

SIMPSON MANUFACTURING CO INC /CA/

Form 10-Q/A

November 17, 2004

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q/A

AMENDMENT NO. 1

(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, 2004**

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: **0-23804**

Simpson Manufacturing Co., Inc.

(Exact name of registrant as specified in its charter)

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

Delaware

(State or other jurisdiction of incorporation
or organization)

94-3196943

(I.R.S. Employer
Identification No.)

4120 Dublin Boulevard, Suite 400, Dublin, CA 94568

(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 is an accelerated filer (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, 2004: **23,823,951**

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Simpson Manufacturing Co., Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

	2004	June 30, (Unaudited)	2003	December 31, 2003
ASSETS				
Current assets				
Cash and cash equivalents	\$ 34,437,611		\$ 89,942,479	\$ 95,135,885
Short-term investments	44,609,598		19,965,820	44,737,867
Trade accounts receivable, net	122,318,563		94,699,861	66,073,296
Inventories	130,852,748		97,004,974	106,202,713
Deferred income taxes	8,327,841		7,762,013	7,821,198
Other current assets	4,191,605		3,594,511	4,293,705
Total current assets	344,737,966		312,969,658	324,264,664
Property, plant and equipment, net	115,767,127		104,461,724	107,226,319
Goodwill	23,320,674		21,787,934	23,655,860
Other noncurrent assets	7,369,447		7,142,537	6,545,547
Total assets	\$ 491,195,214		\$ 446,361,853	\$ 461,692,390
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Line of credit and current portion of long-term debt	\$ 813,001		\$ 1,977,686	\$ 1,113,657
Trade accounts payable	33,593,372		19,325,007	22,567,291
Accrued liabilities	21,985,781		14,994,313	15,181,487
Income taxes payable	1,184,413		4,302,466	
Accrued profit sharing trust contributions	3,483,106		3,006,125	6,021,136
Accrued cash profit sharing and commissions	13,209,050		10,782,301	7,459,428
Accrued workers' compensation	2,473,764		1,990,764	2,423,764
Total current liabilities	76,742,487		56,378,662	54,766,763
Long-term debt, net of current portion	2,482,698		5,313,247	5,177,936
Other long-term liabilities	1,164,452		838,418	1,443,440
Total liabilities	80,389,637		62,530,327	61,388,139
Commitments and contingencies (Notes 6 and 7)				
Stockholders' equity				
Common stock, at par value	249,767		247,724	248,896
Additional paid-in capital	68,958,034		59,669,773	63,583,654
Retained earnings	392,852,363		326,060,321	357,916,036
Accumulated other comprehensive income	6,293,911		3,755,706	7,982,663
Treasury stock	(57,548,498)		(5,901,998)	(29,426,998)

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

Total stockholders' equity	410,805,577	383,831,526	400,304,251
Total liabilities and stockholders' equity	\$ 491,195,214	\$ 446,361,853	\$ 461,692,390

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

Simpson Manufacturing Co., Inc. and Subsidiaries

Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net sales	\$ 181,835,310	\$ 146,460,792	\$ 341,751,045	\$ 262,916,972
Cost of sales	107,384,638	85,569,521	202,721,737	156,415,122
Gross profit	74,450,672	60,891,271	139,029,308	106,501,850
Operating expenses:				
Selling	15,338,162	12,383,934	28,383,690	23,910,643
General and administrative	23,490,160	19,601,051	45,715,980	35,199,776
	38,828,322	31,984,985	74,099,670	59,110,419
Income from operations	35,622,350	28,906,286	64,929,638	47,391,431
Interest income (expense), net	(164,484)	106,808	108,363	236,757
Income before income taxes	35,457,866	29,013,094	65,038,001	47,628,188
Provision for income taxes	13,643,369	11,331,486	25,274,034	18,921,679
Net income	\$ 21,814,497	\$ 17,681,608	\$ 39,763,967	\$ 28,706,509
Net income per common share				
Basic	\$ 0.91	\$ 0.72	\$ 1.65	\$ 1.17
Diluted	\$ 0.89	\$ 0.71	\$ 1.62	\$ 1.15
Cash dividends declared per common share	\$ 0.10	\$	\$ 0.20	\$
Number of shares outstanding				
Basic	24,012,686	24,604,164	24,142,474	24,592,820
Diluted	24,434,951	24,957,412	24,552,762	24,936,338

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, 2003 and 2004 and December 31, 2003

(Unaudited)

	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance, January 1, 2003	24,565,254	\$ 246,996	\$ 57,176,636	\$ 297,353,812	\$ 308,300	\$ (5,901,998)	\$ 349,183,746
Comprehensive income:							
Net income				28,706,509			28,706,509
Other comprehensive income:							
Change in net unrealized gains on available-for-sale investments					(5,494)		(5,494)
Translation adjustment					3,452,900		3,452,900
Comprehensive income	32,153,915						
Options exercised	64,033	640	976,609				977,249
Stock compensation expense			770,325				770,325
Tax benefit of options exercised			456,771				456,771
Common stock issued at \$32.90 per share	8,800	88	289,432				289,520
Balance, June 30, 2003	24,638,087	247,724	59,669,773	326,060,321	3,755,706	(5,901,998)	383,831,526
Comprehensive income:							
Net income				31,855,715			31,855,715
Other comprehensive income:							
Change in net unrealized gains on available-for-sale investments					(24,638)		(24,638)
Translation adjustment					4,251,595		4,251,595
Comprehensive income	36,082,672						
Options exercised	117,207	1,172	1,785,420				1,786,592
Stock compensation expense			766,489				766,489
Tax benefit of options exercised			1,361,972				1,361,972
Repurchase of common stock	(500,000)					(23,525,000)	(23,525,000)
Balance, December 31, 2003	24,255,294	248,896	63,583,654	357,916,036	7,982,663	(29,426,998)	400,304,251
Comprehensive income:							
Net income				39,763,967			39,763,967
Other comprehensive income:							
Change in net unrealized gains on					(70,885)		(70,885)

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

available-for-sale investments										
Translation adjustment						(1,617,867)				(1,617,867)
Comprehensive income	38,075,215									
Options exercised	78,484		785		1,514,419					1,515,204
Stock compensation expense					2,378,908					2,378,908
Tax benefit of options exercised					1,043,743					1,043,743
Repurchase of common stock	(518,427)							(28,121,500)		(28,121,500)
Cash dividends declared						(4,827,640)				(4,827,640)
Common stock issued at \$50.86 per share	8,600		86		437,310					437,396
Balance, June 30, 2004	23,823,951	\$	249,767	\$	68,958,034	\$	392,852,363	\$	6,293,911	\$ (57,548,498) \$ 410,805,577

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

(Unaudited)

	Six Months Ended June 30,	
	2004	2003
Cash flows from operating activities		
Net income	\$ 39,763,967	\$ 28,706,509
Adjustments to reconcile net income to net cash used in operating activities:		
Gain on sale of capital equipment	(161,506)	(46,043)
Depreciation and amortization	9,680,271	8,103,361
Realized loss on sale of available-for-sale investments		(2,129)
Deferred income taxes and other long-term liabilities	(751,196)	(1,253,864)
Noncash compensation related to stock plans	2,794,795	1,092,023
Provision for doubtful accounts	(92,075)	900,813
Changes in operating assets and liabilities, net of effects of acquisitions:		
Trade accounts receivable, net	(56,359,499)	(38,715,060)
Inventories	(25,100,182)	(1,922,429)
Trade accounts payable	10,677,338	4,121,488
Income taxes payable	3,820,786	6,435,623
Accrued profit sharing trust contributions	(2,521,247)	(2,167,787)
Accrued cash profit sharing and commissions	5,754,381	4,604,020
Other current assets	(2,029,700)	(1,222,222)
Accrued liabilities	4,090,140	1,100,611
Accrued workers compensation	50,000	305,000
Other noncurrent assets	251,033	(558,763)
Total adjustments	(49,896,661)	(19,225,358)
Net cash (used in) provided by operating activities	(10,132,694)	9,481,151
Cash flows from investing activities		
Capital expenditures	(18,687,311)	(12,757,030)
Asset acquisitions, net of cash acquired	(575,020)	(8,863,170)
Proceeds from sale of capital equipment	164,021	65,027
Purchases of available-for-sale investments	(40,237,616)	(12,235,573)
Maturities of available-for-sale investments	4,500,000	2,700,000
Sales of available-for-sale investments	35,795,000	7,250,000
Net cash used in investing activities	(19,040,926)	(23,840,746)
Cash flows from financing activities		
Line of credit borrowings	1,879,710	1,363,129
Repayment of debt and line of credit borrowings	(4,735,894)	(1,325,650)
Repurchase of common stock	(28,121,500)	
Issuance of common stock	1,952,600	1,266,769
Dividends paid	(2,427,640)	
Net cash (used in) provided by financing activities	(31,452,724)	1,304,248
Effect of exchange rate changes on cash	(71,930)	(320,230)
Net decrease in cash and cash equivalents	(60,698,274)	(13,375,577)
Cash and cash equivalents at beginning of period	95,135,885	103,318,056

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

Cash and cash equivalents at end of period	\$	34,437,611	\$	89,942,479
--	----	------------	----	------------

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**

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 have been condensed or omitted. These interim statements should be read in conjunction with the consolidated financial statements and the notes thereto included in Simpson Manufacturing Co., Inc.'s (the "Company") 2003 Annual Report on Form 10-K (the "2003 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 present fairly the financial information set forth therein, in accordance with accounting principles generally accepted in the United States of America. The year-end condensed consolidated balance sheet data were derived from audited financial statements, but do not include all disclosures required by accounting principles generally accepted in the United States of America. The Company's quarterly results may be subject to fluctuations. 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 allowances, 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 and determinable. In instances where title does not pass to the customer upon shipment, the Company recognizes revenue upon delivery or customer acceptance, depending on terms of the sales agreement. Service sales, representing aftermarket repair and maintenance and engineering activities, are recognized as the services are complete.

Treasury Stock

The Company records treasury stock purchases under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. Upon retirement, the resulting gains or losses are credited or charged to retained earnings.

Net Income Per Common Share

Basic net income per common share is computed based upon 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/A

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

	Three Months Ended June 30, 2004			Three Months Ended June 30, 2003		
	Income	Shares	Per Share	Income	Per Shares	Share
Basic EPS						
Income available to common stockholders	\$ 21,814,497	24,012,686	\$ 0.91	\$ 17,681,608	24,604,164	\$ 0.72
Effect of Dilutive Securities						
Stock options		422,265	(0.02)		353,248	(0.01)
Diluted EPS						
Income available to common stockholders	\$ 21,814,497	24,434,951	\$ 0.89	\$ 17,681,608	24,957,412	\$ 0.71
	Six Months Ended June 30, 2004			Six Months Ended June 30, 2003		
	Income	Shares	Per Share	Income	Per Shares	Share
Basic EPS						
Income available to common stockholders	\$ 39,763,967	24,142,474	\$ 1.65	\$ 28,706,509	24,592,820	\$ 1.17
Effect of Dilutive Securities						
Stock options		410,288	(0.03)		343,518	(0.02)
Diluted EPS						