SIMPSON MANUFACTURING CO INC /CA/
Form 10-Q
November 05, 2015

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: September 30, 2015

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 September 30, 2015:   48,277,229

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	September 30, 2015	September 30, 2014	December 31, 2014
ASSETS			
Current assets			
Cash and cash equivalents	$242,795	$258,238	$ 260,307
Trade accounts receivable, net	132,727	127,495	92,015
Inventories	200,282	198,420	216,545
Deferred income taxes	14,782	13,141	14,662
Other current assets	10,302	12,985	20,789
Total current assets	600,888	610,279	604,318
Property, plant and equipment, net	202,885	206,134	207,027
Goodwill	123,277	125,228	123,881
Intangible assets, net	28,570	34,782	32,587
Other noncurrent assets	4,426	5,420	5,252
Total assets	$960,046	$981,843	$ 973,065
LIABILITIES AND STOCKHOLDERS’ EQUITY			
Current liabilities			
Line of credit and notes payable	$—	$38	$ 18
Trade accounts payable	24,934	24,729	22,860
Accrued liabilities	52,881	56,913	56,078
Income taxes payable	2,000	—	—
Accrued profit sharing trust contributions	4,383	4,663	5,384
Accrued cash profit sharing and commissions	12,566	13,721	6,039
Accrued workers’ compensation	4,486	4,432	4,101
Total current liabilities	101,250	104,496	94,480
Deferred income tax and other long-term liabilities	14,415	13,224	15,120
Total liabilities	115,665	117,720	109,600
Commitments and contingencies (Note 7)			
Stockholders’ equity			
Common stock, at par value	493	490	489
Additional paid-in capital	225,788	217,011	220,982
Retained earnings	679,673	648,608	649,174
Treasury stock	(39,529)	(2,981)	—
Accumulated other comprehensive income (loss)	(22,044)	995	(7,180)
Total stockholders’ equity	844,381	864,123	863,465
Total liabilities and stockholders’ equity	$960,046	$981,843	$ 973,065

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net sales	$216,139	$209,320	$609,295	$585,518
Cost of sales	115,798	113,767	333,138	316,285
Gross profit	100,341	95,553	276,157	269,233
Operating expenses:				
Research and development and other engineering	13,935	9,711	34,648	29,505
Selling	22,535	23,592	68,156	69,623
General and administrative	28,648	29,557	86,875	85,993
Impairment of goodwill	—	492	—	492
Gain on sale of assets	(26)	(17)	(57)	(336)
	65,092	63,335	189,622	185,277
Income from operations	35,249	32,218	86,535	83,956
Interest (expense) income, net	(175)	(27)	(264)	44
Income before taxes	35,074	32,191	86,271	84,000
Provision for income taxes	13,479	11,577	33,115	30,849
Net income	$21,595	$20,614	$53,156	$53,151
Earnings per common share:				
Basic	$0.44	$0.42	$1.08	$1.09
Diluted	$0.44	$0.42	$1.08	$1.08
Number of shares outstanding				
Basic	48,998	49,010	49,157	48,972
Diluted	49,239	49,227	49,377	49,172
Cash dividends declared per common share	$0.160	$0.140	$0.460	$0.405

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	$21,595	$20,614	$53,156	$53,151
Other comprehensive loss:				
Translation adjustment, net of tax expense of ($36) and ($63), and ($33) and ($19), respectively	(6,162)	(15,897)	(14,864)	(17,091)
Comprehensive income	$15,433	$4,717	$38,292	$36,060

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Simpson Manufacturing Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
For the nine months ended September 30, 2014 and 2015, and for the three months ended December 31, 2014
(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, 2014	48,712	$486	$207,418	$615,289	$ 18,086	$—	$841,279
Net income	—	—	—	53,151	—	—	53,151
Translation adjustment, net of tax	—	—	—	—	(17,091)	—	(17,091)
Stock options exercised	144	2	4,176	—	—	—	4,178
Stock-based compensation	—	—	8,789	—	—	—	8,789
Tax effect of options exercised	—	—	(275)	—	—	—	(275)
Shares issued from release of Restricted Stock Units	176	2	(3,499)	—	—	—	(3,497)
Repurchase of common stock	(95)	—	—	—	—	(2,981)	(2,981)
Cash dividends declared on common stock, $0.405 per share	—	—	—	(19,832)	—	—	(19,832)
Common stock issued at $35.87 per share for stock bonus	11	—	402	—	—	—	402
Balance, at September 30, 2014	48,948	490	217,011	648,608	995	(2,981)	864,123
Net income	—	—	—	10,380	—		10,380
Translation adjustment, net of tax	—	—	—		(7,805)	—	(7,805)
Pension adjustment, net of tax	—	—	—	—	(370)	—	(370)
Stock options exercised	17	—	404	—	—	—	404
Stock-based compensation	—	—	3,565	—	—	—	3,565
Tax effect of options exercised	—	—	7	—	—	—	7
Shares issued from release of Restricted Stock Units	1	—	(5)	—	—	—	(5)
Retirement of common stock	—	(1)	—	(2,980)	—	2,981	—
Cash dividends declared on common stock, $0.14 per share	—	—	—	(6,834)	—	—	(6,834)
Balance, December 31, 2014	48,966	489	220,982	649,174	(7,180)	—	863,465
Net income	—	—	—	53,156	—	—	53,156
Translation adjustment, net of tax	—	—	—	—	(14,864)	—	(14,864)
Stock options exercised	239	2	7,017	—	—	—	7,019
Stock-based compensation	—	—	8,744	—	—	—	8,744
Tax effect of options exercised	—	—	(244)	—	—	—	(244)
Shares issued from release of Restricted Stock Units	205	2	(3,648)	—	—	—	(3,646)
Repurchase of common stock	(1,149)	—	(7,615)	—	—	(39,529)	(47,144)
Cash dividends declared on common stock, $0.46 per share	—	—	—	(22,657)	—	—	(22,657)
	16	—	552	—	—	—	552

Common stock issued at $34.32 per share for stock bonus							
Balance, September 30, 2015	48,277	$493	$225,788	$679,673	$ (22,044)	$(39,529)	$844,381

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)

	Nine Months Ended September 30, 2015	2014
Cash flows from operating activities		
Net income	$53,156	$53,151
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of assets	(57)	(336)
Depreciation and amortization	21,664	22,105
Write-off of software development project	3,140	—
Impairment loss on assets	—	492
Gain on contingent consideration adjustment	(245)	(386)
Deferred income taxes	1,701	1,324
Noncash compensation related to stock plans	9,528	9,508
Excess tax benefit of options exercised and restricted stock units vested	(67)	(66)
Provision for doubtful accounts	153	25
Changes in operating assets and liabilities, net of acquisitions:		
Trade accounts receivable	(42,851)	(39,357)
Inventories	13,567	(3,235)
Trade accounts payable	3,026	(9,121)
Income taxes payable	8,151	5,652
Accrued profit sharing trust contributions	(997)	(1,103)
Accrued cash profit sharing and commissions	6,577	7,743
Other current assets	4,293	(2,307)
Accrued liabilities	(6,716)	3,102
Long-term liabilities	(3,093)	2,728
Accrued workers’ compensation	385	(159)
Other noncurrent assets	954	(603)
Net cash provided by operating activities	72,269	49,157
Cash flows from investing activities		
Capital expenditures	(19,163)	(17,517)
Asset acquisitions, net of cash acquired	(779)	—
Proceeds from sale of property and equipment	136	612
Loan made to customer	—	(281)
Loan repayment by customer	244	22
Net cash used in investing activities	(19,562)	(17,164)
Cash flows from financing activities		
Deferred and contingent consideration paid for asset acquisition	(1,177)	(1,293)
Repurchase of common stock	(47,144)	(2,981)
Repayment of debt and line of credit borrowings	(18)	(60)
Issuance of common stock	7,019	4,178
Excess tax benefit of options exercised and restricted stock units vested	67	66
Dividends paid	(21,628)	(19,065)
Net cash used in financing activities	(62,881)	(19,155)
Effect of exchange rate changes on cash and cash equivalents	(7,338)	(5,808)
Net increase (decrease) in cash and cash equivalents	(17,512)	7,030
Cash and cash equivalents at beginning of period	260,307	251,208
Cash and cash equivalents at end of period	$242,795	$258,238

Noncash activity during the period		
Noncash capital expenditures	$—	$501
Dividends declared but not paid	7,872	6,862
Issuance of Company’s common stock for compensation	552	402

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”). There were no investments in affiliates that would be considered variable interest entities. 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, 2014.

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

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 $1.3 million, 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 first quarter of 2014 or any prior period's financial statements. While the adjustment was not material to the first quarter of 2014 or any period’s financial statements prior to the first quarter of 2014, such adjustment does affect certain line items for the nine-month period ended September 30, 2014.

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 and software license sales and services, 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 September 30,		Nine Months Ended September 30,	
(in thousands, except per share amounts)	2015	2014	2015	2014
Net income available to common stockholders	$21,595	$20,614	$53,156	$53,151
Basic weighted-average shares outstanding	48,998	49,010	49,157	48,972
Dilutive effect of potential common stock equivalents — stock options and restricted stock units	241	217	220	200
Diluted weighted-average shares outstanding	49,239	49,227	49,377	49,172
Earnings per common share:				
Basic	$0.44	$0.42	$1.08	$1.09
Diluted	$0.44	$0.42	$1.08	$1.08
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 “Original 2011 Plan”). With the approval of the Company's stockholders on April 21, 2015, the Company adopted, the amended and restated Simpson Manufacturing Co., Inc. 2011 Incentive Plan (the "2011 Plan"), which amended and restated in its entirety, and incorporated and superseded, the Original 2011 Plan. The Original 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 Original 2011 Plan or 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, 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 nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2015	2014	2015	2014
Stock-based compensation expense recognized in operating expenses	$2,794	$3,041	$8,869	$8,781
Less: Tax benefit of stock-based compensation expense in provision for income taxes	1,005	1,075	3,144	3,142
Stock-based compensation expense, net of tax	$1,789	$1,966	$5,725	$5,639
Fair value of shares vested	$2,749	$3,098	$8,744	$8,789
Proceeds to the Company from the exercise of stock-based compensation	$1,443	$1,551	$7,019	$4,178
Tax effect from the exercise of stock-based compensation, including shortfall tax benefits	$(58)	$(89)	$(244)	$(275)

	At September 30,	
(in thousands)	2015	2014
Stock-based compensation cost capitalized in inventory	$464	$525

The amounts related to the restricted stock units and stock options 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 September 30,		At December 31,
(in thousands)	2015	2014	2014
Financial instruments	$76,488	$98,568	$99,024

The carrying amounts of trade accounts receivable, accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments.

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 higher in the third quarter and first nine months of 2015 than in the third quarter and first nine months of 2014, primarily due to $2.6 million in year-to-date operating losses, mostly occurring in the Asia/Pacific segment, 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 nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except percentages)	2015	2014	2015	2014
Effective tax rate	38.4 %	36.0 %	38.4 %	36.7 %
Provision for income taxes	$13,479	$11,577	$33,115	$30,849

Acquisitions

In the first quarter of 2015, the Company paid $0.7 million in deferred consideration and $0.3 million in contingent consideration related to the Company's 2012 acquisition of S&P Clever Reinforcement Company AG and S&P Clever International AG and paid $0.2 million in contingent consideration related to the Company's 2013 acquisition of Bierbach GmbH & Co. KG.

Under the business combinations topic of the FASB ASC, the Company accounts for acquisitions as business combinations and ascribes acquisition-date fair values to the acquired assets and assumed liabilities. Provisional fair value measurements are made at the time of the acquisitions. 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 are based on Level 3 inputs.

Sales Office Closing

During the first quarter of 2015, the Company committed to a plan to close its sales offices located in China, Thailand and Dubai, as well as to reduce its selling activities in Hong Kong, due to continued losses in the regions. The closures are expected to be substantially completed by December 2015. As of September 30, 2015, the Company had recorded employee severance obligation expenses of $1.9 million and made corresponding payments totaling $1.5 million. Most of the severance obligation expense was charged to operating expenses, with less than $0.7 million recorded to cost of sales. The following table provides a rollforward of the liability balance for these costs, as well as other non-employee costs associated with the sales office closing, incurred as of September 30, 2015:

In thousands	Employee Severance Obligation	Other Associated Costs	Total
Balance at June 30, 2015	$235	$476	$711
Charges	536	—	536
Cash payments	(418)	(92)	(510)
Balance at September 30, 2015	$353	$384	$737

Until the office closings are finalized, estimated additional severance expense, retention bonuses and professional fees of $0.6 million will be recorded as commitment requirements are met or services are performed. The estimated costs disclosed are based on a number of assumptions, and actual results could differ materially.

All of the office locations that are being closed are leased, with remaining future minimum lease obligations of $0.7 million, and will continue to be occupied while the Company considers options for early termination of the leases. If the Company terminates a lease early with no sub-lease or concessions received from the landlord and the location is no longer in use, the remaining obligation will be determined and expensed at that time. As of September 30, 2015, the remaining long-lived assets which were close to full amortization, consisted mostly of office equipment and vehicles and will either be sold or depreciated on an accelerated basis to their salvage value. For the nine months ended September 30, 2015, total accelerated depreciation expense of $0.2 million was recorded in operating expenses.

Settlement of Pension Withdrawal Liability

In September of 2015, the defined-benefit pension plan trustees and the Company agreed to settle the $3.0 million long-term pension withdrawal liability for $2.0 million. As a result of the settlement, the Company reduced the long-term pension withdrawal liability by $1.0 million with a corresponding defined benefit expense reduction in cost of sales. The $2.0 million long-term pension withdrawal liability was fully paid as of September 30, 2015.

Stock Repurchase Program

The Company announced a stock repurchase program for 2015 authorizing it to repurchase up to $50.0 million of the Company's common stock. The stock repurchase program expires on December 31, 2015.

In September 2015, the Company entered into a Master Confirmation and a Supplemental Confirmation for an accelerated share repurchase program (the "ASR Agreement") with Wells Fargo Bank, National Association ("Wells Fargo"). Pursuant to the terms of the ASR Agreement, Wells Fargo made an initial delivery of 498,700 shares of the Company's common stock in September 2015, which represented approximately 70% of the total shares expected to be delivered under the ASR Agreement. The Company recorded the $25.0 million payment as a reduction to stockholders' equity, consisting of a $17.4 million increase in treasury stock and a $7.6 million reduction in additional paid-in capital. At the completion of the program, the Company may be entitled to receive additional shares of its common stock from Wells Fargo, or, under certain circumstances, may be required to make a cash payment or, at the Company's option, deliver shares to Wells Fargo. Final settlement of the ASR Agreement is expected to be completed by the end of the fourth quarter of 2015, although the settlement may be accelerated, at Wells Fargo's option, to an earlier date after a specified minimum period.

For the nine months ended September 30, 2015. the Company purchased a total of 1,148,410 shares of its common stock, which includes the initial delivery of 498,700 shares pursuant to the ASR agreement. The total spent on the 1,148,410 shares during the nine months ended September 30, 2015 was approximately $39.5 million, at an average price of $34.42.

Recently Issued Accounting Standards

There have been no developments to recently issued accounting standards, including the expected dates of adoption and estimated effects on the Company's consolidated financial statements, from those disclosed in the Company's 2014 Annual Report on Form 10-K, except for the following:

In July 2015, the FASB issued Accounting Standards Update No. 2015-11, (Topic 330), Simplifying the Measurement of Inventory ("ASU 2015-11"). The objective is to reduce the complexity related to inventory subsequent measurement and disclosure requirements. ASU 2015-11 amendments do not apply to inventory that is measured using last-in, first-out or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out or average cost. Inventory within the scope of the new guidance should be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The amendments more closely align with the measurement of inventory in International Financial Reporting Standards. ASU 2015-11 will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The amendments in ASU 2015-11 should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is currently assessing the effect (if any) that adopting this new accounting guidance will have on its consolidated financial statements and footnote disclosure.

In April 2015, the FASB issued Accounting Standards Update No. 2015-05 (Subtopic 340-40), Customer's Accounting for Fees Paid in a Cloud Computing Arrangement ("ASU 2015-05"). The guidance in this Subtopic applies only to internal-use software that a customer obtains access to in a hosting arrangement. The amendments provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. With an election to adopt prospectively or retrospectively, this ASU will be effective for annual periods beginning after

December 15, 2015. The Company does not believe ASU 2015-11 will have a material effect on its consolidated financial statements and footnote disclosures.

Other recent authoritative guidance issued by the FASB (including technical corrections to the ASC), the American Institute of Certified Public Accountants and the Securities and Exchange Commission did not or is not expected to have a material effect on the Company's consolidated financial statements.

2. Trade Accounts Receivable, Net

Trade accounts receivable consisted of the following:

	At September 30,		At December 31,
(in thousands)	2015	2014	2014
Trade accounts receivable	$136,748	$131,323	$95,033
Allowance for doubtful accounts	(919)	(836)	(929)
Allowance for sales discounts and returns	(3,102)	(2,992)	(2,089)
	$132,727	$127,495	$92,015

3. Inventories

Inventories consisted of the following:

	At September 30,		At December 31,
(in thousands)	2015	2014	2014
Raw materials	$82,194	$77,845	$97,732
In-process products	19,485	19,646	19,496
Finished products	98,603	100,929	99,317
	$200,282	$198,420	$216,545

4. Property, Plant and Equipment, Net

Property, plant and equipment, net, consisted of the following:

	At September 30,		At December 31,
(in thousands)	2015	2014	2014
Land	$28,899	$29,624	$29,390
Buildings and site improvements	172,300	174,343	175,058
Leasehold improvements	5,593	5,404	5,602
Machinery, equipment, and software	231,467	230,534	228,440
	438,259	439,905	438,490
Less accumulated depreciation and amortization	(255,431)	(246,287)	(245,383)
	182,828	193,618	193,107
Capital projects in progress	20,057	12,516	13,920
	$202,885	$206,134	$207,027

5. Goodwill and Intangible Assets, Net

Goodwill was as follows:

	At September 30,		At December 31,
(in thousands)	2015	2014	2014
North America	$84,074	$84,647	$84,526
Europe	37,863	38,918	37,788
Asia/Pacific	1,340	1,663	1,567
Total	$123,277	$125,228	$123,881

Amortizable and indefinite-lived intangible assets, net, were as follows:

	At September 30, 2015		
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
North America	$29,402	$(17,143)	$12,259
Europe	30,070	(13,759)	16,311
Total	$59,472	$(30,902)	$28,570

	At September 30, 2014		
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
North America	$34,490	$(18,941)	$15,549
Europe	31,766	(12,533)	19,233
Total	$66,256	$(31,474)	$34,782

	At December 31, 2014		
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
North America	$29,455	$(14,719)	$14,736
Europe	29,419	(11,568)	17,851
Total	$58,874	$(26,287)	$32,587

Intangible assets consist of definite-lived and indefinite-lived assets. Definite-lived intangible assets include customer relationships, patents, unpatented technology and non-compete agreements. Amortization expense for definite-lived intangible assets during the three months ended September 30, 2015 and 2014, totaled $1.5 million and $1.8 million, respectively, and during the nine months ended September 30, 2015 and 2014, totaled $4.6 million and $5.5 million, respectively.

Indefinite-lived intangible assets include an in-process research and development asset and a trade name totaling $2.2 million, $2.2 million and $2.1 million at September 30, 2015, September 30, 2014 and December 31, 2014, respectively.

At September 30, 2015, estimated future amortization of definite-lived intangible assets was as follows:

(in thousands)	
Remaining three months of 2015	$1,503