

GIBRALTAR INDUSTRIES, INC.

Form 10-Q

August 09, 2007

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

(Mark one)

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

For the quarterly period ended **June 30, 2007**

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

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 . No .

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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

Yes . No .

As of August 6, 2007, the number of common shares outstanding was: 29,949,229.



GIBRALTAR INDUSTRIES, INC.
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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30 2007 (unaudited)	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 22,921	\$ 13,475
Accounts receivable, net	211,814	169,207
Inventories	254,019	254,991
Other current assets	20,151	18,107
Total current assets	508,905	455,780
Property, plant and equipment, net	261,724	243,138
Goodwill	408,201	374,821
Acquired intangibles	61,150	62,366
Investments in partnerships	2,522	2,440
Other assets	13,932	14,323
	\$ 1,256,434	\$ 1,152,868
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 100,829	\$ 71,308
Accrued expenses	48,606	50,771
Current maturities of long-term debt	2,555	2,336
Total current liabilities	151,990	124,415
Long-term debt	449,689	398,217
Deferred income taxes	71,790	70,981
Other non-current liabilities	13,039	9,027
Shareholders' equity:		
Preferred stock, \$.01 par value; authorized: 10,000,000 shares; none outstanding		
Common stock, \$.01 par value; authorized 50,000,000 shares; issued 29,899,295 and 29,828,317 shares in 2007 and 2006, respectively	299	299
Additional paid-in capital	217,291	215,944
Retained earnings	345,787	332,920
Accumulated other comprehensive income	6,549	1,065

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	569,926	550,228
Less: cost of 44,100 and 42,600 common shares held in treasury in 2007 and 2006		
Total shareholders' equity	569,926	550,228
	\$ 1,256,434	\$ 1,152,868

See accompanying notes to condensed consolidated financial statements

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Net sales	\$ 369,820	\$ 352,421	\$ 687,404	\$ 675,058
Cost of sales	304,146	275,156	570,079	534,562
Gross profit	65,674	77,265	117,325	140,496
Selling, general and administrative expense	38,281	38,950	73,491	76,790
Income from operations	27,393	38,315	43,834	63,706
Other (income) expense:				
Equity in partnerships loss (income) and other income	(305)	138	(667)	(548)
Interest expense	8,248	7,101	15,485	13,880
Total other expense	7,943	7,239	14,818	13,332
Income before taxes	19,450	31,076	29,016	50,374
Provision for income taxes	7,524	11,315	10,922	18,880
Income from continuing operations	11,926	19,761	18,094	31,494
Discontinued operations:				
Income from discontinued operations before taxes		5,710		10,013
Income tax expense		2,158		3,797
Income from discontinued operations		3,552		6,216
Net income	\$ 11,926	\$ 23,313	\$ 18,094	\$ 37,710
Net income per share Basic:				
Income from continuing operations	\$.40	\$.67	\$.61	\$ 1.06
Income from discontinued operations		.12		.21
Net income	\$.40	\$.79	\$.61	\$ 1.27

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Weighted average shares outstanding	Basic	29,863	29,689	29,850	29,659
Net income per share	Diluted:				
Income from continuing operations		.40	.66	.60	1.05
Income from discontinued operations			.12		.21
Net income		\$.40	\$.78	\$.60	\$ 1.26
Weighted average shares outstanding	Diluted	30,144	30,012	30,096	29,966

See accompanying notes to condensed consolidated financial statements

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

	Six Months Ended June 30,	
	2007	2006
Cash flows from operating activities		
Net income	\$ 18,094	\$ 37,710
Income from discontinued operations		6,216
Income from continuing operations	18,094	31,494
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	15,956	14,175
Provision for deferred income taxes	(229)	
Equity in partnerships loss (income) and other income	(576)	174
Distributions from partnerships	493	589
Stock compensation expense	1,254	1,631
Other noncash adjustments	526	610
Increase (decrease) in cash resulting from changes in (net of acquisitions and dispositions):		
Accounts receivable	(30,373)	(49,345)
Inventories	26,724	(37,793)
Other current assets and other assets	1,223	1,353
Accounts payable	24,679	23,698
Accrued expenses and other non-current liabilities	(2,915)	342
Net cash provided by (used in) continuing operations	54,856	(13,072)
Net cash provided by discontinued operations		7,220
Net cash provided by (used in) provided by operating activities	54,856	(5,852)
Cash flows from investing activities		
Acquisitions, net of cash acquired	(84,424)	(13,206)
Purchases of property, plant and equipment	(9,292)	(11,452)
Net proceeds from sale of property and equipment	373	115
Net proceeds from sale of business		151,511
Net cash (used in) provided by investing activities from continuing operations	(93,343)	126,968
Net cash used in investing activities for discontinued operations		(3,189)
Net cash (used in) provided by investing activities	(93,343)	123,779

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Cash flows from financing activities		
Long-term debt reduction	(1,654)	(112,960)
Proceeds from long-term debt	52,485	10,000
Payment of deferred financing costs	(8)	(256)
Payment of dividends	(2,983)	(2,974)
Net proceeds from issuance of common stock	93	764
Tax benefit from stock options		115
Net cash provided by (used in) financing activities	47,933	(105,311)
Net increase in cash and cash equivalents	9,446	12,616
Cash and cash equivalents at beginning of year	13,475	28,529
Cash and cash equivalents at end of period	\$ 22,921	\$ 41,145

See accompanying notes to condensed consolidated financial statements

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GIBRALTAR INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying condensed consolidated financial statements as of and for the three and six months ended June 30, 2007 and 2006 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, results of operations and cash flows for these respective periods have been included.

Certain information and footnote disclosures including significant accounting policies normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements included in the Company's Annual Report to Shareholders for the year ended December 31, 2006, as filed on Form 10-K.

The consolidated balance sheet at December 31, 2006 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

Certain 2006 amounts have been reclassified to conform with 2007 presentation.

The results of operations for the three and six month periods ended June 30, 2007 are not necessarily indicative of the results to be expected for the full year.

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The changes in shareholders equity and comprehensive income consist of (in thousands):

	Comprehensive Income	Common Stock Shares	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock Shares	Amount	Total Shareholders Equity
Balance at January 1, 2007		29,841	\$ 299	\$ 215,944	\$ 332,920	\$ 1,065	43	\$ 550,228
Cumulative effect of adoption of FIN 48				(750)				(750)
Comprehensive income:								
Net income	\$ 18,094			18,094				18,094
Other comprehensive income (loss):								
Foreign currency translation adjustment	5,127							
Amortization of other post retirement health care costs, net of tax of \$20	32							
Unrealized gain on interest rate swaps, net of tax of \$236	325							
Other comprehensive income	5,484				5,484			5,484
Total comprehensive income	\$ 23,578							
Issuance of restricted shares		6						
Equity based compensation expense				1,254				1,254

Stock options exercised	8	93	93
Forfeiture of restricted stock awards			1
Cash dividends \$.15 per share		(4,477)	(4,477)
Balance at June 30, 2007	29,855	\$ 299	\$ 217,291
		\$ 345,787	\$ 6,549
		44	\$ 569,926

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	Unrealized gain/(loss) on interest rate swaps	Accumulated other comprehensive loss
Balance at January 1, 2007	\$ 1,977	\$ 3	\$ (969)	\$ 54	\$ 1,065
Current period change	5,127		32	325	5,484
Balance at June 30, 2007	\$ 7,104	\$ 3	\$ (937)	\$ 379	\$ 6,549

Total comprehensive income for the three and six months ended June 30, 2007, was \$16,509,000 and \$23,578,000, respectively and for the three and six months ended June 30, 2006 was \$23,221,000 and \$38,427,000, respectively.

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3. INCOME TAXES

The Company and its U. S. subsidiaries file a U.S. federal consolidated income tax return. The Internal Revenue Service has concluded its examination of the Company's income tax returns for the years prior to 2003. The U.S. federal statute of limitations remains open for the 2003 tax year and beyond. Foreign and U.S. state jurisdictions have statutes of limitations generally ranging from 4 to 6 years. Several of our tax returns are currently under examination in various U.S. state jurisdictions.

We adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109 (FIN 48) effective January 1, 2007. As a result of the implementation of FIN 48, the Company recognized a \$750,000 increase in tax liabilities, with a corresponding reduction in retained earnings. The recognition was caused by uncertain tax positions of \$408,000 and the provision for related interest and penalties of \$342,000.

During the three and six months ended June 30, 2007, the Company incurred an additional \$25,000 and \$50,000 to account for uncertain tax positions. The Company does not anticipate significant increases or decreases in our uncertain tax positions within the next twelve months.

The Company recognizes penalties and interest relating to uncertain tax positions in the provision for income taxes.

4. EQUITY-BASED COMPENSATION

On May 19, 2005, the Gibraltar Industries, Inc. 2005 Equity Incentive Plan (the 2005 Equity Incentive Plan) was approved by the Company's stockholders. The 2005 Equity Incentive Plan is an incentive compensation plan that allows the Company to grant equity-based incentive compensation awards to eligible participants to provide them an additional incentive to promote the business of the Company, to increase their proprietary interest in the success of the Company and to encourage them to remain in the Company's employ. Awards under the plan may be in the form of options, restricted shares, restricted units, performance shares, performance units and rights. The 2005 Equity Incentive Plan provides for the issuance of up to 2,250,000 shares of common stock. Of the total number of shares of common stock issuable under the 2005 Equity Incentive Plan, the aggregate number of shares that may be issued in connection with grants of restricted stock or restricted units cannot exceed 1,350,000 shares, and the aggregate number of shares which may be issued in connection with grants of incentive stock options and rights cannot exceed 900,000 shares. Vesting terms and award life are governed by the award document.

The Management Stock Purchase Plan (MSPP) was approved by the shareholders in conjunction with the ado