SIMPSON MANUFACTURING CO INC /CA/
Form 10-Q
August 07, 2014

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended: June 30, 2014

OR

o	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 or organization)	(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 ý No o

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 ý No o

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	ý		Accelerated filer	o
Non-accelerated filer	o	(Do not check if a smaller reporting company)	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No ý

The number of shares of the registrant's common stock outstanding as of June 30, 2014: 48,973,019

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	June 30, 2014	2013	December 31, 2013
ASSETS			
Current assets			
Cash and cash equivalents	$221,196	$165,275	$ 251,208
Trade accounts receivable, net	137,803	126,888	90,017
Inventories	219,036	196,247	197,728
Deferred income taxes	13,625	12,874	12,699
Assets held for sale	—	586	—
Other current assets	12,503	8,465	16,454
Total current assets	604,163	510,335	568,106
Property, plant and equipment, net	206,563	209,544	209,533
Goodwill	129,231	122,678	129,218
Intangible assets, net	38,056	48,725	41,773
Other noncurrent assets	5,321	5,703	4,983
Total assets	$983,334	$896,985	$ 953,613
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Line of credit and notes payable	$62	$1,201	$ 103
Trade accounts payable	27,119	29,579	34,933
Accrued liabilities	56,490	44,619	51,745
Income taxes payable	1,734	—	—
Accrued profit sharing trust contributions	3,416	3,229	5,784
Accrued cash profit sharing and commissions	12,205	12,010	6,049
Accrued workers' compensation	4,429	5,095	4,591
Total current liabilities	105,455	95,733	103,205
Deferred income tax and other long-term liabilities	12,603	8,221	9,129
Total liabilities	118,058	103,954	112,334
Commitments and contingencies (Note 7)			
Stockholders' equity			
Common stock, at par value	489	485	486
Additional paid-in capital	213,037	187,549	207,418
Retained earnings	634,858	609,538	615,289
Treasury stock	—	(9,825)	—
Accumulated other comprehensive income	16,892	5,284	18,086
Total stockholders' equity	865,276	793,031	841,279
Total liabilities and stockholders' equity	$983,334	$896,985	$ 953,613

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

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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,	
	2014	2013	2014	2013
Net sales	$207,893	$195,348	$376,198	$349,628
Cost of sales	111,993	106,176	202,518	195,736
Gross profit	95,900	89,172	173,680	153,892
Operating expenses:				
Research and development and other engineering	10,094	9,484	19,794	17,792
Selling	24,213	21,652	46,032	43,024
General and administrative	29,494	28,347	56,435	54,382
Loss (gain) on sale of assets	(34)	11	(319)	3
	63,767	59,494	121,942	115,201
Income from operations	32,133	29,678	51,738	38,691
Interest (expense) income, net	(15)	1	71	40
Income before taxes	32,118	29,679	51,809	38,731
Provision for income taxes	11,667	11,177	19,271	15,434
Net income	$20,451	$18,502	$32,538	$23,297
Earnings per common share:				
Basic	$0.42	$0.38	$0.66	$0.48
Diluted	$0.42	$0.38	$0.66	$0.48
Number of shares outstanding				
Basic	49,011	48,529	48,955	48,532
Diluted	49,227	48,628	49,146	48,627
Cash dividends declared per common share	$0.140	$0.125	$0.265	$0.125

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

Simpson Manufacturing Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(In thousands, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income	$20,451	$18,502	$32,538	$23,297
Other comprehensive loss				
Translation adjustment, net of tax benefit (expense) of $33 and $0, $44 and ($84), respectively	(1)	(999)	(1,194)	(6,815)
Comprehensive income	$20,450	$17,503	$31,344	$16,482

The accompanying notes are an integral part of these condensed consolidated financial statements
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Simpson Manufacturing Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
For the six months ended June 30, 2013 and 2014, and for the six months ended December 31, 2013
(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, 2013	48,422	$483	$184,677	$592,309	$ 12,099	$—	$789,568
Net income	—	—	—	23,297	—	—	23,297
Translation adjustment, net of tax	—	—	—	—	(6,815)	—	(6,815)
Stock options exercised	31	1	775	—	—	—	776
Stock-based compensation	—	—	5,649	—	—	—	5,649
Tax effect of options exercised	—	—	(1,850)	—	—	—	(1,850)
Shares issued from release of Restricted Stock Units	107	1	(2,020)	—	—	—	(2,019)
Repurchase of common stock	(342)	—	—	—	—	(9,825)	(9,825)
Cash dividends declared on common stock, $0.125 per share	—	—	—	(6,068)	—	—	(6,068)
Common stock issued at $33.81 per share for stock bonus	9	—	318	—	—	—	318
Balance, at June 30, 2013	48,227	485	187,549	609,538	5,284	(9,825)	793,031
Net income	—	—	—	27,674	—		27,674
Translation adjustment, net of tax	—	—	—	—	12,756	—	12,756
Pension adjustment, net of tax	—	—	—	—	46	—	46
Stock options exercised	481	4	14,277	—	—	—	14,281
Stock-based compensation	—	—	6,441	—	—	—	6,441
Tax effect of options exercised	—	—	(795)	—	—	—	(795)
Shares issued from release of Restricted Stock Units	4	1	(54)	—	—	—	(53)
Retirement of treasury stock	—	(4)	—	(9,821)	—	9,825	—
Cash dividends declared on common stock, $0.25 per share	—	—	—	(12,102)	—	—	(12,102)
Balance, December 31, 2013	48,712	486	207,418	615,289	18,086	—	841,279
Net income	—	—	—	32,538	—	—	32,538
Translation adjustment, net of tax	—	—	—	—	(1,194)	—	(1,194)
Stock options exercised	92	1	2,625	—	—	—	2,626
Stock-based compensation	—	—	5,691	—	—	—	5,691
Tax effect of options exercised	—	—	(186)	—	—	—	(186)
Shares issued from release of Restricted Stock Units	158	2	(2,913)	—	—	—	(2,911)
Cash dividends declared on common stock, $0.265 per share	—	—	—	(12,969)	—	—	(12,969)
Common stock issued at $35.87 per share for stock bonus	11	—	402	—	—	—	402
Balance, June 30, 2014	48,973	$489	$213,037	$634,858	$ 16,892	$—	$865,276

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

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Simpson Manufacturing Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In thousands, unaudited)

	Six Months Ended June 30, 2014	2013
Cash flows from operating activities		
Net income	$32,538	$23,297
Adjustments to reconcile net income to net cash used in operating activities:		
(Gain) loss on sale of assets	(319)	3
Depreciation and amortization	14,785	14,777
Impairment loss on assets	—	1,025
Deferred income taxes	43	1,281
Noncash compensation related to stock plans	6,201	6,001
Excess tax benefit of options exercised and restricted stock units vested	(14)	(11)
Provision for doubtful accounts	141	9
Changes in operating assets and liabilities, net of acquisitions:		
Trade accounts receivable	(47,732)	(45,345)
Inventories	(21,597)	7,168
Trade accounts payable	(7,138)	(7,021)
Income taxes payable	8,170	11,859
Accrued profit sharing trust contributions	(2,367)	(1,944)
Accrued cash profit sharing and commissions	6,157	8,624
Other current assets	(2,294)	185
Accrued liabilities	1,800	(1,502)
Long-term liabilities	2,608	(477)
Accrued workers' compensation	(162)	403
Other noncurrent assets	(318)	578
Net cash (used in) provided by operating activities	(9,498)	18,910
Cash flows from investing activities		
Capital expenditures	(9,298)	(8,095)
Asset acquisitions, net of cash acquired	—	(5,300)
Proceeds from sale of property and equipment	565	110
Loan made to customer	(281)	—
Loan repayment by customer	4	—
Loan repayment by related party	—	625
Net cash used in investing activities	(9,010)	(12,660)
Cash flows from financing activities		
Deferred and contingent consideration paid for asset acquisition	(1,293)	—
Repurchase of common stock	—	(9,825)
Debt and line of credit borrowings	—	1,129
Repayment of debt and line of credit borrowings	(41)	(86)
Issuance of common stock	2,626	776
Excess tax benefit of options exercised and restricted stock units vested	14	11
Dividends paid	(12,207)	(6,053)
Net cash used in financing activities	(10,901)	(14,048)
Effect of exchange rate changes on cash and cash equivalents	(603)	(2,480)
Net decrease in cash and cash equivalents	(30,012)	(10,278)
Cash and cash equivalents at beginning of period	251,208	175,553

Cash and cash equivalents at end of period	$221,196	$165,275
Noncash activity during the period		
Noncash capital expenditures	$672	$63
Dividends declared but not paid	6,853	6,068
Issuance of Company’s common stock for compensation	402	318

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

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Simpson Manufacturing Co., Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

Principles of Consolidation

The condensed 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 the 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 audited 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, 2013.

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 presented are not necessarily indicative of the results to be expected for any future period.

Revisions

The Company revised its June 30, 2013, Condensed Consolidated Balance Sheet to classify $5.4 million of indefinite-lived assets as intangible assets, net, that had erroneously been classified as other noncurrent assets. The Condensed Consolidated Statement of Operations for the three and six months ended June 30, 2013, was revised to reflect $0.2 million and $0.5 million, respectively, of rent income from properties rented to third-parties as an offset to general and administrative expense rather than as net sales as originally reported in error. With this revision, rental incomes are reported, net of related expenses, in general and administrative expense. These revisions were not considered material to the affected periods.

Out-of-Period Adjustment

In the first quarter of 2014, the Company recorded an out-of-period adjustment, which increased gross profit, income from operations and net income by $2.3 million, $2.0 million and $1.3million, respectively. The adjustment resulted from an over-statement of prior periods' workers compensation expense, net of cash profit sharing expense, and was not material to the current period or any prior period financial statements.

Withdrawal from Multi-Employer Defined-Benefit Pension Plan

Under the Company's collective bargaining arrangement with the tool and die craftsman and maintenance union, the Company has been contributing to a defined-benefit pension plan. In the second quarter of 2014, the Company and the union formally notified the defined-benefit pension plan administrator of their intent to withdraw from the plan. As soon as practicable, the plan administrator is required to respond by issuing a demand letter informing the Company of the annual withdrawal liability payment to be made by the Company and the number of years the annual payment is to be made. As of June 30, 2014, the Company has not yet received the demand letter from the plan administrator.

The Company calculated an annual withdrawal liability payment estimate and the number of years that payments are required. Using a ten-year look-back at the hourly rates paid for the defined benefit and the hours worked by participating employees, the Company estimated that a $142,000 annual withdrawal liability payment was required and that the payments would be in perpetuity.

Due to the amount and duration of payments, the Company was required to calculate and record a pension expense and liability based on the annual payments in perpetuity. The Company discounted the payment estimate using a discount rate of 5%, which approximates the credit-adjusted risk-free rate for the Company. The Company recorded a $2.9 million liability in other long-term liabilities and a corresponding defined-benefit expense in cost of sales. On a quarterly basis, the Company will re-evaluate the amount of the annual payment, the number of years that payments are required and the discount rate used to calculate the long-term liability and adjust it as facts and circumstances change. All quarterly adjustments to the long-term liability will be charged to cost of sales in the Condensed Consolidated Statements of Operations. Because of the funding status of the plan, the annual withdrawal liability payments will be recorded as interest expense on the long-term liability until such time as a finite debt balance is determined.

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, collectability is reasonably assured and pricing is fixed or determinable. The Company's general shipping terms are F.O.B. shipping point, and 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 material to the condensed 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 are 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.

The following is a reconciliation of basic earnings per common share to diluted earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except per share amounts)	2014	2013	2014	2013
Net income available to common stockholders	$20,451	$18,502	$32,538	$23,297
Basic weighted-average shares outstanding	49,011	48,529	48,955	48,532
Dilutive effect of potential common stock equivalents — stock options and restricted stock units	216	99	191	95
Diluted weighted-average shares outstanding	49,227	48,628	49,146	48,627
Earnings per common share:				
Basic	$0.42	$0.38	$0.66	$0.48
Diluted	$0.42	$0.38	$0.66	$0.48
Potentially dilutive securities excluded from earnings per diluted share because their effect is anti-dilutive	—	—	—	—

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 the Company's directors who are not employees. Options previously granted under the 1994 Plan or the 1995 Plan were not affected by the adoption of the 2011 Plan and 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, 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 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 has not awarded, and 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 issued) 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.

The following table represents the Company's stock option and restricted stock unit activity for the three and six months ended June 30, 2014 and 2013:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2014	2013	2014	2013
Stock-based compensation expense recognized in operating expenses	$3,264	$2,807	$5,740	$5,686
Tax benefit of stock-based compensation expense in provision for income taxes	1,163	896	2,073	1,944
Stock-based compensation expense, net of tax	$2,101	$1,911	$3,667	$3,742
Fair value of shares vested	$3,312	$2,836	$5,691	$5,649
Proceeds to the Company from the exercise of stock-based compensation	$857	$280	$2,626	$776
Tax effect from the exercise of stock-based compensation, including shortfall tax benefits	$(51)	$(7)	$(186)	$(1,850)

	At June 30,	
(in thousands)	2014	2013
Stock-based compensation cost capitalized in inventory	$508	$384

The amounts included in cost of sales, research and development and other engineering, selling, or general and administrative expense depend on the job functions performed by the employees to whom the stock options and restricted stock units were awarded.

The assumptions used to calculate the fair value of stock options granted or restricted stock units awarded are evaluated and revised, as necessary, to reflect market conditions and the Company's experience.

Fair Value of Financial Instruments

The “Fair Value Measurements and Disclosures” topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification™ (“ASC”) establishes a valuation hierarchy for disclosure of the inputs used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument; and Level 3 inputs are unobservable inputs based on the Company’s assumptions used to measure assets and liabilities at fair value. A financial asset’s or liability’s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The Company’s investments consisted of only United States Treasury securities and money market funds, which are the Company’s primary financial instruments, maintained in cash equivalents and carried at cost, approximating fair value, based on Level 1 inputs. The balances of the Company’s primary financial instruments were as follows:

	At June 30,		At December 31
(in thousands)	2014	2013	2013
Financial instruments	$96,996	$60,725	$117,571

The carrying amounts of trade accounts receivable, accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments. The fair value of the Company’s contingent consideration related to acquisitions is classified as Level 3 within the fair value hierarchy and is based on the Company's unobserved inputs and assumptions. The fair value was unchanged during the six months ended June 30, 2014.

Income Taxes

The Company uses an estimated annual effective tax rate to measure the tax benefit or tax expense recognized in each interim period. The effective tax rate was lower in the second quarter of 2014 than in the second quarter of 2013, primarily due to reduced second quarter 2014 operating losses in the Europe and Asia/Pacific segments, for which no tax benefit was recorded.

The following table presents the Company’s effective tax rates and income tax expense for the three and six months ended June 30, 2014 and 2013:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except percentages)	2014	2013	2014	2013
Effective tax rate	36.3 %	37.7 %	37.2 %	39.8 %
Provision for income taxes	$11,667	$11,177	$19,271	$15,434

Acquisitions

In February 2013, the Company purchased certain assets relating to the TJ® ShearBrace (“ShearBrace”) product line of Weyerhaeuser NR Company (“Weyerhaeuser”) for $5.3 million in cash. The ShearBrace is a line of pre-fabricated shearwalls that complements the Company’s Strong-Wall shearwall, and is sold throughout North America. The Company’s measurement of assets acquired included goodwill of $0.9 million that has been assigned to the North America segment, and intangible assets of $3.6 million, both of which are subject to tax-deductible amortization. Net tangible assets consisting of inventory and equipment accounted for the balance of the purchase price. The weighted-average amortization period for the intangible assets is 11.3 years.

In November 2013, the Company purchased certain assets related to a connector product line from Bierbach GmbH & Co. KG (“Bierbach”), a Germany corporation, for $1.2 million in cash and a contingent liability of $0.8 million. Bierbach manufactured and sold a line of connectors, primarily in Germany. The Company’s provisional measurement of assets acquired included goodwill of $0.7 million, which was assigned to the Europe segment, and intangible assets of $0.6 million, both of which are subject to tax-deductible amortization. Net tangible assets consisting of inventory and tooling accounted for the balance of the purchase price.

In the first quarter of 2014, the Company paid $1.1 million in deferred consideration and $0.2 million in contingent consideration related to the acquisition of S&P Clever Reinforcement Company AG and S&P Clever International AG (collectively, “S&P Clever”). The remaining deferred and contingent consideration of $1.5 million will be payable in the first quarter of 2015.

Under the business combinations topic of the FASB ASC, the Company accounted for these acquisitions as business combinations and ascribed acquisition-date fair values to the acquired assets. Provisional fair value measurements were made in the first and fourth quarters of 2013 for the acquired assets of ShearBrace and Bierbach, respectively. Adjustments to those measurements may be made in subsequent periods, up to one year from the acquisition date, as information necessary to complete the analysis is obtained. Fair value of intangible assets was based on Level 3 inputs. The Company has completed the measurement process for ShearBrace assets and expects the measurement process for the Bierbach acquisition to be finalized within a year of its acquisition date.

Pro-forma financial information is not presented as it would not materially differ from the information presented in the Condensed Consolidated Statements of Operations.

Recently Issued Accounting Standards

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification Update No. 2014-08 (Topic 205 and Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity ("ASC Update No. 2014-08"). ASC update No. 2014-08 modifies the definition of discontinued operations by limiting discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity’s operations and financial results. ASC Update No. 2014-08 also requires additional financial statement disclosures about discontinued operations, as well as disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation. ASC Update No. 2014-08 is effective prospectively for years beginning on or after December 15, 2014. The Company expects that the adoption of ASC Update 2014-08 will not materially affect its financial position or results of operations.

In May 2014, the FASB issued ASC Update No. 2014-09, Revenue from Contracts with Customers ("ASC Update No. 2014-09"). ASC Update No. 2014-09 supersedes nearly all existing revenue recognition guidance under GAAP. The core principle of ASC Update No. 2014-09 is that revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASC Update No. 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing GAAP. The standard is effective for annual and interim periods beginning after December 15, 2016, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASC Update No. 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The Company is currently evaluating the effects of adopting ASC Update No. 2014-09 on its consolidated financial statements and has not yet determined the method by which it will adopt the standard in 2017.