

GIBALTAR INDUSTRIES, INC.

Form 10-Q

May 03, 2019

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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 March 31, 2019

Commission File Number 0-22462

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

Delaware 16-1445150
(State or incorporation) (I.R.S. Employer 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

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

Title of each class Trading Symbol Name of each exchange on which registered
Common Stock, \$0.01 par value per share ROCK NASDAQ Stock Market

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 definitions 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

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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 April 30, 2019, the number of common shares outstanding was: 32,202,885.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GIBALTAR INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

(unaudited)

	Three Months Ended March 31,	
	2019	2018
Net Sales	\$227,417	\$215,337
Cost of sales	183,517	167,019
Gross profit	43,900	48,318
Selling, general, and administrative expense	33,334	34,475
Income from operations	10,566	13,843
Interest expense	2,061	3,269
Other expense (income)	589	(585)
Income before taxes	7,916	11,159
Provision for income taxes	1,571	2,807
Net income	\$6,345	\$8,352
Net earnings per share:		
Basic	\$0.20	\$0.26
Diluted	\$0.19	\$0.26
Weighted average shares outstanding:		
Basic	32,279	31,786
Diluted	32,617	32,444

See accompanying notes to consolidated financial statements.

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GIBRALTAR INDUSTRIES, INC.
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Three Months Ended March 31,	
	2019	2018
Net income	\$6,345	\$8,352
Other comprehensive income (loss):		
Foreign currency translation adjustment	842	110
Cumulative effect of accounting change	—	(350)
Minimum pension and post retirement benefit plan adjustments	12	27
Other comprehensive income (loss)	854	(213)
Total comprehensive income	\$7,199	\$8,139

See accompanying notes to consolidated financial statements.

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

	March 31, 2019 (unaudited)	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$43,509	\$297,006
Accounts receivable, net	167,201	140,283
Inventories	98,594	98,913
Other current assets	8,282	8,351
Total current assets	317,586	544,553
Property, plant, and equipment, net	95,856	95,830
Operating lease assets	31,823	—
Goodwill	323,573	323,671
Acquired intangibles	94,520	96,375
Other assets	2,900	1,216
	\$866,258	\$1,061,645
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$84,462	\$79,136
Accrued expenses	65,020	87,074
Billings in excess of cost	18,259	17,857
Current maturities of long-term debt	400	208,805
Total current liabilities	168,141	392,872
Long-term debt	1,600	1,600
Deferred income taxes	36,916	36,530
Non-current operating lease liabilities	22,751	—
Other non-current liabilities	31,017	33,950
Shareholders' equity:		
Preferred stock, \$0.01 par value; authorized 10,000 shares; none outstanding	—	—
Common stock, \$0.01 par value; authorized 50,000 shares; 33,026 shares and 32,887 shares issued and outstanding in 2019 and 2018	330	329
Additional paid-in capital	285,034	282,525
Retained earnings	346,922	338,995
Accumulated other comprehensive loss	(6,380)	(7,234)
Cost of 855 and 796 common shares held in treasury in 2019 and 2018	(20,073)	(17,922)
Total shareholders' equity	605,833	596,693
	\$866,258	\$1,061,645

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2019	2018
Cash Flows from Operating Activities		
Net income	\$6,345	\$8,352
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	4,941	5,189
Stock compensation expense	2,371	2,097
Exit activity recoveries, non-cash	—	(727)
Provision for deferred income taxes	393	—
Other, net	2,456	353
Changes in operating assets and liabilities, excluding the effects of acquisitions:		
Accounts receivable	(27,623)	4,947
Inventories	35	(8,907)
Other current assets and other assets	165	1,498
Accounts payable	5,332	(1,694)
Accrued expenses and other non-current liabilities	(31,903)	(33,314)
Net cash used in operating activities	(37,488)	(22,206)
Cash Flows from Investing Activities		
Acquisitions, net of cash acquired	(264)	—
Net proceeds from sale of property and equipment	22	2,823
Purchases of property, plant, and equipment	(3,132)	(1,033)
Net cash (used in) provided by investing activities	(3,374)	1,790
Cash Flows from Financing Activities		
Long-term debt payments	(210,000)	—
Payment of debt issuance costs	(1,235)	—
Purchase of treasury stock at market prices	(2,151)	(850)
Net proceeds from issuance of common stock	139	226
Net cash used in financing activities	(213,247)	(624)
Effect of exchange rate changes on cash	612	(499)
Net decrease in cash and cash equivalents	(253,497)	(21,539)
Cash and cash equivalents at beginning of year	297,006	222,280
Cash and cash equivalents at end of period	\$43,509	\$200,741
See accompanying notes to consolidated financial statements.		

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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, 2018	32,887	\$ 329	\$282,525	\$338,995	\$ (7,234)	796	\$(17,922)	\$ 596,693
Net income	—	—	—	6,345	—	—	—	6,345
Foreign currency translation adjustment	—	—	—	—	842	—	—	842
Minimum pension and post retirement benefit plan adjustments, net of taxes of \$4	—	—	—	—	12	—	—	12
Stock compensation expense	—	—	2,371	—	—	—	—	2,371
Cumulative effect of accounting change (see <u>Note 2</u>)	—	—	—	1,582	—	—	—	1,582
Stock options exercised	12	—	139	—	—	—	—	139
Net settlement of restricted stock units	127	1	(1)	—	—	59	(2,151)	(2,151)
Balance at March 31, 2019	33,026	\$ 330	\$285,034	\$346,922	\$ (6,380)	855	\$(20,073)	\$ 605,833

See accompanying notes to consolidated financial statements.

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GIBRALTAR 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	—	—	—	