GIBRALTAR INDUSTRIES, INC.
Form 10-Q
August 06, 2009

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark one)

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

For the quarterly period ended June 30, 2009

OR

o **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 0-22462

Gibraltar Industries, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	16-1445150
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3556 Lake Shore Road, P.O. Box 2028, Buffalo, New York 14219-0228
(Address of principal executive offices)
(716) 826-6500
(Registrant s telephone number, including area code)

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 þ No o

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

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 o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of August 3, 2009, the number of common shares outstanding was: 30,139,366

GIBRALTAR INDUSTRIES, INC.
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PART I FINANCIAL INFORMATION
Item 1. Financial Statements

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

	June 30, 2009 (unaudited)	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 17,115	$ 11,308
Accounts receivable, net of reserve of $7,674 and $6,713 in 2009 and 2008, respectively	123,885	123,272
Inventories	118,551	189,935
Other current assets	27,841	22,228
Assets of discontinued operations	1,435	1,486
Total current assets	288,827	348,229
Property, plant and equipment, net	236,719	243,619
Goodwill	420,518	443,925
Acquired intangibles	85,589	87,373
Investment in partnership	2,505	2,477
Other assets	17,074	20,736
	$ 1,051,232	$ 1,146,359
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	$ 74,885	$ 76,168
Accrued expenses	35,546	46,305
Current maturities of long-term debt	2,708	2,728
Total current liabilities	113,139	125,201
Long-term debt	303,160	353,644
Deferred income taxes	68,880	79,514
Other non-current liabilities	18,614	19,513
Shareholders equity:		
Preferred stock, $0.01 par value; authorized: 10,000,000 shares; none outstanding		
Common stock, $0.01 par value; authorized 50,000,000 shares; 30,284,359 and 30,061,550 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	303	301
Additional paid-in capital	225,430	223,561

Retained earnings	328,463	356,007
Accumulated other comprehensive loss	(5,575)	(10,825)
	548,621	569,044
Less: cost of 150,993 and 75,050 common shares held in treasury at June 30, 2009 and December 31, 2008, respectively	1,182	557
Total shareholders equity	547,439	568,487
	$ 1,051,232	$ 1,146,359

See accompanying notes to consolidated financial statements

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GIBRALTAR INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net sales	$ 217,055	$ 347,173	$ 421,898	$ 641,111
Cost of sales	179,604	268,475	371,434	510,297
Gross profit	37,451	78,698	50,464	130,814
Selling, general and administrative expense	27,156	41,347	57,836	76,435
Goodwill impairment			25,501	
Income (loss) from operations	10,295	37,351	(32,873)	54,379
Other expense (income)				
Interest expense	5,779	7,261	11,746	15,323
Equity in partnership s income and other income	(126)	(270)	(107)	(423)
Total other expense	5,653	6,991	11,639	14,900
Income (loss) before taxes	4,642	30,360	(44,512)	39,479
Provision for (benefit of) income taxes	5,226	11,377	(16,376)	14,472
(Loss) income from continuing operations	(584)	18,983	(28,136)	25,007
Discontinued operations:				
Income from discontinued operations before taxes	612	1,500	508	2,324
(Benefit of) provision for income taxes	(44)	370	(84)	518
Income from discontinued operations	656	1,130	592	1,806
Net income (loss)	$ 72	$ 20,113	$ (27,544)	$ 26,813
Net (loss) income per share Basic:				
(Loss) income from continuing operations	$ (0.02)	$ 0.63	$ (0.93)	$ 0.83
Income from discontinued operations	0.02	0.04	0.02	0.06
Net income (loss)	$ 0.00	$ 0.67	$ (0.91)	$ 0.89
Weighted average shares outstanding Basic	30,142	29,980	30,108	29,963
Net (loss) income per share Diluted:				
(Loss) income from continuing operations	$ (0.02)	$ 0.63	$ (0.93)	$ 0.83
Income from discontinued operations	0.02	0.04	0.02	0.06

Net income (loss)		$ 0.00	$ 0.67	$ (0.91)	$ 0.89
Weighted average shares outstanding	Diluted	30,142	30,139	30,108	30,129

See accompanying notes to consolidated financial statements

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

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Cash flows from operating activities		
Net (loss) income	$ (27,544)	$ 26,813
Income from discontinued operations	592	1,806
(Loss) income from continuing operations	(28,136)	25,007
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	16,145	17,028
Goodwill impairment	25,501	
Provision for deferred income taxes	(10,749)	(947)
Equity in partnership s income and other income	(29)	(270)
Distributions from partnership		264
Stock compensation expense	2,520	2,712
Noncash charges to interest expense	1,045	984
Other	(698)	1,251
Increase (decrease) in cash resulting from changes in (net of dispositions):		
Accounts receivable	3,727	(45,865)
Inventories	72,859	(16,184)
Other current assets and other assets	(7,725)	463
Accounts payable	(1,256)	57,235
Accrued expenses and other non-current liabilities	(8,620)	12,013
Net cash provided by operating activities from continuing operations	64,584	53,691
Net cash provided by operating activities from discontinued operations	556	8,068
Net cash provided by operating activities	65,140	61,759
Cash flows from investing activities		
Additional consideration for acquisitions	(354)	(8,222)
Purchases of property, plant and equipment	(6,432)	(9,198)
Net proceeds from sale of property and equipment	226	540
Net cash used in investing activities for continuing operations	(6,560)	(16,880)
Net cash used in investing activities for discontinued operations		(81)
Net cash used in investing activities	(6,560)	(16,961)
Cash flows from financing activities		
Long-term debt reduction	(81,449)	(92,368)

Proceeds from long-term debt	30,800	42,985
Payment of deferred financing costs		(4)
Payment of dividends	(1,499)	(2,993)
Purchase of treasury stock at market prices	(625)	(35)
Tax benefit from equity compensation		122
Net cash used in financing activities for continuing operations	(52,773)	(52,293)
Net cash used in financing activities for discontinued operations		(1,100)
Net cash used in financing activities	(52,773)	(53,393)
Net increase (decrease) in cash and cash equivalents	5,807	(8,595)
Cash and cash equivalents at beginning of year	11,308	35,287
Cash and cash equivalents at end of period	$ 17,115	$ 26,692

See accompanying notes to consolidated financial statements

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GIBRALTAR INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements as of June 30, 2009 and 2008, have been prepared by Gibraltar Industries, Inc. (the Company) without audit. In the opinion of management, all adjustments (consisting of normal recurring adjustments and accruals) necessary to present fairly the financial position at June 30, 2009 and the results of operations and cash flows for the three and six months ended June 30, 2009 and 2008, have been included therein in accordance with U.S. Securities and Exchange Commission (SEC) rules and regulations and prepared using the same accounting principles as are used for our annual audited financial statements.

Certain information and footnote disclosures, including significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted in accordance with the prescribed SEC rules. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and footnotes included in the Company s Annual Report to Shareholders for the year ended December 31, 2008, as filed on Form 10-K.

The consolidated balance sheet at December 31, 2008 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

The results of operations for the three and six month periods ended June 30, 2009, are not necessarily indicative of the results to be expected for the full year.

The Company evaluated subsequent events through the date the consolidated financial statements were filed, August 6, 2009. See Note 13 of the consolidated financial statements for the disclosure of a material subsequent event.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In April 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly . FSP 157-4 provides additional guidance for estimating fair value in accordance with Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements, when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009 and shall be applied prospectively. The Company adopted the provisions of FSP 157-4 effective April 1, 2009 and its impact on the Company s consolidated financial position, cash flows, and results of operations was not significant.

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In April 2009, the FASB issued FSP SFAS 107-1 and Accounting Principles Board (APB) 28-1, Interim Disclosures about Fair Value of Financial Instruments . The FSP amends SFAS No. 107, Disclosures about Fair Value of Financial Instruments, to require disclosures about fair value of financial instruments for interim periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB 28-1, Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods. The Company adopted the provisions of FSP SFAS 107-1 and APB 28-1 during the three months ended June 30, 2009. Refer to the disclosures included in Note 4 of the consolidated financial statements.

In May 2008, the FASB issued SFAS No. 165, Subsequent Events, to establish principles and requirements for subsequent events. The Standard sets forth the date after the balance sheet date during which management of a reporting entity shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements. The Standard also identifies the circumstances under which an entity shall recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures an entity shall make about events or transactions that occurred after the balance sheet date. SFAS No. 165 is effective for interim or annual financial periods ending after June 15, 2009, and shall be applied prospectively. The Company adopted the provisions of SFAS No. 165 during the three months ended June 30, 2009. Refer to the disclosures included in Note 1 and Note 13 of the consolidated financial statements.

In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets an amendment of SFAS No. 140, to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferors continuing involvement in transferred financial assets. This Statement shall be effective as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company does not believe the provisions of SFAS No. 166 will have a significant impact on the Company s consolidated financial position, cash flows, or results of operations.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R), to amend certain requirements of FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities, to improve financial reporting by enterprises involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. This Statement shall be effective as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company does not believe the provisions of SFAS No. 167 will have a significant impact on the Company s consolidated financial position, cash flows, or results of operations.

In June 2009, the FASB issued FASB No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of SFAS No. 162 . SFAS No. 168 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. This Statement shall be effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company does not believe the provisions of SFAS No. 168 will have a significant impact on the Company s consolidated financial statements other than changing the method used to refer to U.S. generally accepted accounting principles within the Company s disclosures.

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3. SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME

The changes in shareholders equity consist of (in thousands):

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock Shares	Treasury Stock Amount	Total Shareholders Equity
Balance at December 31, 2008	30,062	$ 301	$ 223,561	$ 356,007	$ (10,825)	75	$ (557)	$ 568,487
Net loss				(27,544)				(27,544)
Other comprehensive (loss) income:								
Foreign currency translation adjustment					4,636			4,636
Adjustment to post employment health care liability, net of tax of $9					15			15
Unrealized gain on interest rate swaps, net of tax of $346					599			599
Equity based compensation expense			2,520					2,520
Net settlement of restricted stock units	222	2	(2)			76	(625)	(625)
Tax adjustment from equity compensation			(649)					(649)
Balance at June 30, 2009	30,284	$ 303	$ 225,430	$ 328,463	$ (5,575)	151	$ (1,182)	$ 547,439

Total comprehensive income (loss) consists of the following for the three and six months ending June 30 (in thousands):

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Net income (loss)	$ 72	$ 20,113	$ (27,544)	$ 26,813
Other comprehensive income (loss):				
Foreign currency translation adjustment	6,669	597	4,636	(1,283)
Adjustment to post employment health care liability, net of tax	8	4	15	20
Unrealized gain (loss) on interest rate swaps, net of tax	298	1,092	599	(112)

Other comprehensive income (loss)	6,975	1,693	5,250	(1,375)
Total comprehensive income (loss)	$ 7,047	$ 21,806	$ (22,294)	$ 25,438

The cumulative balance of each component of accumulated other comprehensive loss, net of tax, is as follows (in thousands):

	Foreign currency translation adjustment	Minimum pension liability adjustment	Unamortized post employment health care costs	Unrealized (loss) gain on interest rate swaps	Accumulated other comprehensive loss
Balance at December 31, 2008	$ (7,680)	$ (36)	$ (683)	$ (2,426)	$ (10,825)
Current period change	4,636		15	599	5,250
Balance at June 30, 2009	$ (3,044)	$ (36)	$ (668)	$ (1,827)	$ (5,575)

4. FAIR VALUE MEASUREMENTS

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements, (SFAS No. 157), which is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. This statement defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. This statement applies under other accounting pronouncements that require or permit fair value measurements. The statement indicates, among other things, that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. SFAS No. 157 defines fair value based upon an exit price model.

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Relative to SFAS No. 157, the FASB issued FASB Staff Position (FSP) 157-2. FSP 157-2 delayed the effective date of the application of SFAS No. 157 to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. We adopted SFAS No. 157 as of January 1, 2008, and FSP 157-2 as of January 1, 2009. Nonfinancial assets and nonfinancial liabilities for which we applied the provisions of FSP 157-2 include those measured at fair value in goodwill impairment testing, indefinite lived intangible assets measured at fair value for impairment testing and those initially measured at fair value in a business combination. The impact of adopting SFAS No. 157 and FSP 157-2 was not significant to the consolidated balance sheet, operations or cash flows.

SFAS No. 157 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. A financial asset or liability s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2009 (in thousands):

	Asset (Liability)	Level 1	Level 2	Level 3
Interest rate swap	$(3,011)	$	$(3,011)	$

Interest rate swaps are over the counter securities with no quoted readily available Level 1 inputs and, therefore, are measured at fair value using inputs that are directly observable in active markets and are classified within Level 2 of the valuation hierarchy, using the income approach.

The Company applied the provisions of SFAS No. 157 and FSP 157-2 during the goodwill impairment tests performed as of March 31, 2009 and June 30, 2009. Step one of the goodwill i