

GIBALTAR INDUSTRIES, INC.
Form 10-Q
November 04, 2016

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended September 30, 2016

OR

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

GIBALTAR INDUSTRIES, INC.
(Exact name of Registrant as specified in its charter)

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

3556 Lake Shore Road, P.O. Box 2028 14219-0228
Buffalo, New York
(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 No

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 No

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 definition of "large accelerated filer", "accelerated filer" and "smaller reporting

Edgar Filing: GIBRALTAR INDUSTRIES, INC. - Form 10-Q

company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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 25, 2016, the number of common shares outstanding was: 31,526,747.

Table of ContentsGIBRALTAR INDUSTRIES, INC.
INDEX

	PAGE NUMBER
PART I. <u>FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	
<u>Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2016 and 2015 (unaudited)</u>	<u>3</u>
<u>Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2016 and 2015 (unaudited)</u>	<u>4</u>
<u>Consolidated Balance Sheets as of September 30, 2016 (unaudited) and December 31, 2015</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2016 and 2015 (unaudited)</u>	<u>6</u>
<u>Consolidated Statement of Shareholders' Equity for the Nine Months Ended September 30, 2016 (unaudited)</u>	<u>7</u>
<u>Notes to Consolidated Financial Statements (unaudited)</u>	<u>8-33</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>34-44</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>44</u>
Item 4. <u>Controls and Procedures</u>	<u>45</u>
PART II. <u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>45</u>
Item 1A. <u>Risk Factors</u>	<u>45</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>46</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>46</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>46</u>
Item 5. <u>Other Information</u>	<u>46</u>
Item 6. <u>Exhibits</u>	<u>47</u>

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GIBALTAR INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net Sales	\$272,734	\$304,994	\$776,143	\$758,780
Cost of sales	204,847	243,598	585,263	623,350
Gross profit	67,887	61,396	190,880	135,430
Selling, general, and administrative expense	41,524	38,002	118,500	91,865
Income from operations	26,363	23,394	72,380	43,565
Interest expense	3,625	3,878	10,982	11,389
Other (income) expense	—	(1,780)	7,840	(4,238)
Income before taxes	22,738	21,296	53,558	36,414
Provision for income taxes	8,952	7,664	12,131	13,158
Income from continuing operations	13,786	13,632	41,427	23,256
Discontinued operations:				
Loss before taxes	—	—	—	(44)
Benefit of income taxes	—	—	—	(16)
Loss from discontinued operations	—	—	—	(28)
Net income	\$13,786	\$13,632	\$41,427	\$23,228
Net earnings per share – Basic:				
Income from continuing operations	\$0.44	\$0.44	\$1.32	\$0.74
Loss from discontinued operations	—	—	—	—
Net income	\$0.44	\$0.44	\$1.32	\$0.74
Weighted average shares outstanding – Basic	31,579	31,242	31,493	31,214
Net earnings per share – Diluted:				
Income from continuing operations	\$0.43	\$0.43	\$1.29	\$0.74
Loss from discontinued operations	—	—	—	—
Net income	\$0.43	\$0.43	\$1.29	\$0.74
Weighted average shares outstanding – Diluted	32,176	31,558	32,005	31,479

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,	
	2016	2015	2016	2015
Net income	\$13,786	\$13,632	\$41,427	\$23,228
Other comprehensive income (loss):				
Foreign currency translation adjustment	(193)	(3,005)	10,638	(4,667)
Reclassification of loss on cash flow hedges, net of tax	—	—	—	143
Adjustment to retirement benefit liability, net of tax	61	3	59	7
Adjustment to post-retirement health care liability, net of tax	38	36	114	110
Other comprehensive (loss) income	(94)	(2,966)	10,811	(4,407)
Total comprehensive income	\$13,692	\$10,666	\$52,238	\$18,821
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, 2016 (unaudited)	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 173,062	\$ 68,858
Accounts receivable, net	155,434	164,969
Inventories	92,778	107,058
Other current assets	9,897	10,537
Total current assets	431,171	351,422
Property, plant, and equipment, net	106,315	118,932
Goodwill	294,858	292,390
Acquired intangibles	118,388	123,013
Other assets	4,100	4,015
	\$ 954,832	\$ 889,772
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 87,495	\$ 89,204
Accrued expenses	63,111	67,605
Billings in excess of cost	26,026	28,186
Current maturities of long-term debt	400	400
Total current liabilities	177,032	185,395
Long-term debt	209,041	208,882
Deferred income taxes	43,366	42,654
Other non-current liabilities	55,748	42,755
Shareholders' equity:		
Preferred stock, \$0.01 par value; authorized 10,000 shares; none outstanding	—	—
Common stock, \$0.01 par value; authorized 50,000 shares; 32,040 shares and 31,779 shares issued and outstanding in 2016 and 2015	320	317
Additional paid-in capital	261,954	253,458
Retained earnings	219,500	178,073
Accumulated other comprehensive loss	(4,605)	(15,416)
Cost of 521 and 484 common shares held in treasury in 2016 and 2015	(7,524)	(6,346)
Total shareholders' equity	469,645	410,086
	\$ 954,832	\$ 889,772

See accompanying notes to consolidated financial statements.

Table of Contents

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

	Nine Months Ended			
	September 30,			
	2016		2015	
Cash Flows from				
Operating Activities				
Net income	\$	41,427	\$	23,228
Loss from discontinued operations	—		(28)
Income from continuing operations	41,427		23,256	
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	17,551		22,657	
Stock compensation expense	4,666		2,675	
Net gain on sale of assets	(225)	(7,903)
Loss on sale of business	8,763		—	
Exit activity costs, non-cash	3,876		3,247	
Provision for (benefit of) deferred income taxes	355		(724)
Other, net	(206)	117	
Changes in operating assets and liabilities, excluding the effects of acquisitions:				
Accounts receivable	3,796		(28,085)
Inventories	9,738		7,562	
Other current assets and other assets	(1,901)	(529)
Accounts payable	2,367		9,845	
Accrued expenses and other non-current liabilities	11,038		12,370	
Net cash provided by operating activities	101,245		44,488	
Cash Flows from Investing Activities				
	(2,314)	(140,620)

Cash paid for acquisitions			
Net proceeds from sale of property and equipment	249		26,392
Purchases of property, plant, and equipment	(7,600))	(6,822)
Net proceeds from sale of business	8,250		—
Other, net	1,118		1,154
Net cash used in investing activities	(297))	(119,896)
Cash Flows from Financing Activities			
Proceeds from long-term debt	—		58,192
Long-term debt payments	(400))	(47,592)
Payment of debt issuance costs	(54))	—
Purchase of treasury stock at market prices	(1,178))	(568)
Net proceeds from issuance of common stock	2,892		237
Excess tax benefit from stock compensation	941		—
Net cash provided by financing activities	2,201		10,269
Effect of exchange rate changes on cash	1,055		(2,140)
Net increase (decrease) in cash and cash equivalents	104,204		(67,279)
Cash and cash equivalents at beginning of year	68,858		110,610
Cash and cash equivalents at end of period	\$ 173,062		\$ 43,331

See accompanying notes to consolidated financial statements.

Table of Contents

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

	Common Stock Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock Shares	Amount	Total Shareholders' Equity
Balance at December 31, 2015	31,779	\$ 317	\$253,458	\$178,073	\$ (15,416)	484	\$(6,346)	\$ 410,086
Net income	—	—	—	41,427	—	—	—	41,427
Foreign currency translation adjustment	—	—	—	—	10,638	—	—	10,638
Adjustment to retirement benefit liability, net of taxes of (\$2)	—	—	—	—	59	—	—	59
Adjustment to post employment health care benefit liability, net of taxes of \$70	—	—	—	—	114	—	—	114
Stock compensation expense	—	—	4,666	—	—	—	—	4,666
Excess tax benefit from stock compensation	—	—	941	—	—	—	—	941
Stock options exercised	151	2	2,890	—	—	—	—	2,892
Issuance of restricted stock	—	—	—	—	—	—	—	—
Net settlement of restricted stock units	110	1	(1)	—	—	37	(1,178)	(1,178)
Balance at September 30, 2016	32,040	\$ 320	\$261,954	\$219,500	\$ (4,605)	521	\$(7,524)	\$ 469,645

See accompanying notes to consolidated financial statements.

Table of Contents

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

1. CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements have been prepared by management in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments consisting of normal recurring adjustments considered necessary for the fair presentation of results for the interim period have been included. The results of operations for the three and nine month periods ended September 30, 2016 are not necessarily indicative of the results expected for the full year. The Company is subject to reduced activity in the first and fourth quarters as colder, inclement weather reduces order rates from end markets it serves. The accompanying unaudited consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in our annual Form 10-K for the year ended December 31, 2015.

Immaterial Adjustments to Previously Reported Interim Periods

In preparing its consolidated financial statements for the three and nine months ended September 30, 2016, the Company identified certain adjustments during the implementation and subsequent testing of internal controls over financial reporting, including internal controls over revenue recognition for the acquired company that closed in 2015. The Company determined that these identified adjustments should be made to previously reported interim periods within the Company's Renewable Energy and Conservation segment. These adjustments are a result of deficiencies and errors in the Company's accounting for estimated total contract costs at completion as it is related to revenue recognition under the percentage of completion accounting method. Specifically, beginning in the first quarter of 2016, the Company identified cost savings from margin improvement initiatives which included raw material sourcing, freight management, and strategic make versus buy decisions. These costs savings were incurred sooner than expected. They should have been reflected in the total estimated contract costs at completion for the quarters ended March 31, 2016 and June 30, 2016, which resulted in an understatement of revenue recorded for these respective quarters.

In accordance with ASC Topic 250, Accounting Changes and Error Corrections, and Staff Accounting Bulletin No. 99, Materiality, the Company assessed these adjustments and determined that they were immaterial to each of the reporting periods affected and, therefore, amendment of previously filed reports was not required. However, the cumulative effect of correcting these errors would have been material to the results of our operations for the quarter ended September 30, 2016. Therefore, in order to provide consistency in the consolidated financial statements, adjustments for these immaterial amounts to previously reported interim period amounts are reflected in the financial information herein, and will be reflected in future filings containing such financial information.

In accordance with ASC Topic 250, the effect of the correction on each financial statement line item, income from continuing operations, net income and related per-share amounts for each prior interim periods of the current fiscal year is as follows (in thousands, except per share data):

For the Three Months Ended March 31, 2016

	As Previously Reported	Adjustments	As Restated
Net sales	\$ 233,677	\$ 3,994	\$ 237,671
Gross profit	\$ 50,156	\$ 3,994	\$ 54,150
Income from operations	\$ 13,607	\$ 3,994	\$ 17,601

Edgar Filing: GIBRALTAR INDUSTRIES, INC. - Form 10-Q

Income from continuing operations	\$ 10,111	\$ 3,994	\$ 14,105
Provision for income taxes	\$ 3,618	\$ 1,458	\$ 5,076
Net income	\$ 6,493	\$ 2,536	\$ 9,029
Net earnings per share - Basic	\$ 0.21	\$ 0.08	\$ 0.29
Net earnings per share - Diluted	\$ 0.20	\$ 0.08	\$ 0.28

8

Table of Contents

For the Three Months Ended June 30, 2016

	As Previously Reported	Adjustments	As Restated
Net sales	\$263,099	\$ 2,639	\$265,738
Gross profit	\$66,204	\$ 2,639	\$68,843
Income from operations	\$25,777	\$ 2,639	\$28,416
Income from continuing operations	\$14,076	\$ 2,639	\$16,715
Provision for income taxes	\$(2,913)	\$ 1,016	\$(1,897)
Net income	\$16,989	\$ 1,623	\$18,612
Net earnings per share - Basic	\$0.54	\$ 0.05	\$0.59
Net earnings per share - Diluted	\$0.53	\$ 0.05	\$0.58

For the Six Months Ended June 30, 2016

	As Previously Reported	Adjustments	As Restated
Net sales	\$496,776	\$ 6,633	\$503,409
Gross profit	\$116,360	\$ 6,633	\$122,993
Income from operations	\$39,384	\$ 6,633	\$46,017
Income from continuing operations	\$24,187	\$ 6,633	\$30,820
Provision for income taxes	\$705	\$ 2,474	\$3,179
Net income	\$23,482	\$ 4,159	\$27,641
Net earnings per share - Basic	\$0.75	\$ 0.13	\$0.88
Net earnings per share - Diluted	\$0.74	\$ 0.13	\$0.87

The tables below depict the effect of the correction for the Renewable Energy and Conservation segment on net sales and income from operations for each prior interim periods of the current fiscal year as follows (in thousands):

For the Three Months Ended March 31, 2016

	As Previously Reported	Adjustments	As Restated
Net sales	\$53,880	\$ 3,994	\$57,874
Income from operations	\$4,313	\$ 3,994	\$8,307

For the Three Months Ended June 30, 2016

	As Previously Reported	Adjustments	As Restated
Net sales	\$62,127	\$ 2,639	\$64,766
Income from operations	\$7,657	\$ 2,639	\$10,296

For the Six Months Ended June 30, 2016

	As Previously	Adjustments	As Restated
--	------------------	-------------	----------------

	Reported		
Net sales	\$ 116,007	\$ 6,633	\$ 122,640
Income from operations	\$ 11,970	\$ 6,633	\$ 18,603

9

Table of Contents

There were no adjustments made to retained earnings at the beginning of 2016 as the effects of the adjusted amounts were to interim periods during the current fiscal year ending December 31, 2016.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers (Topic 606)." The update clarifies the principles for recognizing revenue and develops a common standard for U.S. Generally Accepted Accounting Principles and International Financial Reporting Standards. More specifically, the core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14 which deferred the effective date of Topic 606 to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. In March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)." ASU 2016-08 clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing." ASU 2016-10 clarifies the implementation guidance on identifying performance obligations. In May 2016, the FASB issued ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients." ASU 2016-12 reduces the potential for diversity among initial application, as well as, the cost and complexity of applying Topic 606 at transition and on an ongoing basis. These ASUs apply to all companies that enter into contracts with customers to transfer goods or services. These ASUs are effective for public entities for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted, but not before interim and annual reporting periods beginning after December 15, 2016. Entities have the choice to apply these ASUs either retrospectively to each reporting period presented or by recognizing the cumulative effect of applying these standards at the date of initial application and not adjusting comparative information. We are currently evaluating the requirements of these standards and have not yet determined the impact on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330)." The amendments to this Update were issued to change the measurement of inventory to the lower of cost and net realizable value. The guidance, which is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years, may be applied prospectively and early adopted for the beginning of an interim or annual period. The Company is currently evaluating the impact of adopting the new standard which is not expected to have a material impact on our Balance Sheet or Statements of Operations.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 requires lessees to recognize a lease liability and a right-of-use asset on the balance sheet. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the requirements of ASU 2016-02 and have not yet determined its impact on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 simplifies the accounting for share-based payment award transactions including: income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the requirements of ASU 2016-09 and have not yet determined its impact on our consolidated financial statements.

In May 2016, the FASB issued ASU 2016-11, "Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant

to Staff Announcements at the March 3, 2016 EITF Meeting.” ASU 2016-11 rescinds certain SEC Staff Observer comments codified in Topic 605, Revenue Recognition, and Topic 932, Extractive Activities–Oil and Gas. ASU 2016-11 is effective upon adoption of Topic 606. We are currently evaluating the requirements of ASU 2016-11 and have not yet determined its impact on our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments." ASU 2016-15 provides guidance on eight specific cash flow issues to reduce diversity in reporting. This Update is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the requirements of ASU 2016-15 and have not yet determined its impact on our consolidated financial statements.

Table of Contents**3. ACCOUNTS RECEIVABLE, NET**

Accounts receivable consists of the following (in thousands):

	September 30, December 31,	
	2016	2015
Trade accounts receivable	\$ 99,877	\$ 102,277
Contract receivables:		
Amounts billed	46,414	53,830
Costs in excess of billings	13,544	13,730
Total contract receivables	59,958	67,560
Total accounts receivable	159,835	169,837
Less allowance for doubtful accounts (4,401) (4,868)		
Accounts receivable	\$ 155,434	\$ 164,969

Contract receivables are primarily associated with developers, contractors and customers in connection with the Renewable Energy and Conservation segment. Costs in excess of billings principally represent revenues recognized on contracts that were not billable as of the balance sheet date. These amounts will be billed in accordance with contract terms, generally as certain milestones are reached or upon shipment. All of the costs in excess of billings are expected to be collected within one year. In situations where billings exceed revenues recognized, the excess is included in billings in excess of cost in the Consolidated Balance Sheet.

4. INVENTORIES

Inventories consist of the following (in thousands):

	September 30, December	
	2016	31, 2015
Raw material	\$ 42,587	\$47,117
Work-in-process	11,757	16,238
Finished goods	38,434	43,703
Total inventories	\$ 92,778	\$ 107,058

5. ACQUISITIONS

On June 9, 2015, the Company acquired all of the outstanding stock of Rough Brothers Manufacturing, Inc., RBI Solar, Inc., and affiliates, collectively known as "RBI". RBI has established itself during the past seven years among North America's fastest-growing providers of racking and mounting systems for solar energy installations and is among the largest commercial greenhouse manufacturers in North America.

RBI is a full service provider that engineers, manufactures and installs racking systems for solar power developers, contractors and companies. In addition, RBI designs, manufactures and erects greenhouses for commercial, institutional and retail customers. The results of RBI have been included in the Company's consolidated financial results since the date of acquisition (within the Company's Renewable Energy and Conservation segment). The final aggregate purchase consideration for the acquisition of RBI was \$147,585,000, which includes payments for working capital and certain other adjustments provided for in the stock purchase agreement.

The purchase price for the acquisition was allocated to the assets acquired and liabilities assumed based upon their respective fair values. The excess consideration of \$57,180,000, was recorded as goodwill of which \$37,969,000 is deductible for tax purposes.

The allocation of the purchase consideration to the fair value of the assets acquired and liabilities assumed is as follows as of the date of the acquisition (in thousands):

Table of Contents

Cash	\$4,651
Working capital	21,436
Property, plant, and equipment	12,797
Acquired intangible assets	56,392
Other assets	3,049
Deferred income taxes	(4,892)
Other liabilities	(3,028)
Goodwill	57,180
Fair value of purchase consideration	\$147,585

The Company recorded an indemnification asset and liability of \$3.0 million on the opening balance sheet related to the seller's obligation to fully indemnify the Company for the outcome of potential contingent liabilities related to uncertainty of income tax positions in foreign jurisdictions. The liability and related indemnification asset may or may not be realized, and any unrealized liability is scheduled to expire in 2018.

The intangible assets acquired in this acquisition consisted of the following (in thousands):

	Fair Value	Estimated Useful Life
Trademarks	\$ 13,550	Indefinite
Technology	3,550	7-15 years
Customer relationships	32,892	11-17 years
Non-compete agreements	1,300	5 years
Backlog	5,100	0.5 years
Total	\$ 56,392	

The acquisition was financed through cash on hand and borrowings under the Company's revolving credit facility. The Company incurred certain acquisition-related costs composed of legal and consulting fees, and these costs were recognized as a component of selling, general and administrative expenses in the consolidated statement of operations. The Company also recognized acquisition-related costs relating to the step-up of inventory to fair value which was a portion of the purchase price allocation of this acquisition.

The acquisition-related costs consisted of the following for the three months and nine months ended September 30, 2015 (in thousands):

	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Selling, general and administrative costs	\$ 209	\$ 1,159
Cost of sales	\$ 172	\$ 230
Total acquisition related costs	\$ 381	\$ 1,389

Table of Contents

The following unaudited pro forma financial information presents the combined results of continuing operations as if the acquisition of RBI had occurred as of January 1, 2015. The pro forma information includes certain adjustments, including depreciation and amortization expense, interest expense and certain other adjustments, together with related income tax effects. The pro forma amounts may not be indicative of the results that actually would have been achieved had the acquisition occurred as of January 1, 2015 and are not necessarily indicative of future results of the combined companies (in thousands, except per share data):

	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Net sales	\$ 304,994	\$ 845,538
Net income	\$ 15,391	\$ 33,617
Net income per share - Basic	\$ 0.49	\$ 1.08
Net income per share - Diluted	\$ 0.49	\$ 1.07

6. GOODWILL AND RELATED INTANGIBLE ASSETS

Goodwill

The changes in the carrying amount of goodwill for the nine months ended September 30, 2016 are as follows (in thousands):

	Residential Products	Industrial and Infrastructure Products	Renewable Energy & Conservation	Total
Balance at December 31, 2015	\$ 181,285	\$ 53,704	\$ 57,401	\$ 292,390
Foreign currency translation	—	298	2,170	2,468
Balance at September 30, 2016	\$ 181,285	\$ 54,002	\$ 59,571	\$ 294,858

The goodwill balances as of September 30, 2016 and December 31, 2015 are net of accumulated impairment losses of \$234,490,000.

Acquired Intangible Assets

Acquired intangible assets consist of the following (in thousands):

	September 30, 2016		December 31, 2015		Estimated Life
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	
Indefinite-lived intangible assets:					
Trademarks	\$ 50,827	\$ —	\$ 50,538	\$ —	Indefinite
Finite-lived intangible assets:					
Trademarks	5,828	2,278	5,861	1,884	5 to 15 Years
Unpatented technology	25,663	9,590	28,072	10,656	5 to 20 Years
Customer relationships	79,156	32,322	85,419	35,673	5 to 17 Years
Non-compete agreements	1,649	545	3,107	1,771	4 to 10 Years
Backlog	—	—	6,480	6,480	0.5 to 2 Years
	112,296	44,735	128,939	56,464	
Total acquired intangible assets	\$ 163,123	\$ 44,735	\$ 179,477	\$ 56,464	

The following table summarizes the acquired intangible asset amortization expense for the three and nine months ended September 30 (in thousands):

Edgar Filing: GIBRALTAR INDUSTRIES, INC. - Form 10-Q

	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Amortization expense	\$2,159	\$4,783	\$6,541	\$8,794

13

Table of Contents

Amortization expense related to acquired intangible assets for the remainder of fiscal 2016 and the next five years thereafter is estimated as follows (in thousands):

2016	\$2,157
2017	\$8,366
2018	\$7,811
2019	\$7,127
2020	\$6,613
2021	\$6,011

7. LONG-TERM DEBT

Long-term debt consists of the following (in thousands):

	September 30, December	
	2016	31, 2015
Senior Subordinated 6.25% Notes	\$ 210,000	\$210,000
Other debt	2,800	3,200
Less unamortized debt issuance costs	(3,359)	(3,918)
Total debt	209,441	209,282
Less current maturities	400	400
Total long-term debt	\$ 209,041	\$208,882

The Company's Fifth Amended and Restated Credit Agreement dated December 9, 2015 (the Senior Credit Agreement) provides for a revolving credit facility. The Senior Credit Agreement was amended and restated to convert it into a secured cash flow revolver. The terms of the Senior Credit Agreement provide that the revolving credit facility will terminate on December 9, 2020.

The Senior Credit Agreement provides for a revolving credit facility and letters of credit in an aggregate amount of \$300 million and is secured by trade receivables, inventory, personal property, equipment, and certain real property of the Company's significant domestic subsidiaries.

Interest rates on the revolving credit facility are based on the LIBOR plus an applicable margin.

Standby letters of credit of \$12,531,000 have been issued under the Senior Credit Agreement on behalf of the Company as of September 30, 2016. These letters of credit reduce the amount otherwise available under the revolving credit facility. As of September 30, 2016, the Company had \$287,469,000 of availability under the revolving credit facility. No borrowings were outstanding under the revolving credit facility at September 30, 2016 and December 31, 2015.

On January 31, 2013, the Company issued \$210 million of 6.25% Senior Subordinated Notes (6.25% Notes) due February 1, 2021. The proceeds were used to purchase and discharge the Company's obligations under the then outstanding \$204 million of 8% Senior Subordinated Notes during the first quarter of 2013.

8. RELATED PARTY TRANSACTIONS

An officer of one of the Company's operating segments is the owner of certain real estate properties leased for manufacturing and distribution purposes by that operating segment. The leases are in effect until June 2018 and June 2020. For the three and nine months ended September 30, 2016 and 2015, the Company incurred the following lease expense for these properties.

	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Cost of sales	\$227,000	\$217,000	\$679,000	\$289,000

Table of Contents

9. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

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 Retirement Health Care Costs	Post Total Pre-Tax Amount	Tax (Benefit) Expense	Accumulated Other Comprehensive (Loss) Income
Balance at December 31, 2015	\$ (12,793)	\$ 118	\$ (4,251)	\$ (16,926)	\$ (1,510)	\$ (15,416)
Minimum pension and post retirement health care plan adjustments	—	57	184	241	68	173
Foreign currency translation adjustment	10,638	—	—	10,638	—	10,638
Balance at September 30, 2016	\$ (2,155)	\$ 175	\$ (4,067)	\$ (6,047)	\$ (1,442)	\$ (4,605)

The realized adjustments relating to the Company's minimum pension liability and post retirement health care costs were reclassified from Accumulated Other Comprehensive Loss and included in Selling, General and Administrative Expenses in the Consolidated Statement of Operations. The realized adjustments relating to the Company's foreign currency translation adjustment were reclassified from Accumulated Other Comprehensive Loss and included in Other Expense in the Consolidated Statement of Operations.

10. EQUITY-BASED COMPENSATION

On May 6, 2016, the shareholders of the Company authorized the Gibraltar Industries, Inc. 2016 Stock Plan for Non-Employee Directors ("Non-Employee Directors Plan"). The Non-Employee Directors Plan is a compensation plan that allows the Company to grant awards of shares of the Company's common stock to non-employee Directors of the Company. In connection with the Non-Employee Directors Plan, the Company adopted a new stock deferral plan, the Gibraltar Industries, Inc. Non-Employee Director Stock Deferral Plan ("Deferral Plan"). The Deferral Plan permits non-employee Directors of the Company to defer receipt of shares of common stock which the non-employee Director is entitled to receive pursuant to the terms of the Non-Employee Directors Plan.

On May 7, 2015, the shareholders of the Company authorized the Gibraltar Industries, Inc. 2015 Equity Incentive Plan (the "Plan") and simultaneously amended the 2005 Equity Incentive Plan (the "Prior Plan") to terminate issuance of further awards from the Prior Plan. The Plan is an incentive compensation plan that allows the Company to grant equity-based incentive compensation awards to eligible participants. Awards under the Plan may be in the form of options, restricted shares, restricted units, performance shares, performance stock units, and rights.

Equity Based Awards - Settled in Stock

The following table provides the number of stock unit awards granted which will convert to shares upon vesting as well as restricted shares issued during the nine months ended September 30, along with the weighted average grant date fair values:

Awards	2016		2015	
	Number of Awards	Weighted Average Grant Date Fair Value	Number of Awards	Weighted Average Grant Date Fair Value
Deferred stock units	11,945	\$ 29.30	—	\$ —
Restricted shares	3,185	\$ 29.30	21,318	\$ 17.48
Restricted stock units	139,982	\$ 25.15	174,919	\$ 16.13
Performance stock units	—	\$ —	321,714	\$ 18.46

Performance Stock Units - Settled in Cash

The Company has also awarded performance stock units ("PSUs") that will convert to cash after three years based upon the one year performance period. The cost of these awards is recognized over the requisite vesting period. The

PSUs earned over the performance period are determined based on the Company's actual return on invested capital (ROIC) relative to the ROIC targeted for the performance period.

The following table provides the number of PSUs which will convert to cash:

15

Table of Contents

	2016		2015	
Awards	Number of Units (1)	Grant Date Fair Value (in \$1000s)	Number of Units (2)	Grant Date Fair Value (in \$1000s)

Performance stock units	128,000	\$ 3,100	219,000	\$ 4,039
-------------------------	---------	----------	---------	----------

(1) The final number of PSUs earned will be determined based upon actual performance at the end of 2016, with any amounts due to participants payable in January 2019.

(2) The participants earned 200% of target, aggregating 438,000 PSUs earned. This award will convert to cash and be payable in January 2018.

During the 2013 performance period, the participants earned an aggregate of 114,000 PSUs, representing 50% of the targeted award of 237,000 units. In January 2016, \$2,723,000 was paid to the participants for the 2013 PSUs based on the trailing 90-day closing price of the Company's common stock ended December 31, 2015.

No PSU awards were earned during the 2014 performance period.

The following table summarizes the compensation expense recognized for the PSUs which will convert to cash for the three and nine months ended September 30, (in thousands):

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
Performance stock unit compensation expense	\$4,148	\$1,552	\$7,889	\$3,665

Management Stock Purchase Plan

The Management Stock Purchase Plan ("MSPP") provides participants the ability to defer a portion of their compensation or Directors' fees, which deferral is converted to restricted stock units, and credited to an account. Under the MSPP, the Company provides a matching award in restricted stock units equal to a percentage of the employees' compensation or Directors' 2015 fee deferral amount. Beginning January 1, 2016, Directors do not receive any company-matching on deferred fees. The account represents a share-based liability converted to and settled in cash which is payable to participants upon retirement or a termination of their service to the Company.

The following table provides the number of restricted stock units credited to participant accounts and the payments made with respect to restricted stock units issued under the MSPP during the nine months ended September 30,

	2016	2015
Restricted stock units credited	192,380	91,873
Share-based liabilities paid (in \$1000s)	\$ 2,753	\$ 1,686

11. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to certain risks arising from both its business operations and economic conditions. The primary risks that the Company manages through its derivative instruments from time to time are foreign currency exchange rate risk and commodity pricing risk. We enter into derivative financial instruments with various financial institutions to minimize counterparty credit risk. Depending on the type of transaction, we may enter into either derivatives that are designated as hedging instruments and/or derivatives that are not designated as hedging instruments.

As of September 30, 2016, we do not currently hold any derivatives classified as hedging instruments and qualifying for hedge accounting.

Derivatives not designated as hedging instruments

To minimize foreign currency exposure, the Company had foreign currency forwards with notional amounts of \$1,000,000 at September 30, 2016. These derivative instruments mature in March 2017. No foreign currency or commodity options were outstanding at September 30, 2016.

Commodity options, foreign exchange forwards and forward exchange options are recorded in the consolidated balance sheet at fair value and the resulting gains or losses are recorded to other income in the consolidated statement of operations. The (gains) losses recognized for the three and nine months ended September 30, are as follows (in thousands):

16

Table of Contents

	Three Months Ended September 30,	Nine Months Ended September 30,	
Derivatives not designated as hedging instruments	2015	2016	2015
Commodity options	\$-\$37	\$—	\$392
Foreign exchange forwards	—114	(14)	208
Foreign exchange options	—(2,643)	—	(5,460)
Total non-designated derivative realized (gain) loss, net	\$-\$ (2,492)	\$(14)	\$(4,860)

Summary of Derivatives

Derivatives consist of the following (in thousands):

		September 30, 2016	December 31, 2015
Derivatives not designated as hedging instruments	Classification	Fair Value	Fair Value
Foreign exchange options	Other current assets	\$ —	\$ 1,792
Foreign exchange forwards	Other current assets	\$ 1	\$ —
Foreign exchange forwards	Accrued expenses	\$ —	\$ 14

12. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, various techniques and assumptions can be used to estimate 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 as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices in active markets for similar assets and liabilities.

Level 3 - Inputs that are unobservable inputs for the asset or liability.

The Company's derivatives are valued using various pricing models or discounted cash flow analyses that incorporate observable market data, such as interest rate yield curves, currency rates and implied volatility. In addition, the Company received fair value estimates from contract counterparties to verify the reasonableness of the Company's estimates. These derivatives are classified as Level 2 within the valuation hierarchy.

The following table presents the fair values and classification of our financial assets (liabilities) measured on a recurring basis, all of which are classified as Level 2 (in thousands):

	Classification	September 30, 2016	December 31, 2015
Foreign currency exchange options	Other current assets	\$ —	\$ 1,792
Foreign currency exchange forwards	Other current assets	\$ 1	\$ —
Foreign currency exchange forwards	Accrued expenses	\$ —	\$ 14

The Company's only other financial instrument for which the carrying value differs from its fair value is long-term debt. At September 30, 2016 and December 31, 2015, the fair value of outstanding debt net of unamortized debt issuance costs was \$221,410,000 and \$217,925,000, respectively, compared to its carrying value of \$209,441,000 and \$209,282,000, respectively. The fair value of the Company's Senior Subordinated 6.25% Notes is classified as Level 2 within the fair value hierarchy and was estimated based on quoted market prices adjusted for unamortized debt issuance costs.

13. DIVESTITURE

In connection with the Company's strategy to drive transformational change in its portfolio and financial results, management continually evaluates all aspects of our current portfolio for future profitable growth and greater shareholder returns. As a result of this strategy, the Company sold its European industrial manufacturing business to a third party for cash of \$9.1 million (\$8.3 million proceeds, net of transaction costs of \$0.8 million) on April 15, 2016. The sale of this business resulted in a loss before taxes of \$8.8 million which is presented within other expense (income) in the consolidated Statement of Operations. As noted in the Income Taxes footnote, the Company recorded a discrete tax benefit of \$11.5 million related to the sale, resulting

Table of Contents

in an after tax gain on sale of \$2.7 million. This divestiture does not meet the criteria to be reported as a discontinued operation as it does not represent a strategic shift that has or will have a major effect on the Company's operations. Therefore, prior period results of continuing operations have not been restated to exclude the impact of the divested business's financial results. This business, which supplied expanded metal product for filtration, security perimeters and other applications, contributed \$36 million in revenue to the Company's Industrial & Infrastructure Products segment for full year 2015 and had nearly break-even operating results.

14. EXIT ACTIVITY COSTS AND ASSET IMPAIRMENTS

The Company's business strategy has been formulated to effect a transformation of its operations and improve financial results over a five year period. In 2015, the first year of this planned transformation, an 80/20 simplification initiative commenced across many of our business units. This on-going initiative, in part, focuses the Company's internal resources on further increasing the value provided to our customers.

A result of this initiative was the identification of low-volume, internally-produced products which have been or will be outsourced or discontinued. During the nine months ended September 30, 2016, charges resulted from this identification which relate to the write-down of inventory and impairment of machinery and equipment associated with either discontinued product lines or the reduction of manufactured goods offered within a product line. These assets were written down to their sale or scrap value, and were subsequently sold or disposed of. Exit activity costs were also incurred during the nine months ended September 30, 2016 which relate to contract termination costs, severance costs, and other moving and closing costs. These costs were the result of the closing and consolidation of facilities, relocation of inventory and equipment at those facilities and the reduction of workforce associated with the discontinued products and closed facilities.

During the nine months ended September 30, 2015, the Company closed three facilities and eliminated three product lines which resulted in asset impairment charges. In addition, the Company sold and leased back a fourth facility, which resulted in a gain.

The following tables set forth the asset impairment charges, exit activity costs and gain on facilities sold in conjunction with these efforts, incurred by segment during the three and nine months ended September 30, related to the restructuring activities described above (in thousands):

	Three Months Ended September 30, 2016			2015		
	Inventory write-downs &/or asset impairment charges	Exit activity costs	Total	Inventory write-downs &/or asset impairment charges	Exit activity costs	Total
Residential Products	\$373	\$ 207	\$580	\$502	\$ 255	\$757
Industrial & Infrastructure Products	2,429	756	3,185	—	8	8
Total exit activity costs & asset impairments	\$2,802	\$ 963	\$3,765	\$502	\$ 263	\$765

	Nine Months Ended September 30, 2016			2015		
	Inventory write-downs &/or asset	Exit activity costs	Total	Inventory write-downs &/or asset	Exit activity costs	Gain on sale leaseback

Edgar Filing: GIBRALTAR INDUSTRIES, INC. - Form 10-Q

	impairment charges		impairment charges			
Residential Products	\$1,179	\$ 677	\$1,856	\$3,247	\$ 980	\$(6,799) \$(2,572)
Industrial & Infrastructure Products	2,697	2,019	4,716	—	49	— 49
Total exit activity costs & asset impairments	\$3,876	\$ 2,696	\$6,572	\$3,247	\$ 1,029	\$(6,799) \$(2,523)

The following table provides a summary of where the asset impairments and exit activity costs (gains) were recorded in the statement of operations for the three and nine months ended September 30, (in thousands):

18

Table of Contents

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Cost of sales	\$3,433	\$666	\$5,111	\$4,027
Selling, general, and administrative expense	332	99	1,461	(6,550)
Net asset impairment and exit activity charges (gains)	\$3,765	\$765	\$6,572	\$(2,523)

The following table reconciles the beginning and ending liability for exit activity costs relating to the Company's facility consolidation efforts (in thousands):

	2016	2015
Balance at January 1	\$603	\$575
Exit activity costs recognized	2,696	1,029
Cash payments	(2,182)	(1,083)
Balance at September 30	\$1,117	\$521

15. INCOME TAXES

The following table summarizes the provision for income taxes for continuing operations for the three and nine months ended September 30, and the applicable effective tax rates (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Provision for income taxes	\$8,952	\$7,664	\$12,131	\$13,158
Effective tax rate	39.4 %	36.0 %	22.7 %	36.1 %

The effective tax rate for the three months ended September 30, 2016 exceeded the U.S. federal statutory rate of 35% due to state taxes and unfavorable discrete items. The effective tax rate for the nine months ended September 30, 2016 was less than the U.S. federal statutory rate of 35% due to deductible permanent differences and favorable discrete items offset by state taxes. The aforementioned favorable discrete items were primarily comprised of the \$11.5 million benefit recorded by the Company related to the worthless stock deduction and an associated bad debt deduction of inter-company debt resulting from the sale of its European industrial manufacturing business to a third party.

The effective tax rate for the three and nine months ended September 30, 2015 exceeded the U.S. federal statutory rate of 35% due to state taxes partially offset by favorable permanent differences and favorable discrete items.

16. EARNINGS PER SHARE

Basic earnings and diluted weighted-average shares outstanding are as follows for the three and nine months ended September 30, (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Numerator:				
Income from continuing operations	\$13,786	\$13,632	\$41,427	\$23,256
Loss from discontinued operations	—	—	—	(28)
Net income available to common shareholders	\$13,786	\$13,632	\$41,427	\$23,228
Denominator for basic earnings per share:				
Weighted average shares outstanding	31,579	31,242	31,493	31,214

Denominator for diluted earnings per share:

Weighted average shares outstanding	31,579	31,242	31,493	31,214
Common stock options and restricted stock	597	316	512	265
Weighted average shares and conversions	\$32,176	\$31,558	\$32,005	\$31,479

Table of Contents

The weighted average number of diluted shares does not include potential anti-dilutive common shares aggregating 621,000 and 759,000 for the three months ended September 30, 2016 and 2015, respectively, and 690,000 and 567,000 for the nine months ended September 30, 2016 and 2015, respectively.

17. SEGMENT INFORMATION

The Company is organized into three reportable segments on the basis of the production process and products and services provided by each segment, identified as follows:

- (i) Residential Products, which primarily includes roof and foundation ventilation products, mail and package storage products, rain dispersion products and roofing accessories;
- (ii) Industrial and Infrastructure Products, which primarily includes fabricated bar grating, expanded and perforated metal, plus bridge-related expansion joints and structural bearings; and
- (iii) Renewable Energy and Conservation, which primarily includes designing, engineering, manufacturing and installation of solar racking systems and commercial-scale greenhouse structures.

In determining the reportable segments, the Company aggregated operating segments based on their similar economic and operating characteristics.

The following table sets forth the reconciliation of sales to earnings before income taxes by segment for the three and nine months ended September 30, (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net sales:				
Residential Products	\$ 117,957	\$ 126,995	\$ 338,069	\$ 368,459
Industrial and Infrastructure Products	73,193	96,636	234,590	292,821
Less: Intersegment sales	(424)	(286)	(1,164)	(1,233)
	72,769	96,350	233,426	291,588
Renewable Energy and Conservation	82,008	81,649	204,648	98,733
Total consolidated net sales	\$ 272,734	\$ 304,994	\$ 776,143	\$ 758,780
Income from operations:				
Residential Products	\$ 19,407	\$ 15,879	\$ 52,363	\$ 39,922
Industrial and Infrastructure Products	1,913	8,083	11,429	15,445
Renewable Energy and Conservation	16,366	5,017	34,969	6,016
Unallocated Corporate Expenses	(11,323)	(5,585)	(26,381)	(17,818)
Total income from operations	\$ 26,363	\$ 23,394	\$ 72,380	\$ 43,565

18. SUBSEQUENT EVENT

On October 11, 2016, the Company acquired all of the outstanding stock of Nexus Corporation (Nexus) for \$25,000,000, subject to a working capital adjustment and certain other adjustments provided for in the stock purchase agreement. Nexus is a leading provider of commercial-scale greenhouses to customers in the United States. The acquisition of Nexus was financed through cash on hand. The results of operation of Nexus will be included within the Renewable Energy and Conservation segment of the Company's consolidated financial statements from the date of acquisition.

The allocation of the purchase consideration to the fair value of the assets acquired and liabilities assumed is not presented herein as the Company has not completed the consolidation and purchase accounting related to the acquisition of Nexus. This information will be provided in the consolidated financial statements for the year ended December 31, 2016. The results of operation of Nexus will be included within the Renewable Energy and Conservation segment of the Company's consolidated financial statements from the date of acquisition.

Table of Contents

19. SUPPLEMENTAL FINANCIAL INFORMATION

The following information sets forth the consolidating summary financial statements of the issuer (Gibraltar Industries, Inc.) and guarantors, which guarantee the Senior Subordinated 6.25% Notes due February 1, 2021, and the non-guarantors. The guarantors are significant domestic 100% owned subsidiaries of the issuer and the guarantees are full, unconditional, joint and several.

Investments in subsidiaries are accounted for by the parent using the equity method of accounting. The guarantor subsidiaries and non-guarantor subsidiaries are presented on a combined basis. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions.

Table of Contents

GIBRALTAR INDUSTRIES, INC.
CONSOLIDATING STATEMENTS OF OPERATIONS
THREE MONTHS ENDED SEPTEMBER 30, 2016
(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	\$ —	\$ 265,657	\$ 15,799	\$ (8,722)	\$ 272,734
Cost of sales	—	202,199	11,721	(9,073)	204,847
Gross profit	—	63,458	4,078	351	67,887
Selling, general, and administrative expense	94	38,664	2,766	—	41,524
(Loss) income from operations	(94)	24,794	1,312	351	26,363
Interest expense (income)	3,403	241	(19)	—	3,625
Other expense (income)	230	(135)	(95)	—	—
(Loss) income before taxes	(3,727)	24,688	1,426	351	22,738
(Benefit of) provision for income taxes	(1,416)	10,804	(436)	—	8,952
(Loss) income from continuing operations	(2,311)	13,884	1,862	351	13,786
Equity in earnings from subsidiaries	15,746	1,862	—	(17,608)	—
Net income	\$ 13,435	\$ 15,746	\$ 1,862	\$ (17,257)	\$ 13,786

Table of Contents

GIBRALTAR INDUSTRIES, INC.
CONSOLIDATING STATEMENTS OF OPERATIONS
THREE MONTHS ENDED SEPTEMBER 30, 2015
(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	\$ —	\$ 280,828	\$ 34,565	\$ (10,399)	\$ 304,994
Cost of sales	—	223,694	28,432	(8,528)	243,598
Gross profit	—	57,134	6,133	(1,871)	61,396
Selling, general, and administrative expense	30	33,392	4,580	—	38,002
(Loss) income from operations	(30)	23,742	1,553	(1,871)	23,394
Interest expense (income)	3,403	494	(19)	—	3,878
Other expense (income)	16	(1,597)	(199)	—	(1,780)
(Loss) income before taxes	(3,449)	24,845	1,771	(1,871)	21,296
(Benefit of) provision for income taxes	(1,210)	8,514	360	—	7,664
(Loss) income from continuing operations	(2,239)	16,331	1,411	(1,871)	13,632
Equity in earnings from subsidiaries	17,742	1,411	—	(19,153)	—
Net income	\$ 15,503	\$ 17,742	\$ 1,411	\$ (21,024)	\$ 13,632

Table of Contents

GIBRALTAR INDUSTRIES, INC.
CONSOLIDATING STATEMENTS OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 2016
(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	\$ —	\$ 728,782	\$ 63,014	\$ (15,653)	\$ 776,143
Cost of sales	—	551,195	49,436	(15,368)	585,263
Gross profit	—	177,587	13,578	(285)	190,880
Selling, general, and administrative expense	14,268	100,101	4,131	—	118,500
(Loss) income from operations	(14,268)	77,486	9,447	(285)	72,380
Interest expense (income)	10,207	836	(61)	—	10,982
Other expense (income)	8,717	(14)	(863)	—	7,840
(Loss) income before taxes	(33,192)	76,664	10,371	(285)	53,558
(Benefit of) provision for income taxes	(10,898)	22,189	840	—	12,131
(Loss) income from continuing operations	(22,294)	54,475	9,531	(285)	41,427
Equity in earnings from subsidiaries	64,006	9,531	—	(73,537)	—
Net income	\$ 41,712	\$ 64,006	\$ 9,531	\$ (73,822)	\$ 41,427

Table of Contents

GIBRALTAR INDUSTRIES, INC.
CONSOLIDATING STATEMENTS OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 2015
(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	\$ —	\$ 700,646	\$ 76,732	\$ (18,598)	\$ 758,780
Cost of sales	—	574,112	65,511	(16,273)	623,350
Gross profit	—	126,534	11,221	(2,325)	135,430
Selling, general, and administrative expense	101	83,076	8,688	—	91,865
(Loss) income from operations	(101)	43,458	2,533	(2,325)	43,565
Interest expense (income)	10,207	1,254	(72)	—	11,389
Other expense (income)	4	(4,062)	(180)	—	(4,238)
(Loss) income before taxes	(10,312)	46,266	2,785	(2,325)	36,414
(Benefit of) provision for income taxes	(3,617)	15,949	826	—	13,158
(Loss) income from continuing operations	(6,695)	30,317	1,959	(2,325)	23,256
Discontinued operations:					
Loss from discontinued operations before taxes	—	(44)	—	—	(44)
Benefit of income taxes	—	(16)	—	—	(16)
Loss from discontinued operations	—	(28)	—	—	(28)
Equity in earnings from subsidiaries	32,248	1,959	—	(34,207)	—
Net income	\$ 25,553	\$ 32,248	\$ 1,959	\$ (36,532)	\$ 23,228

Table of Contents

GIBRALTAR INDUSTRIES, INC.
CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED SEPTEMBER 30, 2016
(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net income	\$ 13,435	\$ 15,746	\$ 1,862	\$(17,257)	\$13,786
Other comprehensive income (loss):					
Foreign currency translation adjustment	—	—	(193)	—	(193)
Adjustment to retirement benefit liability, net of tax	—	61	—	—	61
Adjustment to post-retirement health care liability, net of tax	—	38	—	—	38
Other comprehensive income (loss)	—	99	(193)	—	(94)
Total comprehensive income	\$ 13,435	\$ 15,845	\$ 1,669	\$(17,257)	\$13,692

26

Table of Contents

GIBRALTAR INDUSTRIES, INC.
CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED SEPTEMBER 30, 2015
(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net income	\$ 15,503	\$ 17,742	\$ 1,411	\$ (21,024)	\$ 13,632
Other comprehensive income (loss):					
Foreign currency translation adjustment	—	—	(3,005)	—	(3,005)
Adjustment to retirement benefit liability, net of tax	—	3	—	—	3
Adjustment to post-retirement health care liability, net of tax	—	36	—	—	36
Other comprehensive income (loss)	—	39	(3,005)	—	(2,966)
Total comprehensive income (loss)	\$ 15,503	\$ 17,781	\$ (1,594)	\$ (21,024)	\$ 10,666

Table of Contents

GIBRALTAR INDUSTRIES, INC.
CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2016
(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net income	\$ 41,712	\$ 64,006	\$ 9,531	\$ (73,822)	\$41,427
Other comprehensive income:					
Foreign currency translation adjustment	—	—	10,638	—	10,638
Adjustment to retirement benefit liability, net of tax	—	59	—	—	59
Adjustment to post-retirement health care liability, net of tax	—	114	—	—	114
Other comprehensive income	—	173	10,638	—	10,811
Total comprehensive income	\$ 41,712	\$ 64,179	\$ 20,169	\$ (73,822)	\$52,238

Table of Contents

GIBRALTAR INDUSTRIES, INC.
 CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
 NINE MONTHS ENDED SEPTEMBER 30, 2015
 (in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net income	\$ 25,553	\$ 32,248	\$ 1,959	\$ (36,532)	\$ 23,228
Other comprehensive (loss) income:					
Foreign currency translation adjustment	—	—	(4,667)	—	(4,667)
Reclassification of loss on cash flow hedges, net of tax	—	143	—	—	143
Adjustment to retirement benefit liability, net of tax	—	7	—	—	7
Adjustment to post-retirement health care liability, net of tax	—	110	—	—	110
Other comprehensive income (loss)	—	260	(4,667)	—	(4,407)
Total comprehensive income (loss)	\$ 25,553	\$ 32,508	\$ (2,708)	\$ (36,532)	\$ 18,821

Table of Contents

GIBRALTAR INDUSTRIES, INC.
CONSOLIDATING BALANCE SHEETS
SEPTEMBER 30, 2016
(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ —	\$ 149,784	\$ 23,278	\$ —	\$ 173,062
Accounts receivable, net	—	146,258	9,176	—	155,434
Intercompany balances	8,234	(2,212)	(6,022)	—	—
Inventories	—	87,296	5,482	—	92,778
Other current assets	12,808	(8,672)	5,761	—	9,897
Total current assets	21,042	372,454	37,675	—	431,171
Property, plant, and equipment, net	—	100,968	5,347	—	106,315
Goodwill	—	270,017	24,841	—	294,858
Acquired intangibles	—	106,097	12,291	—	118,388
Other assets	—	4,100	—	—	4,100
Investment in subsidiaries	660,635	64,525	—	(725,160)	—
	\$ 681,677	\$ 918,161	\$ 80,154	\$ (725,160)	\$ 954,832
Liabilities and Shareholders' Equity					
Current liabilities:					