in some instances, breadth of product line. The Company believes that it is competitive with respect to all of these factors. While the number of firms producing wire and cable has declined in the past, there can be no assurance that new competitors will not emerge or that existing producers will not employ or improve upon the Company's manufacturing and marketing strategy.

Patent and Intellectual Property Disputes

Disagreements about patents and intellectual property rights occur in the wire and cable industry. The unfavorable resolution of a patent or intellectual property dispute could preclude the Company from manufacturing and selling certain products or could require the Company to pay a royalty on the sale of certain products. Patent and intellectual property disputes could also result in substantial legal fees and other costs.

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Common Stock Price May Fluctuate

Future announcements concerning Encore or its competitors or customers, quarterly variations in operating results, announcements of technological innovations, the introduction of new products or changes in product pricing policies by the Company or its competitors, developments regarding proprietary rights, changes in earnings estimates by analysts or reports regarding the Company or its industry in the financial press or investment advisory publications, among other factors, could cause the market price of the Common Stock to fluctuate substantially. These fluctuations, as well as general economic, political and market conditions, such as recessions, world events, military conflicts or market or market-sector declines, may materially and adversely affect the market price of the Common Stock.

Future Sales of Common Stock Could Affect Price of Common Stock

No prediction can be made as to the effect, if any, that future sales of shares or the availability of shares for sale will have on the market price of the Common Stock prevailing from time to time. Sales of substantial amounts of Common Stock, or the perception that such sales might occur, could adversely affect prevailing market prices of the Common Stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Encore maintains its corporate office and manufacturing plant in McKinney, Texas, approximately 35 miles north of Dallas. The Company's facilities are located on a combined site of approximately 121 acres and consist of buildings containing approximately 1,374,000 square feet of floor space, of which approximately 79,000 square feet is used for office space and 1,295,000 square feet is used for manufacturing and warehouse operations. The plant and equipment are owned by the Company and are not mortgaged to secure any of the Company's existing indebtedness. Encore believes that its plant and equipment are suited to its present needs, comply with applicable federal, state and local laws and regulations, are properly maintained and adequately insured.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending proceedings to which the Company is a party or of which any of its property is the subject. However, the Company is a party to litigation and claims arising out of the ordinary business of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

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Information regarding Encore's executive officers including their respective ages as of March 7, 2008, is set forth below:

Name	Age	Position with Company
Daniel L. Jones	44	President, Chief Executive Officer, and Member of the Board of Directors
Frank J. Bilban	51	Vice President Finance, Treasurer, Secretary, and Chief Financial Officer

Mr. Jones has served as President and Chief Executive Officer of the Company since May 2005, after serving as President and Chief Operating Officer of the Company since May 1998. In May 1997, Mr. Jones was named Executive Vice President of the Company, and in October 1997, he was named Chief Operating Officer. He previously held the position of Vice President-Sales and Marketing of Encore from 1992 to May 1997, after serving as Director of Sales since joining the Company in November 1989. He also serves as a member of the Board of Directors.

Mr. Bilban has served as Vice President-Finance, Treasurer, Secretary and Chief Financial Officer of Encore since June 2000. From 1998 until joining the Company in June 2000, Mr. Bilban was Executive Vice President and Chief Financial Officer of Alpha Holdings, Inc., a plastics manufacturing conglomerate. From 1996 until 1998, Mr. Bilban was Vice President and Chief Financial Officer of Wedge Dia-Log Inc., an oil field services company. From 1991 until 1996, Mr. Bilban held financial positions, including Division Controller, with the CT Film Division of Rexene Corporation. From 1978 until 1991 he was employed in various financial capacities with several divisions of Outboard Marine Corporation.

All executive officers are elected annually by the Board of Directors to serve until the next annual meeting of the Board or until their respective successors are chosen and qualified.

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The Company's Common Stock is traded and quoted on the NASDAQ Stock Market's Global Select Market under the symbol WIRE. The following table sets forth the high and low closing sales prices per share for the Common Stock as reported by NASDAQ for the periods indicated.

	High	Low
2007		
First Quarter	\$ 27.45	\$ 21.16
Second Quarter	30.99	24.64
Third Quarter	31.92	22.25
Fourth Quarter	26.93	15.50
2006		
First Quarter	\$ 36.50	\$ 23.99
Second Quarter	46.56	28.86
Third Quarter	39.75	30.50
Fourth Quarter	36.84	21.87

As of March 6, 2008, there were 61 record holders of the Company's Common Stock.

The Company paid its first cash dividend in January 2007 and continued paying quarterly dividends of two cents per share all four quarters for a total of eight cents per share in 2007. Aside from periodic dividends, management intends to retain the majority of future earnings for the operation and expansion of the Company's business. The Company repurchased 124,400 shares of its common stock during the year ended December 31, 2007. For further information see Note 8 of the Consolidated Financial Statements under Item 8, Financial Statements and Supplementary Data.

Issuer Purchases of Equity Securities

Period		(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Maximum number of shares that may yet be purchased under the plans or programs
October 1, 2007	October 31, 2007	0	N/A	0	1,000,000
November 1, 2007	November 30, 2007	10,000	\$ 20.12	10,000	990,000
December 1, 2007	December 31, 2007	114,400	\$ 16.08	114,400	875,600
Total		124,400	\$ 16.40	124,400	875,600

Note: On
November 10,

2006, the Board of Directors approved a share repurchase program authorizing the Company to repurchase up to 1,000,000 shares of its common stock through December 31, 2007, at the discretion of the President. On November 7, 2007, the Company repurchased 10,000 shares. The Company's Board of Directors authorized an extension of this share repurchase program through December 31, 2008 and authorized the Company to repurchase up to the remaining 990,000 shares of its common stock. Such shares were purchased on the open market by the Company's broker pursuant to a Rule 10b5-1 plan announced on November 28, 2007.

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The following table provides information about the Company's equity compensation plans as of December 31, 2007.

PLAN CATEGORY	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	504,476	\$ 9.21	298,300
Equity compensation plans not approved by security holders	0	0	0
TOTAL	504,476	\$ 9.21	298,300

Performance Graph

The following graph is not soliciting material, is not deemed filed with the SEC, and is not to be incorporated by reference into any of the Company's filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, as amended, respectively.

The following graph sets forth the cumulative total stockholder return, which assumes reinvestment of dividends, of a \$100 investment in the Company's Common Stock, the Peer Group and CRSP Total Return Index for The Nasdaq Stock Market (U.S. companies).

The Company believes that although the companies included in the Peer Group engage in activities beyond the Company's building wire line of business, they reasonably reflect the Company's peers in the wire and cable industry.

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**COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN
AMONG THE COMPANY, PEER GROUP AND CRSP TOTAL RETURN INDEX
FOR THE NASDAQ STOCK MARKET
(U.S.)**

(1) Consists of the following companies, with each company being added to the index on its first date of public trading, as indicated:
General Cable Corporation (5/16/97),
Belden CDT Inc. (9/30/93) and Superior Essex Inc. (10/11/96).
These are the same companies that were used in the Total Return Index last year.

(2) **Notes:**

- A. The lines represent monthly index levels derived from compounded daily returns that include all dividends.
- B. The indexes are reweighted daily, using the market capitalization on the previous trading day.
- C. If the monthly interval, based on the fiscal year-end, is not a trading day, the preceding trading day is used.
- D. The index level for all series was set to \$100.00 on 12/31/2002.

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	2007	Year Ended December 31,			2003
		2006	2005	2004	
		(In thousands, except per share amounts)			
Statement of Income Data:					
Net sales	\$ 1,184,786	\$ 1,249,330	\$ 758,089	\$ 603,225	\$ 384,750
Cost of goods sold	1,073,451	1,005,037	632,842	506,819	328,887
Gross profit	111,335	244,293	125,247	96,406	55,863
Selling, general and administrative expenses	60,400	59,793	46,335	42,218	31,090
Operating income	50,935	184,500	78,912	54,188	24,773
Other income (expense):					
Interest and other income (expense)	1,709	(74)	(7)	473	113
Interest expense	(5,834)	(7,686)	(3,929)	(2,857)	(2,423)
Income before income taxes	46,810	176,740	74,976	51,804	22,463
Income tax expense	16,014	61,607	24,898	18,444	8,087
Net income	\$ 30,796	\$ 115,133	\$ 50,078	\$ 33,360	\$ 14,376
Net income per common and common equivalent shares basic	\$ 1.32	\$ 4.95	\$ 2.17	\$ 1.45	\$ 0.63
Net income per common and common equivalent shares diluted	\$ 1.30	\$ 4.86	\$ 2.13	\$ 1.42	\$ 0.63
Weighted average common and common equivalent shares basic	23,342	23,254	23,117	23,018	22,682
Weighted average common and common equivalent shares diluted	23,690	23,674	23,537	23,528	22,924

As of December 31,

	2007	2006	2005	2004	2003
	(In thousands)				
Balance Sheet Data:					
Working capital	\$346,910	\$333,865	\$199,113	\$132,682	\$106,257
Total assets	513,912	474,157	348,476	251,515	225,299
Long-term debt, net of current portion	100,910	98,974	70,438	49,836	53,425
Stockholders equity	354,969	327,121	210,535	159,544	121,776
Dividends paid	1,867				

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The following management's discussion and analysis is intended to provide a better understanding of key factors, drivers and risks regarding the Company and the building wire industry.

Executive Overview

Encore Wire, as stated throughout this report, sells a commodity product in a highly competitive market. Management strongly believes that the historical strength of the Company's growth and earnings is attributable to the following main factors:

Industry leading order fill rates and responsive customer service.

Product innovations based on listening to and understanding customer needs.

Low cost manufacturing operations, resulting from a state of the art manufacturing plant.

A focused management team leading an incentivized work force.

Low general and administrative overhead costs.

A team of experienced independent manufacturers' representatives with strong customer relationships across the United States.

These factors, and others, have allowed Encore Wire to grow from a startup in 1989 to \$1.185 billion in net sales in 2007. Encore has built a loyal following of customers throughout the United States. These customers have developed a brand preference for Encore Wire in a commodity product line, due to the reasons noted above, among others. The Company prides itself on striving to grow sales only where profit margins are acceptable. Senior management monitors gross margins daily, frequently extending down to the individual order level. Management strongly believes that this focused approach to the building wire business has produced success thus far and will lead to continued success.

The construction and remodeling industries drive demand for building wire. Housing construction activity in the United States softened significantly in 2006 and continued its downward trend in 2007. Nationally, commercial construction has been strong for the last three years but according to various industry forecasts the future is unclear for the next few years. Data on remodeling is not as readily available, however remodeling activity can trend up when new construction slows down.

Effective June 30, 2007, the Company consummated a reorganization in order to merge the operations of its indirectly wholly-owned subsidiary, Encore Wire Limited, a Texas limited partnership, into the Company and reorganize the Company as an operating company. The reorganization simplified the Company's corporate structure and was accomplished by a series of tax-free merger transactions. As a part of the reorganization, the Company became the primary obligor of the indebtedness under the Financing Agreement, the 2004 Note Purchase Agreement and the 2006 Note Purchase Agreement referred to in "Liquidity and Capital Resources", below. The Company entered into amendments to each of such agreements and issued new notes to the banks and note holders.

General

Price competition for electrical wire and cable is intense, and the Company sells its products in accordance with prevailing market prices. Copper, a commodity product, is the principal raw material used by the Company in manufacturing its products. Copper accounted for approximately 86.5%, 82.3%, 76.8%, 73.0%, and 67.1% of the Company's cost of goods sold during fiscal 2007, 2006, 2005, 2004, and 2003, respectively. The price of copper fluctuates, depending on general economic conditions and in relation to supply and demand and other factors, which causes monthly variations in the cost of copper purchased by the Company. The price of copper rose gradually in 2003 and then accelerated its rise in the fourth quarter of 2003. In 2004, copper prices trended upward in the first quarter and then traded in a range during the remainder of 2004. In 2005, copper prices rose slowly and steadily

through the first half of the year and then more rapidly in the second half of the year. In 2006, copper prices rose quickly from January through May and then slowly descended throughout the rest of t