

GIBRALTAR INDUSTRIES, INC.

Form 10-Q

November 01, 2018

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2018

OR

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

Commission File Number 0-22462

GIBRALTAR INDUSTRIES, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or incorporation)

16-1445150

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

3556 Lake Shore Road, P.O. Box 2028

Buffalo, New York

14219-0228

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (716) 826-6500

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 every Interactive Data File required to be submitted 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 such files). Yes x No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.”

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

Yes “ No

As of October 31, 2018, the number of common shares outstanding was: 32,064,809.

Table of ContentsGIBRALTAR INDUSTRIES, INC.
INDEX

	PAGE NUMBER
PART I. <u>FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	
<u>Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2018 and 2017 (unaudited)</u>	3
<u>Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2018 and 2017 (unaudited)</u>	4
<u>Consolidated Balance Sheets as of September 30, 2018 (unaudited) and December 31, 2017</u>	5
<u>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2018 and 2017 (unaudited)</u>	6
<u>Consolidated Statement of Shareholders' Equity for the Nine Months Ended September 30, 2018 and 2017 (unaudited)</u>	7
<u>Notes to Consolidated Financial Statements (unaudited)</u>	9
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	40
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	49
Item 4. <u>Controls and Procedures</u>	49
PART II. <u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	49
Item 1A. <u>Risk Factors</u>	50
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	50
Item 3. <u>Defaults Upon Senior Securities</u>	50
Item 4. <u>Mine Safety Disclosures</u>	50
Item 5. <u>Other Information</u>	50
Item 6. <u>Exhibits</u>	51
<u>SIGNATURES</u>	52

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GIBRALTAR INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net Sales	\$280,086	\$274,574	\$761,459	\$728,806
Cost of sales	209,807	205,839	572,359	548,991
Gross profit	70,279	68,735	189,100	179,815
Selling, general, and administrative expense	40,875	33,042	113,579	109,513
Income from operations	29,404	35,693	75,521	70,302
Interest expense	2,906	3,486	9,305	10,612
Other expense (income)	522	404	(50) 811
Income before taxes	25,976	31,803	66,266	58,879
Provision for income taxes	6,473	11,184	15,574	21,090
Income from continuing operations	19,503	20,619	50,692	37,789
Discontinued operations:				
Loss before taxes	—	—	—	(644)
Benefit of income taxes	—	—	—	(239)
Loss from discontinued operations	—	—	—	(405)
Net income	\$19,503	\$20,619	\$50,692	\$37,384
Net earnings per share – Basic:				
Income from continuing operations	\$0.61	\$0.65	\$1.59	\$1.19
Loss from discontinued operations	—	—	—	(0.01)
Net income	\$0.61	\$0.65	\$1.59	\$1.18
Weighted average shares outstanding -- Basic	32,115	31,703	31,922	31,700
Net earnings per share – Diluted:				
Income from continuing operations	\$0.60	\$0.64	\$1.56	\$1.17
Loss from discontinued operations	—	—	—	(0.01)
Net income	\$0.60	\$0.64	\$1.56	\$1.16
Weighted average shares outstanding -- Diluted	32,571	32,210	32,524	32,216

See accompanying notes to consolidated financial statements.

Table of ContentsGIBRALTAR INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income	\$19,503	\$20,619	\$50,692	\$37,384
Other comprehensive income (loss):				
Foreign currency translation adjustment	139	1,581	(1,538)	3,351
Cumulative effect of accounting change (see <u>Note 2</u>)	—	—	(350)	—
Adjustment to retirement benefit liability, net of tax	(5)	(2)	(15)	(8)
Adjustment to post employment health care benefit liability, net of tax	32	29	95	88
Other comprehensive income (loss)	166	1,608	(1,808)	3,431
Total comprehensive income	\$19,669	\$22,227	\$48,884	\$40,815
See accompanying notes to consolidated financial statements.				

4

Table of Contents

GIBRALTAR INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	September 30, 2018 (unaudited)	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 245,413	\$ 222,280
Accounts receivable, net	180,875	145,385
Inventories	97,486	86,372
Other current assets	8,949	8,727
Total current assets	532,723	462,764
Property, plant, and equipment, net	93,718	97,098
Goodwill	323,321	321,074
Acquired intangibles	99,545	105,768
Other assets	4,480	4,681
	\$ 1,053,787	\$ 991,385
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 92,997	\$ 82,387
Accrued expenses	76,268	75,467
Billings in excess of cost	21,900	12,779
Current maturities of long-term debt	400	400
Total current liabilities	191,565	171,033
Long-term debt	209,809	209,621
Deferred income taxes	32,110	31,237
Other non-current liabilities	37,428	47,775
Shareholders' equity:		
Preferred stock, \$0.01 par value; authorized 10,000 shares; none outstanding	—	—
Common stock, \$0.01 par value; authorized 50,000 shares; 32,842 shares and 32,332 shares issued and outstanding in 2018 and 2017	328	323
Additional paid-in capital	280,149	271,957
Retained earnings	325,878	274,562
Accumulated other comprehensive loss	(6,174) (4,366)
Cost of 778 and 615 common shares held in treasury in 2018 and 2017	(17,306) (10,757)
Total shareholders' equity	582,875	531,719
	\$ 1,053,787	\$ 991,385

See accompanying notes to consolidated financial statements.

Table of Contents

GIBALTAR INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)(unaudited)

	Nine Months Ended September 30, 2018	2017
Cash Flows from Operating Activities		
Net income	\$ 50,692	\$ 37,384
Loss from discontinued operations	—	(405)
Income from continuing operations	50,692	37,789
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,449	16,427
Stock compensation expense	6,854	5,069
Net gain on sale of assets	(203)	(139)
Exit activity costs (recoveries), non-cash	1,088	(1,931)
Benefit of deferred income taxes	—	(136)
Other, net	1,317	1,411
Changes in operating assets and liabilities, excluding the effects of acquisitions:		
Accounts receivable	(30,534)	(42,310)
Inventories	(16,263)	2,016
Other current assets and other assets	1,052	(2,002)
Accounts payable	9,237	25,134
Accrued expenses and other non-current liabilities	(479)	7,503
Net cash provided by operating activities	38,210	48,831
Cash Flows from Investing Activities		
Cash paid for acquisitions, net of cash acquired	(5,241)	(18,494)

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Net proceeds from sale of property and equipment	3,147		12,935	
Purchases of property, plant, and equipment	(6,767))	(5,152))
Net cash used in investing activities	(8,861))	(10,711))
Cash Flows from Financing Activities				
Long-term debt payments	(400))	(400))
Purchase of treasury stock at market prices	(6,549))	(1,982))
Net proceeds from issuance of common stock	1,343		649	
Net cash used in financing activities	(5,606))	(1,733))
Effect of exchange rate changes on cash	(610))	1,468	
Net increase in cash and cash equivalents	23,133		37,855	
Cash and cash equivalents at beginning of year	222,280		170,177	
Cash and cash equivalents at end of period	\$ 245,413		\$ 208,032	

See accompanying notes to consolidated financial statements.

Table of Contents

GIBALTAR INDUSTRIES, INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(in thousands)
(unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Amount				Shares	Amount	
Balance at December 31, 2017	32,332	\$ 323	\$271,957	\$274,562	\$ (4,366)	615	\$(10,757)	\$ 531,719
Net income	—	—	—	8,352	—	—	—	8,352
Foreign currency translation adjustment	—	—	—	—	110	—	—	110
Adjustment to retirement benefit liability, net of taxes of \$(2)	—	—	—	—	(5)	—	—	(5)
Adjustment to post employment health care benefit liability, net of taxes of \$12	—	—	—	—	32	—	—	32
Stock compensation expense	—	—	2,097	—	—	—	—	2,097
Cumulative effect of accounting change (see <u>Note 2</u>)	—	—	—	624	(350)	—	—	274
Stock options exercised	13	—	226	—	—	—	—	226
Net settlement of restricted stock units	53	1	(1)	—	—	24	(850)	(850)
Balance at March 31, 2018	32,398	\$ 324	\$274,279	\$283,538	\$ (4,579)	639	\$(11,607)	\$ 541,955
Net income	—	—	—	22,837	—	—	—	22,837
Foreign currency translation adjustment	—	—	—	—	(1,787)	—	—	(1,787)
Adjustment to retirement benefit liability, net of taxes of \$(2)	—	—	—	—	(5)	—	—	(5)
Adjustment to post employment health care benefit liability, net of taxes of \$13	—	—	—	—	31	—	—	31
Stock compensation expense	—	—	2,731	—	—	—	—	2,731
Stock options exercised	21	—	300	—	—	—	—	300
Issuance of restricted stock	2	—	—	—	—	—	—	—
Net settlement of restricted stock units	334	3	(3)	—	—	128	(5,166)	(5,166)
Balance at June 30, 2018	32,755	\$ 327	\$277,307	\$306,375	\$ (6,340)	767	\$(16,773)	\$ 560,896
Net income	—	—	—	19,503	—	—	—	19,503
Foreign currency translation adjustment	—	—	—	—	139	—	—	139
Adjustment to retirement benefit liability, net of taxes of \$(2)	—	—	—	—	(5)	—	—	(5)
Adjustment to post employment health care benefit liability, net of taxes of \$12	—	—	—	—	32	—	—	32
Stock compensation expense	—	—	2,026	—	—	—	—	2,026
Stock options exercised	50	1	816	—	—	—	—	817

Net settlement of restricted stock units	37	—	—	—
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