

SIMPSON MANUFACTURING CO INC /CA/
Form 10-Q
May 10, 2017
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: March 31, 2017

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: 1-13429

Simpson Manufacturing Co., Inc.
(Exact name of registrant as specified in its charter)
Delaware 94-3196943
(State or other jurisdiction of incorporation (I.R.S.
Employer
or organization) Identification
No.)

5956 W. Las Positas Blvd., Pleasanton, CA 94588
(Address of principal executive offices)
(Registrant's telephone number, including area code): (925) 560-9000

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 check mark 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

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

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

Yes No

The number of shares of the registrant's common stock outstanding as of March 31, 2017: 47,654,309.

NOTE ABOUT FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements relating to events or results that may occur in the future are forward-looking statements, including but not limited to, statements regarding our plans, sales, sales trends, revenues, profits, costs, inventories, expenses, unrecognized costs (including those with respect to unvested stock-based compensation), cost savings, repatriation of funds, factory utilization rates, results of operations, tax liabilities, losses, capital spending, price changes (including product prices and raw material (such as steel) prices), profit margins, effective tax rates, depreciation or amortization expenses, amortization periods, stock repurchases, dividends, compensation arrangements, plans or amendments (including those related to profit sharing and stock-based compensation), record dates, company policies, corporate governance practices, documents or amendments (including charter or bylaw amendments, stockholder rights plans or similar arrangements), capital and corporate structure (including major stockholders, board structure and board composition), prospective adoption of new accounting standards, effects of changes in accounting standards, effects and expenses of (including eventual gains or losses related to) mergers and acquisitions and related integrations, effects and expenses of equity investments, effects and expenses of relocating manufacturing facilities, effects of changes in foreign exchange rates or interest rates, effects and costs of facility consolidations and expansions (including related savings), effects and costs of software program implementations (including related capital expenditures and savings), relationships with distributors, labor relations, needs for additional facilities, materials and personnel, effects and costs of credit facilities and capital lease obligations, and the projected impact of any of the foregoing on our business, financial condition and results of operations.

Forward-looking statements generally can be identified by words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “target,” “continue,” “predict,” “project,” “change,” “result,” “future,” “will,” “could,” “may,” “likely,” “potentially,” or other expressions. Forward-looking statements are necessarily speculative in nature, are based on numerous assumptions, and involve known and unknown risks, uncertainties and other factors (some of which are beyond our control) that could significantly affect our operations and may cause our actual actions, results, financial condition, performance or achievements to be substantially different from any future actions, results, financial condition, performance or achievements expressed or implied by any such forward-looking statements. Those factors include, but are not limited to: (i) general economic cycles and construction business conditions; (ii) customer acceptance of our products; (iii) product liability claims, contractual liability, engineering and design liability and similar liabilities or claims, (iv) relationships with key customers; (v) materials and manufacturing costs; (vi) financial conditions of customers, competitors and suppliers; (vii) technological developments, including software development; (viii) increased competition; (ix) changes in regulations (including changes in trade regulations) or industry practices; (x) litigation risks, (xi) changes in market conditions; (xii) governmental and business conditions in countries where our products are manufactured and sold; (xiii) effects of merger or acquisition activities; (xiv) actual or potential takeover or other change-of-control threats; (xv) changes in our plans, strategies, objectives, expectations or intentions; and (xvi) other risks and uncertainties indicated from time to time in our filings with the U.S. Securities and Exchange Commission, including the Company's most recent Annual Report on Form 10-K under the heading “Item 1A - Risk Factors.” See below “Part I, Item 1A - Risk Factors.” Each forward-looking statement contained in this Quarterly Report on Form 10-Q is specifically qualified in its entirety by the aforementioned factors. In light of the foregoing, investors are advised to carefully read this Quarterly Report on Form 10-Q in connection with the important disclaimers set forth above and are urged not to rely on any forward-looking statements in reaching any conclusions or making any investment decisions about us or our securities. All forward-looking statements hereunder are made as of the date of this Quarterly Report on Form 10-Q. Except as required by law, we do not intend and undertake no obligation to update, revise or publicly release any updates or revisions to any forward-looking statements hereunder, whether as a result of the receipt of new information, the occurrence of future events, the change of circumstances or otherwise. We further do not accept any responsibility for any projections or reports published by analysts, investors or other third parties.

Each of the terms the “Company,” “we,” “our,” “us” and similar terms used herein refer collectively to Simpson Manufacturing Co., Inc., a Delaware corporation and its wholly-owned subsidiaries, including Simpson Strong-Tie Company Inc., unless otherwise stated.

“Strong-Tie” and our other trademarks appearing in this report are our property. This report contains additional trade names and trademarks of other companies. We do not intend our use or display of other companies’ trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

Simpson Manufacturing Co., Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands, unaudited)

	March 31, 2017	2016	December 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents	\$ 167,059	\$ 232,028	\$ 226,537
Trade accounts receivable, net	148,506	135,123	112,423
Inventories	256,271	210,787	232,274
Other current assets	13,744	13,284	14,013
Total current assets	585,580	591,222	585,247
Property, plant and equipment, net	250,465	216,660	232,810
Goodwill	135,113	125,614	124,479
Equity investment	2,607	—	2,500
Intangible assets, net	31,713	26,719	22,864
Other noncurrent assets	12,722	8,746	12,074
Total assets	\$ 1,018,200	\$ 968,961	\$ 979,974
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Capital lease obligation - current portion	\$ 521	\$ —	\$ —
Trade accounts payable	38,219	29,023	27,674
Accrued liabilities	67,183	49,849	60,477
Income taxes payable	2,290	2,824	—
Accrued profit sharing trust contributions	2,514	2,245	6,549
Accrued cash profit sharing and commissions	9,256	11,133	10,527
Accrued workers' compensation	3,578	4,472	3,569
Total current liabilities	123,561	99,546	108,796
Capital lease obligation - net of current portion	1,610	—	—
Deferred income tax and other long-term liabilities	6,076	5,159	5,336
Total liabilities	131,247	104,705	114,132
Commitments and contingencies (see Note 8)			
Stockholders' equity			
Common stock, at par value	475	484	473
Additional paid-in capital	259,167	238,040	255,917
Retained Earnings	656,959	648,321	642,422
Treasury stock	—	(3,502)	—
Accumulated other comprehensive loss	(29,648)	(19,087)	(32,970)
Total stockholders' equity	886,953	864,256	865,842
Total liabilities and stockholders' equity	\$ 1,018,200	\$ 968,961	\$ 979,974

The accompanying notes are an integral part of these condensed consolidated financial statements

Simpson Manufacturing Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(In thousands except per-share amounts, unaudited)

	Three Months Ended	
	March 31,	
	2017	2016
Net sales	\$219,867	\$199,523
Cost of sales	119,711	107,000
Gross profit	100,156	92,523
Operating expenses:		
Research and development and other engineering	13,108	11,423
Selling	29,483	25,187
General and administrative	34,986	29,298
Net gain on disposal of assets	(51)	(26)
	77,526	65,882
Income from operations	22,630	26,641
Loss in equity method investment, before tax	(28)	—
Interest expense, net	(189)	(235)
Gain on bargain purchase of a business	8,388	