SIMPSON MANUFACTURING CO INC /CA/
Form 10-Q
May 04, 2016
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: March 31, 2016

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 March 31, 2016:   48,318,660

NOTE ABOUT FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, based on numerous assumptions and subject to risks and uncertainties (some of which are beyond our control), such as statements below regarding future plans, sales, sales trends, revenues, profits, costs, expenses, results of operations, tax liabilities, losses, capital spending, prices or inflation (including raw material (such as steel) prices), profit margins, effective tax rates, depreciation or amortization expenses, amortization periods, dividends or stock-based compensation, values of dividends or stock-based compensation, repatriation of funds, effects of changes in accounting standards, effects of acquisitions, and effects of changes in foreign exchange rates or interest rates. Forward-looking statements generally can be identified by words such as “anticipate,” “believe,” “estimate,” “expect,” “intend, “plan,” “predict,” “project,” “will be,” “will continue,” “will likely result,” and similar expressions. Forward-looking statement necessarily speculative in nature, and it can be expected that some or all of the assumptions of the forward-looking statements we furnish will not materialize or will vary significantly from actual results. Although we believe that the forward-looking statements are reasonable, we do not and cannot give any assurance that our beliefs and expectations will prove to be correct, and our actual results might differ materially from results suggested by any forward-looking statement in this document. Many factors could significantly affect our operations and cause our actual results to differ substantially from those reflected in the forward-looking statements. Those factors include, but are not limited to: (i) general business cycles and construction business conditions; (ii) customer acceptance of the Company's products; (iii) product liability claims, contractual liability, engineering and design liability and similar liabilities or claims, (iv) relationships with key customers; (v) materials and manufacturing costs; (vi) the financial condition of customers, competitors and suppliers; (vii) technological developments including software development; (viii) increased competition; (ix) changes in industry practices or regulations; (x) litigation risks, (xi) changes in capital and credit market conditions; (xii) governmental and business conditions in countries where the Company's products are manufactured and sold; (xiii) changes in trade regulations; (xiv) the effect of acquisition activity; (xv) changes in the Company's plans, strategies, objectives, expectations or intentions; and (xvi) other risks and uncertainties indicated from time to time in the Company's filings with the U.S. Securities and Exchange Commission including most recently the Company's Annual Report on Form 10-K under the heading "Item 1A - Risk Factors." See “Part II, Item 1A - Risk Factors.” We undertake no obligation to update or publicly release the results of any revision to these forward-looking statements, whether as a result of the receipt of new information, the occurrence of future events or otherwise, except as required by law. In light of the foregoing, investors are urged not to rely on our forward-looking statements in making an investment decision about our securities. We further do not accept any responsibility for any projections or reports published by analysts, investors or other third parties.

Each of the terms the “Company,” “we,” “our” and similar terms used herein refer collectively to Simpson Manufacturing Co., Inc., a Delaware corporation and its wholly-owned subsidiaries, including Simpson Strong-Tie Company Inc., unless otherwise stated.

“Strong-Tie” and our other trademarks appearing in this report are our property. This report contains additional trade names and trademarks of other companies. We do not intend our use or display of other companies’ trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	March 31, 2016	2015	December 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents	$232,028	$233,587	$ 258,825
Trade accounts receivable, net	135,123	117,316	106,011
Inventories	210,787	205,312	195,757
Deferred income taxes	—	12,666	16,203
Other current assets	13,284	19,565	12,476
Total current assets	591,222	588,446	589,272
Property, plant and equipment, net	216,660	205,009	213,716
Goodwill	125,614	122,923	123,950
Intangible assets, net	26,719	31,484	27,675
Other noncurrent assets	8,746	4,797	6,696
Total assets	$968,961	$952,659	$ 961,309
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Trade accounts payable	29,023	21,456	21,309
Accrued liabilities	49,849	46,261	54,761
Income taxes payable	2,824	—	—
Accrued profit sharing trust contributions	2,245	1,960	5,799
Accrued cash profit sharing and commissions	11,133	7,131	8,502
Accrued workers' compensation	4,472	4,479	4,593
Total current liabilities	99,546	81,287	94,964
Deferred income tax and other long-term liabilities	5,159	16,082	16,521
Total liabilities	104,705	97,369	111,485
Commitments and contingencies (Note 7)			
Stockholders' equity			
Common stock, at par value	484	493	481
Additional paid-in capital	238,040	226,007	238,212
Retained earnings	648,321	652,298	639,707
Treasury stock	(3,502)	—	—
Accumulated other comprehensive income (loss)	(19,087)	(23,508)	(28,576)
Total stockholders' equity	864,256	855,290	849,824
Total liabilities and stockholders' equity	$968,961	$952,659	$ 961,309

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 March 31,	
	2016	2015
Net sales	$199,523	$176,491
Cost of sales	107,000	98,993
Gross profit	92,523	77,498
Operating expenses:		
Research and development and other engineering	11,423	10,197
Selling	25,187	22,607
General and administrative	29,298	28,433
Net gain on disposal of assets	(26)	(16)
	65,882	61,221
Income from operations	26,641	16,277
Interest expense, net	(235)	(35)
Income before taxes	26,406	16,242
Provision for income taxes	10,063	6,191
Net income	$16,343	$10,051
Earnings per common share:		
Basic	$0.34	$0.20
Diluted	0.34	0.20
Number of shares outstanding		
Basic	48,297	49,208
Diluted	48,450	49,408
Cash dividends declared per common share	$0.16	$0.14

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 March 31,	
	2016	2015
Net income	$ 16,343	$ 10,051
Other comprehensive loss:		
Translation adjustment, net of tax expense of ($39) and ($72), respectively	9,489	(16,328)
Comprehensive income (loss)	$ 25,832	$ (6,277)

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 Three Months ended March 31, 2015 and 2016, and for the Nine Months ended December 31, 2015
(In thousands except per-share amounts, unaudited)

	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Treasury	
	Shares	Par Value	Capital	Earnings	Income (Loss)	Stock	Total
Balance, January 1, 2015	48,966	$ 489	$220,982	$649,174	$ (7,180)	$—	$863,465
Net income	—	—	—	10,051	—	—	10,051
Translation adjustment, net of tax	—	—	—	—	(16,328)	—	(16,328)
Options exercised	187	2	5,482	—	—	—	5,484
Stock-based compensation	—	—	2,784	—	—	—	2,784
Tax benefit of options exercised	—	—	(184)	—	—	—	(184)
Shares issued from release of Restricted Stock Units	191	2	(3,609)	—	—	—	(3,607)
Cash dividends declared on common stock, $0.14 per share	—	—	—	(6,927)	—	—	(6,927)
Common stock issued at $34.32 per share for stock bonus	16	—	552	—	—	—	552
Balance, at March 31, 2015	49,360	493	226,007	652,298	(23,508)	—	855,290
Net income	—	—	—	57,837	—		57,837
Translation adjustment, net of tax	—	—	—		(4,611)	—	(4,611)
Pension adjustment, net of tax	—	—	—	—	(457)	—	(457)
Options exercised	144	1	4,235	—	—	—	4,236
Stock-based compensation	—	—	8,213	—	—	—	8,213
Tax benefit of options exercised	—	—	(134)	—	—	—	(134)
Shares issued from release of Restricted Stock Units	19	—	(109)	—	—	—	(109)
Repurchase of common stock	(1,339)	—	—		—	(47,144)	(47,144)
Retirement of common stock	—	(13)	—	(47,131)	—	47,144	—
Cash dividends declared on common stock, $0.48 per share	—	—	—	(23,297)	—	—	(23,297)
Balance, December 31, 2015	48,184	481	238,212	639,707	(28,576)	—	849,824
Net income	—	—	—	16,343	—	—	16,343
Translation adjustment, net of tax	—	—	—	—	9,489	—	9,489
Options exercised	35	1	1,012	—	—	—	1,013
Stock-based compensation	—	—	2,350	—	—	—	2,350
Tax benefit of options exercised	—	—	24	—	—	—	24
Shares issued from release of Restricted Stock Units	196	2	(3,873)	—	—	—	(3,871)
Repurchase of common stock	(106)	—	—	—	—	(3,502)	(3,502)
Cash dividends declared on common stock, $0.16 per share	—	—	—	(7,729)	—	—	(7,729)
Common stock issued at $32.45 per share for stock bonus	10	—	315	—	—	—	315
Balance, March 31, 2016	48,319	$ 484	$238,040	$648,321	$ (19,087)	$(3,502)	$864,256

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)

	Three Months Ended March 31, 2016		2015	
Cash flows from operating activities				
Net income	$ 16,343		$ 10,051	
Adjustments to reconcile net income to net cash provided by operating activities:				
Gain on sale of assets	(26	)	(15	)
Depreciation and amortization	7,437		7,418	
Write-off of software development project	153		—	
Gain on contingent consideration adjustment	—		(245	)
Deferred income taxes	2,499		2,593	
Noncash compensation related to stock plans	2,750		3,295	
Excess tax benefit of options exercised and restricted stock units vested	(28	)	(58	)
Provision for doubtful accounts	(266	)	(50	)
Changes in operating assets and liabilities, net of acquisitions:				
Trade accounts receivable	(28,228	)	(27,615	)
Inventories	(13,912	)	7,515	
Trade accounts payable	7,273		(1,590	)
Income taxes payable	6,289		1,740	
Accrued profit sharing trust contributions	(3,552	)	(3,421	)
Accrued cash profit sharing and commissions	2,605		1,179	
Other current assets	(3,230	)	(1,101	)
Accrued liabilities	(10,063	)	(11,295	)
Long-term liabilities	(1,853	)	93	
Accrued workers' compensation	(121	)	377	

Other noncurrent assets		2,162			871	
Net cash used in operating activities		(13,768	)		(10,258	)
Cash flows from investing activities						
Capital expenditures		(6,972	)		(6,369	)
Asset acquisitions, net of cash acquired		—			(779	)
Proceeds from sale of property and equipment		40			25	
Loan repayment by customer		—			243	
Net cash used in investing activities		(6,932	)		(6,880	)
Cash flows from financing activities						
Deferred and contingent consideration paid for asset acquisition		(27	)		(1,177	)
Repurchase of common stock		(3,502	)		—	
Repayment of debt and line of credit borrowings		—			(17	)
Issuance of common stock		1,012			5,484	
Excess tax benefit of options exercised and restricted stock units vested		28			58	
Dividends paid		(7,709	)		(6,858	)
Net cash used in financing activities		(10,198	)		(2,510	)
Effect of exchange rate changes on cash and cash equivalents		4,101			(7,072	)
Net decrease in cash and cash equivalents		(26,797	)		(26,720	)
Cash and cash equivalents at beginning of period		258,825			260,307	
Cash and cash equivalents at end of period	$	232,028		$	233,587	
Noncash activity during the period						
Noncash capital expenditures	$	266		$	830	

Dividends declared but not paid	7,729	6,927
Issuance of Company’s common stock for compensation	315	552

The accompanying notes are an integral part of these condensed consolidated financial statements
7

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 (collectively, 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, 2015.

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 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, 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.

8

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

	Three Months Ended March 31,	
(in thousands, except per share amounts)	2016	2015
Net income available to common stockholders	$16,343	$10,051
Basic weighted-average shares outstanding	48,297	49,208
Dilutive effect of potential common stock equivalents — stock options and restricted stock units	153	200
Diluted weighted-average shares outstanding	48,450	49,408
Earnings per common share:		
Basic	$0.34	$0.20
Diluted	$0.34	$0.20
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 its independent directors. Awards 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, although the Company granted only non-qualified stock options under both the 1994 Plan and the 1995 Plan. The Company, however, generally only granted options under both the 1994 Plan and the 1995 Plan once each year. 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. Options granted under the 1995 Plan were fully vested on the date of grant and had a term of seven years. 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, as amended (the "Securities Act").

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.

The following table represents the Company's stock option and restricted stock unit activity for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
(in thousands)	2016	2015
Stock-based compensation expense recognized in operating expenses	$2,480	$3,084
Less: Tax benefit of stock-based compensation expense in provision for income taxes	895	1,052
Stock-based compensation expense, net of tax	$1,585	$2,032
Fair value of shares vested	$2,350	$2,784
Proceeds to the Company from the exercise of stock-based compensation	$1,012	$5,484
Tax effect from the exercise of stock-based compensation, including shortfall tax benefits	$24	$(184)

	At March 31,	
(in thousands)	2016	2015
Stock-based compensation cost capitalized in inventory	$253	$276

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 March 31,		At December 31,
(in thousands)	2016	2015	2015
United States Treasury securities and money market funds	$71,442	$91,569	$ 76,047

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 following table presents the Company’s effective tax rates and income tax expense for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
(in thousands, except percentages)	2016	2015
Effective tax rate	38.1 %	38.1 %
Provision for income taxes	$10,063	$6,191

Acquisitions

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.

In December 2015, the Company purchased all of the business assets, including intellectual property rights, from Blue Heron Enterprises, LLC, and Fox Chase Enterprises, LLC, both New Jersey limited liability companies (collectively, "EBTY"), for $3.4 million in cash. EBTY manufactured and sold hidden deck clips and products and systems using a patented design. The Company believes that EBTY's patented design for hidden deck clips and products and systems complements the Company's hidden clips and fastener systems. The Company's provisional measurement of assets acquired included goodwill of $2.0 million which was assigned to the North American segment, and intangible assets of $1.1 million, both of which are subject to tax-deductible amortization. Net assets consisting of inventory and equipment accounted for the balance of the purchase price. The estimated weighted-average amortization period for the intangible assets is 7 years.

Sales Office Closing

The Company had substantially completed the liquidation of its Asia sales offices as of December 31, 2015, and does not expect to recognize significant additional costs in future periods related to this event.

Additional compensation expenses of $0.1 million were incurred and paid during the first quarter of 2016. No other associated costs were incurred or paid in the first quarter of 2016. As of March 31, 2016, estimated employee severance obligations and other associated costs of $0.3 million had been accrued and not paid. Until the office closings are finalized, estimated additional compensation expense, retention bonuses and professional fees of $0.2 million will be recorded as commitment requirements are met or services are performed.

Additional operating lease obligation costs of $0.1 million were recorded and paid in the first quarter of 2016. The office locations that are being closed are leased, and have remaining future minimum lease obligations of $0.4 million that will be charged to expense prior to the cease-use date, which is expected to coincide with the end of the lease. The estimated costs disclosed are based on a number of assumptions, and actual results could differ materially.

Recently Adopted Accounting Standards

In November 2015, the FASB issued Accounting Standards Update No. 2015-17, Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"). The objective is to simplify the presentation of deferred income taxes; the amendments require that deferred tax assets and liabilities be classified as noncurrent in a classified consolidated balance sheets. ASU 2015-17 will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. The amendment may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. During the first quarter of 2016, the Company elected to early-adopt ASU 2015-17, Balance Sheet Classification of Deferred Taxes and applied the guidance prospectively with no change to prior period amounts disclosed in our consolidated balance sheets and related notes to the consolidated financial statements.

Prospective adoption of ASU 2015-17, in the first quarter of 2016, resulted in the Company offsetting all of its deferred income tax assets and liabilities, as of January 1, 2016, by taxing jurisdiction and classifying those balances as noncurrent. The result was a $4.1 million increase in "Other noncurrent assets" from $6.7 million to $10.8 million and a $12.1 million decrease in "Deferred income tax and other long-term liabilities" from $16.5 million to $4.4 million.

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. During the first quarter of 2016, the Company elected to early-adopt ASU 2015-11 and applied the guidance prospectively. Adoption of ASU 2015-11 had no material effect on its consolidated financial statements and footnote disclosures.

Recently Issued Accounting Standards Not Yet Adopted

Other than the following, 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 2015 Annual Report on Form 10-K.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09 (Topic 718), Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”). The amendments simplify several aspects of the accounting for employee share-based payment transactions including accounting for income taxes, forfeitures, statutory tax withholding requirements, and classification in the statement of cash flows. ASU 2016-09 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The Company is currently evaluating the effects of adopting ASU 2016-09 on its consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, (Topic 842), Leases (“ASU 2016-02”). ASU 2016-02 core requirement is to recognize the assets and liabilities that arise from leases including those leases classified as operating leases. The amendments require a lessee to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The lessor accounting application is largely unchanged from that applied under the previous GAAP. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the amendments in this Update is permitted for all entities. The Company is currently evaluating the effects of adopting ASU 2016-02 on its consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). ASU 2014-09 supersedes nearly all existing revenue recognition guidance under GAAP. The amendments provide a revenue recognition five-step model to be applied to all revenue contracts with customers. ASU 2014-09 provides alternative methods of adoption the guidance. In 2016, the FASB issued final amendments to clarify the implementation guidance for principal versus agent considerations, identifying performance obligations and the accounting for licenses of intellectual property. The standard is effective for annual and interim periods beginning after December 15, 2017. The Company is currently evaluating the effects of this guidance on its consolidated financial statements and footnote disclosures, and have not yet selected a transition approach.

2. Trade Accounts Receivable, Net

Trade accounts receivable consisted of the following:

	At March 31,		At December 31,
(in thousands)	2016	2015	2015
Trade accounts receivable	$139,198	$120,701	$109,859
Allowance for doubtful accounts	(918)	(765)	(1,142)
Allowance for sales discounts and returns	(3,157)	(2,620)	(2,706)
	$135,123	$117,316	$106,011

3. Inventories

Inventories consisted of the following:

	At March 31,		At December 31,
(in thousands)	2016	2015	2015
Raw materials	$82,056	$84,040	$ 75,950
In-process products	20,827	20,262	18,828
Finished products	107,904	101,010	100,979
	$210,787	$205,312	$ 195,757

4. Property, Plant and Equipment, Net

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

	At March 31,		At December 31,
(in thousands)	2016	2015	2015
Land	$30,535	$28,795	$ 28,698
Buildings and site improvements	173,605	171,541	171,890
Leasehold improvements	5,616	5,428	5,560
Machinery, equipment, and software	239,264	225,820	232,560
	449,020	431,584	438,708
Less accumulated depreciation and amortization	(264,398)	(246,055)	(257,115)
	184,622	185,529	181,593
Capital projects in progress	32,038	19,480	32,123
	$216,660	$205,009	$ 213,716

5. Goodwill and Intangible Assets, Net

Goodwill was as follows:

	At March 31,		At December 31,
(in thousands)	2016	2015	2015
North America	$86,038	$84,216	$ 85,834
Europe	38,107	37,256	36,720
Asia/Pacific	1,469	1,451	1,396
Total	$125,614	$122,923	$ 123,950

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

At
March
31,
2016