

SIMPSON MANUFACTURING CO INC /CA/
Form 10-Q
August 08, 2012

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: **June 30, 2012**

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)

Edgar Filing: SIMPSON MANUFACTURING CO INC /CA/ - Form 10-Q

Delaware
(State or other jurisdiction of incorporation
or organization)

94-3196943
(I.R.S. Employer
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, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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 June 30, 2012: 48,318,180

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Simpson Manufacturing Co., Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(In thousands, unaudited)

ASSETS			
Cash and cash equivalents	\$ 162,719	\$ 262,013	\$ 213,817
Inventories	185,217	166,934	180,129
Assets held for sale		6,792	6,793
Total current assets	494,695	573,411	502,064
Property, plant and equipment, net	208,685	183,698	195,716
Intangible assets, net	41,529	22,051	27,856
Other noncurrent assets	6,013	12,465	10,602
Current liabilities			
Trade accounts payable	34,740	32,060	22,034
Income taxes payable	1,396	3,054	
Accrued cash profit sharing and commissions	10,307	13,036	3,446
Total current liabilities	100,025	92,877	71,587
Long-term liabilities	5,936	7,246	6,137
Equity			
Common stock, at par value	482	482	481
Retained earnings	591,595	571,229	580,616

Total stockholders equity	772,944	764,452	758,363
---------------------------	---------	---------	---------

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 June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net sales	\$ 181,703	\$ 177,812	\$ 340,437	\$ 310,348
Cost of sales	98,557	94,313	187,886	169,900
Gross profit	83,146	83,499	152,551	140,448
Operating expenses:				
Research and development and other engineering	9,043	6,945	18,240	12,939
Selling	19,881	19,819	40,314	36,895
General and administrative	27,087	25,454	53,331	47,076
Loss (gain) on sale of assets	(13)	73	10	48
	55,998	52,291	111,895	96,958
Income from operations	27,148	31,208	40,656	43,490
Loss in equity method investment, before tax		(69)		(82)
Interest income, net	58	108	123	179
Income before taxes	27,206	31,247	40,779	43,587
Provision for income taxes	11,347	11,754	17,719	17,016
Net income	\$ 15,859	\$ 19,493	\$ 23,060	\$ 26,571
Earnings per common share:				
Basic	\$ 0.33	\$ 0.39	\$ 0.48	\$ 0.53
Diluted	\$ 0.33	\$ 0.39	\$ 0.48	\$ 0.53
Number of shares outstanding				
Basic	48,340	49,404	48,307	49,753
Diluted	48,419	49,456	48,378	49,809
Cash dividends declared per common share	\$ 0.125	\$ 0.125	\$ 0.25	\$ 0.25

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

Simpson Manufacturing Co., Inc. and Subsidiaries

Statements of Comprehensive Income

(In thousands, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net Income	\$ 15,859	\$ 19,493	\$ 23,060	\$ 26,571
Other comprehensive income				
Translation adjustment, net of tax benefit (expense) of (\$20), \$2, \$3 and \$1, respectively	(9,951)	3,395	(2,725)	10,252
	(9,951)	3,395	(2,725)	10,252
Comprehensive income	\$ 5,908	\$ 22,888	\$ 20,335	\$ 36,823

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

Simpson Manufacturing Co., Inc. and Subsidiaries

Condensed Consolidated Statements of Stockholders Equity

for the six months ended June 30, 2011 and 2012 and December 31, 2011

(In thousands except per-share amounts, unaudited)

	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, January 1, 2011	50,096	\$ 500	\$ 165,425	\$ 607,241	\$ 14,627		\$ 787,793
Net income				26,571			26,571
Translation adjustment, net of tax of \$1					10,252		10,252
Stock options exercised	6		154				154
Stock compensation			2,118				2,118
Tax effect of options exercised			(39)				(39)
Repurchase of common stock	(1,828)					(50,075)	(50,075)
Retirement of common stock		(18)		(50,057)		50,075	
Cash dividends declared on common stock, \$0.25 per share				(12,526)			(12,526)
Common stock issued at \$30.91 per share for stock bonus	7		204				204
Balance, June 30, 2011	48,281	482	167,862	571,229	24,879		764,452
Net income				24,329			24,329
Translation adjustment, net of tax of (\$2)					(18,096)		(18,096)
Stock options exercised	2		60				60
Stock compensation			4,076				4,076
Tax effect of options exercised			(1,515)				(1,515)
Repurchase of common stock	(120)					(3,133)	(3,133)
Retirement of common stock		(1)		(3,132)		3,133	
Cash dividends declared on common stock, \$0.25 per share				(11,810)			(11,810)
Balance, December 31, 2011	48,163	481	170,483	580,616	6,783		758,363
Net income				23,060			23,060
Translation adjustment, net of tax of \$3					(2,725)		(2,725)
Stock options exercised	82	1	1,982				1,983
Stock compensation			5,005				5,005
Tax effect of options exercised			(56)				(56)
Shares issued from release of Restricted Stock Units	61		(1,023)				(1,023)
				(12,081)			(12,081)

Edgar Filing: SIMPSON MANUFACTURING CO INC /CA/ - Form 10-Q

Cash dividends declared on
common stock, \$0.25 per
share

Common stock issued at
\$33.71 per share for stock
bonus

	12			418				418			
Balance, June 30, 2012	48,318	\$	482	\$	176,809	\$	591,595	\$	4,058	\$	772,944

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

Simpson Manufacturing Co., Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(In thousands, unaudited)

	Six Months Ended June 30,	
	2012	2011
Cash flows from operating activities		
Net income	\$ 23,060	\$ 26,571
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Loss on sale of assets	10	48
Depreciation and amortization	13,813	10,055
Impairment loss on assets held for sale	461	1,094
Deferred income taxes	(681)	(1,026)
Noncash compensation related to stock plans	5,300	2,377
Loss in equity method investment		82
Excess tax benefit of options exercised	(99)	4
Provision for doubtful accounts	225	179
Accrued interest earned from related party		(58)
Changes in operating assets and liabilities, net of acquisitions:		
Trade accounts receivable	(40,837)	(48,234)
Inventories	(47)	(12,404)
Trade accounts payable	10,694	(2,386)
Income taxes payable	4,462	7,890
Accrued profit sharing trust contributions	(2,085)	(2,611)
Accrued cash profit sharing and commissions	6,873	10,160
Other current assets	3,537	410
Accrued liabilities	(4,775)	3,215
Long-term liabilities	(250)	(42)
Accrued workers compensation	(613)	979
Other noncurrent assets	(2,168)	352
Net cash provided by (used in) operating activities	16,880	(3,345)
Cash flows from investing activities		
Capital expenditures	(9,629)	(14,095)
Asset acquisitions, net of cash acquired	(56,044)	
Proceeds from sale of property and equipment	6,958	3,156
Loans repaid by related parties		26
Net cash used in investing activities	(58,715)	(10,913)
Cash flows from financing activities		
Repurchase of common stock		(50,075)
Debt and line of credit borrowings	2,146	
Repayment of debt and line of credit borrowings	(954)	
Debt issuance costs	(25)	
Issuance of common stock	1,983	154
Excess tax benefit of options exercised	99	(4)
Dividends paid	(12,059)	(11,274)
Net cash used in financing activities	(8,810)	(61,199)
Effect of exchange rate changes on cash and cash equivalents	(453)	2,421
Net decrease in cash and cash equivalents	(51,098)	(73,036)
Cash and cash equivalents at beginning of period	213,817	335,049

Edgar Filing: SIMPSON MANUFACTURING CO INC /CA/ - Form 10-Q

Cash and cash equivalents at end of period	\$	162,719	\$	262,013
Noncash activity during the period				
Noncash capital expenditures	\$	258	\$	1,587
Dividends declared but not paid		6,044		6,263
Issuance of Company's common stock for compensation		418		204
Non-cash contingent consideration		786		

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

Simpson Manufacturing Co., Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Basis of Presentation

Principles of Consolidation

The consolidated financial statements include the accounts of Simpson Manufacturing Co., Inc. and its subsidiaries (the Company). Investments in 50% or less owned affiliates are accounted for using either cost or the equity method. All significant intercompany transactions have been eliminated.

Interim Period Reporting

The accompanying unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations for reporting on Form 10-Q. Accordingly, certain information and footnotes required by accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted. These interim statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (the 2011 Annual Report).

The unaudited quarterly condensed consolidated financial statements have been prepared on the same basis as the audited annual consolidated financial statements and, in the opinion of management, contain all adjustments (consisting of only normal recurring adjustments) necessary to state fairly the financial information set forth therein, in accordance with GAAP. The year-end condensed consolidated balance sheet data were derived from audited financial statements, but do not include all disclosures required by GAAP. The Company's quarterly results fluctuate. As a result, the Company believes the results of operations for the interim periods are not necessarily indicative of the results to be expected for any future period.

Revenue Recognition

The Company recognizes revenue when the earnings process is complete, net of applicable provision for discounts, returns and incentives, whether actual or estimated, based on the Company's experience. This generally occurs when products are shipped to the customer in accordance with the sales agreement or purchase order, ownership and risk of loss pass to the customer, collectibility is reasonably assured and pricing is fixed or determinable. The Company's general shipping terms are F.O.B. shipping point, where title is transferred and revenue is recognized when the products are shipped to customers. When the Company sells F.O.B. destination point, title is transferred and the Company recognizes revenue on delivery or customer acceptance, depending on terms of the sales agreement. Service sales, representing after-market repair and maintenance, engineering activities, software license sales and services and lease income, though significantly less than 1% of net sales and not

Edgar Filing: SIMPSON MANUFACTURING CO INC /CA/ - Form 10-Q

material to the consolidated financial statements, are recognized as the services are completed or the software products and services are delivered. If actual costs of sales returns, incentives and discounts were to significantly exceed the recorded estimated allowance, the Company's sales would be adversely affected.

Net Earnings Per Common Share

Basic earnings per common share is computed based on the weighted average number of common shares outstanding. Potentially dilutive securities, using the treasury stock method, are included in the diluted per-share calculations for all periods when the effect of their inclusion is dilutive.

Edgar Filing: SIMPSON MANUFACTURING CO INC /CA/ - Form 10-Q

The following is a reconciliation of basic earnings per share (EPS) to diluted EPS:

(in thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income available to common stockholders	\$ 15,859	\$ 19,493	\$ 23,060	\$ 26,571
Basic weighted average shares outstanding	48,340	49,404	48,307	49,753
Dilutive effect of potential common stock equivalents stock options	79	52	71	56
Diluted weighted average shares outstanding	48,419	49,456	48,378	49,809
Earnings per common share:				
Basic	\$ 0.33	\$ 0.39	\$ 0.48	\$ 0.53
Diluted	0.33	0.39	0.48	0.53
Potentially dilutive securities excluded from earnings per diluted share because their effect is anti-dilutive	1,711	1,743	1,711	1,743

Accounting for Stock-Based Compensation

With the approval of the Company's stockholders on April 26, 2011, the Company adopted the Simpson Manufacturing Co., Inc. 2011 Incentive Plan (the 2011 Plan). The 2011 Plan amended and restated in their entirety, and incorporated and superseded, both the Simpson Manufacturing Co., Inc. 1994 Stock Option Plan (the 1994 Plan), which was principally for the Company's employees, and the Simpson Manufacturing Co., Inc. 1995 Independent Director Stock Option Plan (the 1995 Plan), which was for its independent directors. Options previously granted under the 1994 Plan or the 1995 Plan will not be affected by the adoption of the 2011 Plan and will continue to be governed by the 1994 Plan or the 1995 Plan, respectively.

Under the 1994 Plan, the Company could grant incentive stock options and non-qualified stock options. The Company has, however, granted only non-qualified stock options under both the 1994 Plan and the 1995 Plan. The Company generally granted options under each of the 1994 Plan and the 1995 Plan once each year. The exercise price per share of each option granted in February 2011 under the 1994 Plan equaled the closing market price per share of the Company's common stock as reported by the New York Stock Exchange on the day preceding the day that the Compensation and Leadership Development Committee of the Company's Board of Directors met to approve the grant of the options. The exercise price per share under each option granted under the 1995 Plan was at the fair market value on the date specified in the 1995 Plan. Options vest and expire according to terms established at the grant date. Options granted under the 1994 Plan typically vest evenly over the requisite service period of four years and have a term of seven years. The vesting of options granted under the 1994 Plan will be accelerated if the grantee ceases to be employed by the Company after reaching age 60 or if there is a change in control of the Company. Options granted under the 1995 Plan were fully vested on the date of grant. Shares of common stock issued on exercise of stock options under the 1994 Plan and the 1995 Plan are registered under the Securities Act of 1933.

Under the 2011 Plan, the Company may grant incentive stock options, non-qualified stock options, restricted stock and restricted stock units, although the Company currently intends to award primarily restricted stock units and to a lesser extent, if at all, non-qualified stock options. The Company does not currently intend to award incentive stock options or restricted stock. Under the 2011 Plan, no more than 16.3 million shares of the Company's common stock may be issued (including shares already sold) pursuant to all awards under the 2011 Plan, including on exercise of options previously granted under the 1994 Plan and the 1995 Plan. Shares of common stock to be issued pursuant to the 2011 Plan are

registered under the Securities Act of 1933.

Edgar Filing: SIMPSON MANUFACTURING CO INC /CA/ - Form 10-Q

The following table represents the Company's stock option and restricted stock unit activity for the three and six months ended June 30, 2012 and 2011:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Stock-based compensation expense recognized in operating expenses	\$ 2,052	\$ 845	\$ 5,120	\$ 2,293