

SIMPSON MANUFACTURING CO INC /CA/
Form 10-Q
May 09, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: March 31, 2013

OR

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

For the transition period from to

Commission file number: 1-13429

Simpson Manufacturing Co., Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of incorporation
or organization)

94-3196943
(I.R.S. Employer
Identification No.)

5956 W. Las Positas Blvd., Pleasanton, CA 94588

(Address of principal executive offices)

(Registrant's telephone number, including area code): **(925) 560-9000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

The number of shares of the registrant's common stock outstanding as of March 31, 2013: 48,556,533

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Simpson Manufacturing Co., Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(In thousands, unaudited)

	2013	March 31, 2012	December 31, 2012
ASSETS			
Current assets			
Cash and cash equivalents	\$ 141,965	\$ 160,092	\$ 175,553
Trade accounts receivable, net	102,813	107,257	82,812
Inventories	202,341	184,068	204,124
Deferred income taxes	12,419	12,139	11,473
Assets held for sale	577		593
Other current assets	20,377	14,095	23,499
Total current assets	480,492	477,651	498,054
Property, plant and equipment, net	211,010	209,460	213,452
Goodwill	122,582	130,556	121,981
Intangible assets, net	45,278	43,484	50,598
Other noncurrent assets	12,185	5,860	6,237
Total assets	\$ 871,547	\$ 867,011	\$ 890,322
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities			
Line of credit and notes payable	\$ 1,214	\$ 3,556	\$ 178
Trade accounts payable	30,958	35,109	37,117
Accrued liabilities	31,290	35,746	44,923
Income taxes payable		1,193	
Accrued profit sharing trust contributions	1,849	1,683	5,191
Accrued cash profit sharing and commissions	4,707	6,598	3,414
Accrued workers compensation	4,673	5,485	4,692
Total current liabilities	74,691	89,370	95,515
Long-term debt, net of current portion		240	
Long-term liabilities	8,435	6,300	5,239
Total liabilities	83,126	95,910	100,754
Commitments and contingencies (Note 7)			
Stockholders equity			
Common stock, at par value	485	482	483
Additional paid-in capital	184,550	174,831	184,677
Retained earnings	597,104	581,779	592,309
Accumulated other comprehensive income	6,282	14,009	12,099
Total stockholders equity	788,421	771,101	789,568
Total liabilities and stockholders equity	\$ 871,547	\$ 867,011	\$ 890,322

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,	
	2013	2012
Net sales	\$ 154,535	\$ 158,734
Cost of sales	89,561	89,329
Gross profit	64,974	69,405
Operating expenses:		
Research and development and other engineering	8,308	9,198
Selling	21,371	20,432
General and administrative	26,290	26,244
Loss (gain) on sale of assets	(8)	23
	55,961	55,897
Income from operations	9,013	13,508
Interest income, net	38	65
Income before taxes	9,051	13,573
Provision for income taxes	4,256	6,372
Net income	\$ 4,795	\$ 7,201
Earnings per common share:		
Basic	\$ 0.10	\$ 0.15
Diluted	\$ 0.10	\$ 0.15
Number of shares outstanding		
Basic	48,536	48,273
Diluted	48,626	48,337
Cash dividends declared per common share	\$	\$ 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 (Loss)

(In thousands, unaudited)

	Three Months Ended March 31,			
	2013		2012	
Net income	\$	4,795	\$	7,201
Other comprehensive (loss) income				
Translation adjustment, net of tax benefit (expense) of (\$84) and \$23, respectively		(5,817)		7,226
Comprehensive (loss) income	\$	(1,022)	\$	14,427

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 month periods ended March 31, 2012 and 2013 and for the nine months ended December 31, 2012

(In thousands except per-share amounts, unaudited)

	Common Stock		Additional	Retained	Accumulated	Total
	Shares	Par Value	Paid-in	Earnings	Other	
			Capital		Comprehensive	
					Income (Loss)	
Balance, January 1, 2012	48,163	\$ 481	\$ 170,483	\$ 580,616	\$ 6,783	\$ 758,363
Net income				7,201		7,201
Translation adjustment, net of tax					7,226	7,226
Stock options exercised	74	1	1,757			1,758
Stock-based compensation			3,110			3,110
Tax effect of options exercised			(2)			(2)
Shares issued from release of Restricted Stock Units	61		(935)			(935)
Cash dividends declared on common stock, \$0.125 per share				(6,038)		(6,038)
Common stock issued at \$33.71 per share for stock bonus	12		418			418
Balance, March 31, 2012	48,310	482	174,831	581,779	14,009	771,101
Net income				34,717		34,717
Translation adjustment, net of tax					(1,667)	(1,667)
Pension adjustment, net of tax					(243)	(243)
Stock options exercised	111	1	3,166			3,167
Stock-based compensation			7,085			7,085
Tax effect of options exercised			(231)			(231)
Shares issued from release of Restricted Stock Units	1		(174)			(174)
Cash dividends declared on common stock, \$0.50 per share				(24,187)		(24,187)
Balance, December 31, 2012	48,422	483	184,677	592,309	12,099	789,568
Net income				4,795		4,795
Translation adjustment, net of tax					(5,817)	(5,817)
Stock options exercised	18	1	495			496
Stock-based compensation			2,813			2,813
Tax effect of options exercised			(1,843)			(1,843)
Shares issued from release of Restricted Stock Units	108	1	(1,907)			(1,906)
Common stock issued at \$33.83 per share for stock bonus	9		315			315
Balance, March 31, 2013	48,557	\$ 485	\$ 184,550	\$ 597,104	\$ 6,282	\$ 788,421

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,	
	2013	2012
Cash flows from operating activities		
Net income	\$ 4,795	\$ 7,201
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Loss (gain) on sale of assets	(8)	23
Depreciation and amortization	7,487	6,721
Impairment loss on assets	1,024	461
Deferred income taxes	2,093	(205)
Noncash compensation related to stock plans	2,977	3,184
Excess tax benefit of options exercised		(99)
Provision for doubtful accounts	(39)	(87)
Changes in operating assets and liabilities, net of acquisitions:		
Trade accounts receivable	(21,006)	(26,585)
Inventories	823	3,154
Trade accounts payable	(5,578)	10,379
Income taxes payable	927	3,899
Accrued profit sharing trust contributions	(3,335)	(2,802)
Accrued cash profit sharing and commissions	1,318	3,115
Other current assets	16	723
Accrued liabilities	(9,179)	(9,865)
Long-term liabilities	(612)	313
Accrued workers compensation	(18)	10
Other noncurrent assets	(417)	1,100
Net cash provided by (used in) operating activities	(18,732)	640
Cash flows from investing activities		
Capital expenditures	(4,632)	(3,249)
Asset acquisitions, net of cash acquired	(5,300)	(56,040)
Proceeds from sale of property and equipment	17	6,847
Loan repayment by related parties	605	
Net cash used in investing activities	(9,310)	(52,442)
Cash flows from financing activities		
Debt and line of credit borrowings	1,080	
Repayment of debt and line of credit borrowings	(20)	(41)
Issuance of common stock	496	1,758
Excess tax benefit of options exercised		99
Dividends paid	(6,053)	(6,020)
Net cash used in financing activities	(4,497)	(4,204)
Effect of exchange rate changes on cash and cash equivalents	(1,049)	2,281
Net decrease in cash and cash equivalents	(33,588)	(53,725)
Cash and cash equivalents at beginning of period	175,553	213,817
Cash and cash equivalents at end of period	\$ 141,965	\$ 160,092
Noncash activity during the period		
Noncash capital expenditures	\$ 140	\$ 70

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Dividends declared but not paid		6,038
Issuance of Company's common stock for compensation	315	418
Non-cash contingent consideration		786

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

Simpson Manufacturing Co., Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Basis of Presentation

Principles of Consolidation

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

Interim Period Reporting

The accompanying unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations for reporting on Form 10-Q. Accordingly, certain information and footnotes required by accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted. These interim statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (the 2012 Annual Report).

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

Revenue Recognition

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

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

Net Earnings Per Common Share

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

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

(in thousands, except per share amounts)	Three Months Ended	
	2013	2012
Net income available to common stockholders	\$ 4,795	\$ 7,201
Basic weighted average shares outstanding	48,536	48,273
Dilutive effect of potential common stock equivalents stock options	90	64
Diluted weighted average shares outstanding	48,626	48,337
Earnings per common share:		
Basic	\$ 0.10	\$ 0.15
Diluted	0.10	0.15
Potentially dilutive securities excluded from earnings per diluted share because their effect is anti-dilutive		1,347

Accounting for Stock-Based Compensation

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

Under the 1994 Plan, the Company could grant incentive stock options and non-qualified stock options. The Company, 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 does not currently intend to award incentive stock options or restricted stock. Under the 2011 Plan, no more than 16.3 million shares of the Company's common stock may be issued (including shares already sold) pursuant to all awards under the 2011 Plan, including on exercise of options previously granted under the 1994 Plan and the 1995 Plan. Shares of common stock to be issued pursuant to the 2011 Plan are registered under the Securities Act of 1933.

The following table represents the Company's stock option and restricted stock unit activity for the three month periods ended March 31, 2013 and 2012:

(in thousands)	Three Months Ended		
	2013	March 31,	2012
Stock-based compensation expense recognized in operating expenses	\$	2,879	\$ 3,068
Tax benefit of stock-based compensation expense in provision for income taxes		1,137	1,066
Stock-based compensation expense, net of tax	\$	1,742	\$ 2,002
Fair value of shares vested	\$	2,813	\$ 3,110
Proceeds to the Company from the exercise of stock-based compensation	\$	496	\$ 1,758
Tax effect from exercise of stock-based compensation, including shortfall tax benefits	\$	(1,843)	\$ (2)
		At March 31,	
		2013	2012
Stock-based compensation cost capitalized in inventory	\$	361	\$ 387

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 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; 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 balance of the Company's primary financial instruments was as follows:

(in thousands)	At March 31,		At December 31,	
	2013	2012	2012	
Financial instruments	\$ 59,074	\$ 69,987	\$	76,130

The carrying amounts of trade receivables, accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments. The fair value of the Company's line of credit is classified as Level 2 within the fair value hierarchy and is calculated based on borrowings with similar maturities, current remaining average life to maturity and current market conditions.

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 2013 effective tax rate was higher than statutory tax rates due to 2013 valuation allowances taken on \$3.5 million in foreign losses, primarily from the European segment.

The following table presents the Company's effective tax rates and income tax expense for the three month periods ended March 31, 2013 and 2012:

(in thousands, except percentage amounts)	Three Months Ended March 31,	
	2013	2012
Effective tax rate	47.0%	46.9%
Provision for income taxes	\$ 4,256	\$ 6,372

Acquisitions

In January 2012, the Company purchased all of the shares of S&P Clever, for \$58.1 million, subject to post-closing adjustments. S&P Clever manufactures and sells engineered materials to repair, strengthen and restore concrete, masonry and asphalt and has operations in Switzerland, Germany, Portugal, Poland, The Netherlands and Austria. Payments under the purchase agreement included cash payments of \$57.5 million and contingent consideration of \$0.6 million payable over a three-year period if sales goals are met. As a result of the acquisition, the Company has increased its presence in the infrastructure, commercial and industrial construction markets in Europe. The Company's measurement of assets acquired and liabilities assumed included cash and cash equivalents of \$6.8 million, other current assets of \$10.8 million, non-current assets of \$53.4 million, current liabilities of \$12.6 million and non-current liabilities of \$0.2 million. Included in non-current assets is goodwill of \$19.3 million, which was assigned to the European segment and is not deductible for tax purposes, intangible assets of \$15.7 million, the amortization of which is not deductible for tax purposes and long-lived intangibles of \$4.8 million related to in-progress product development, which will be amortized when the Company markets the product for sale. The weighted-average amortization period for the intangible assets is 9.8 years.

In March 2012, the Company purchased substantially all of the assets of CarbonWrap Solutions, L.L.C. (CarbonWrap) for \$5.5 million, subject to post-closing adjustments. CarbonWrap develops fiber-reinforced polymer products primarily for infrastructure and transportation projects. Payments under the purchase agreement totaled \$5.3 million in cash and contingent consideration of \$0.2 million paid on resolution of specified post-closing contingencies to the principal officer of CarbonWrap, who is now employed by the Company. The Company's measurement included goodwill of \$3.5 million, which was assigned to the North American segment and is deductible for tax purposes, and intangible assets of \$1.7 million, which is subject to tax-deductible amortization. Net tangible assets consisting of accounts receivable, inventory, equipment and prepaid expenses accounted for the balance of the purchase price. The weighted-average amortization period for the intangible assets is 15.6 years.

In February 2013, the Company purchased certain assets relating to the TJ® ShearBrace (ShearBrace) product line of Weyerhaeuser NR Company, a Washington corporation (Weyerhaeuser), for \$5.3 million in cash, subject to post-closing adjustments. The ShearBrace is a line of pre-fabricated shearwalls that will complement the Company's Strong-Wall shearwall, and is sold throughout North America. The Company's provisional measurement of assets acquired included goodwill of \$2.6 million that has been assigned to the North American segment, and

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intangible assets of \$1.9 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.

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 and assumed liabilities. Provisional fair value measurements were made in the first quarter of 2013 for acquired assets and assumed liabilities. 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 expects the measurement process for each acquisition to be finalized within a year of its acquisition date.

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

Recently Adopted Accounting Standards

In February 2013, the FASB issued an amendment to the comprehensive income guidance requiring reporting of the effect of significant reclassifications out of other comprehensive income on the respective lines in net income if the amount being reclassified is required to be reclassified in its entirety to net income. For other amounts that are not required to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures that provide additional information about these amounts. This amendment is effective for fiscal years beginning after December 15, 2012, and interim periods within those years. The implementation of this amended accounting guidance did not have a material effect on the Company's consolidated financial position and results of operations.

Recently Issued Accounting Standards

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:

(in thousands)	2013	At March 31, 2012	2012	At December 31, 2012
Trade accounts receivable	\$ 105,880	\$ 110,133	\$ 85,732	\$ 85,732
Allowance for doubtful accounts	(1,134)	(1,086)	(1,288)	(1,288)
Allowance for sales discounts and returns	(1,933)	(1,790)	(1,632)	(1,632)
	\$ 102,813	\$ 107,257	\$ 82,812	\$ 82,812

3. Inventories

Inventories consisted of the following:

At March 31,

At December 31,

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(in thousands)	2013	2012	2012
Raw materials	\$ 90,697	\$ 72,616	\$ 95,959
In-process products	18,118	22,226	16,878
Finished products	93,526	89,226	91,287
	\$ 202,341	\$ 184,068	\$ 204,124

4. Property, Plant and Equipment, Net

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

(in thousands)	At March 31,		At December 31,	
	2013	2012	2012	
Land	\$ 30,364	\$ 32,601	\$ 32,068	
Buildings and site improvements	173,923	165,085	174,187	
Leasehold improvements	4,708	3,793	4,747	
Machinery and equipment	213,865	211,042	214,222	
	422,860	412,521	425,224	
Less accumulated depreciation and amortization	(221,468)	(206,971)	(217,868)	
	201,392	205,550	207,356	
Capital projects in progress	9,618	3,910	6,096	
	\$ 211,010	\$ 209,460	\$ 213,452	

The Company's vacant facility in Hungen, Germany, remained classified as an asset held for sale as of March 31, 2013, consistent with the classification at December 31, 2012. In the quarter ended March 31, 2013, the Company concluded that the carrying value of its Ireland facility, associated with the Europe segment, exceeded its net realizable value, and therefore recorded an impairment charge, within general and administrative expense, of \$1.0 million, equal to the amount by which carrying value exceeds net estimated realizable value. See note 10.

Determining the fair value of the Ireland facility is a judgment involving estimates and assumptions. These estimates and assumptions include lease rates, operating costs and inflation factors used to calculate projected future cash flows and future economic and market conditions (Level 3 fair value inputs). The Company bases its fair value estimates on assumptions that it believes to be reasonable, but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates.

5. Goodwill and Intangible Assets, Net

Goodwill was as follows:

(in thousands)	At March 31,		At December 31,	
	2013	2012	2012	
North America	\$ 81,205	\$ 77,606	\$ 78,739	
Europe	39,390	50,975	41,263	
Asia/Pacific	1,987	1,975	1,979	
Total	\$ 122,582	\$ 130,556	\$ 121,981	

Intangible assets, net, were as follows:

At March 31, 2013

(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
North America	\$ 39,935	\$ (13,313)	\$ 26,622
Europe	26,429	(7,773)	18,656
Total	\$ 66,364	\$ (21,086)	\$ 45,278

	At March 31, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
North America	\$ 34,552	\$ (14,304)	\$ 20,248
Europe	28,953	(5,717)	23,236
Total	\$ 63,505	\$ (20,021)	\$ 43,484

	At December 31, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
North America	\$ 37,992	\$ (12,012)	\$ 25,980
Europe	31,701	(7,083)	24,618
Total	\$ 69,693	\$ (19,095)	\$ 50,598

Intangible assets consist primarily of customer relationships, patents, unpatented technology and non-compete agreements. Amortization expense for intangible assets during the three-month periods ended March 31, 2013 and 2012, totaled \$2.0 million and \$1.9 million, respectively.

At March 31, 2013, estimated future amortization of intangible assets was as follows:

(in thousands)

Remaining nine months of 2013	\$ 6,149
2014	8,047
2015	7,144
2016	6,860
2017	4,954
2018	2,879
Thereafter	9,245
	\$ 45,278

The changes in the carrying amount of goodwill and intangible assets for the three months ended March 31, 2013, were as follows:

(in thousands)	Goodwill	Intangible Assets
Balance at December 31, 2012	\$ 121,981	\$ 50,598
Acquisitions	2,606	1,869
Reclassifications*	(696)	(4,369)
Amortization		(1,991)
Foreign exchange	(1,309)	(829)
Balance at March 31, 2013	\$ 122,582	\$ 45,278

* Measurement period adjustments related to finalizing accounting for acquisitions

6. Debt

The Company has revolving lines of credit with various banks in the United States and Europe. Total available credit at March 31, 2013, was \$308.6 million, including revolving credit lines and an irrevocable standby letter of credit in support of various insurance deductibles.

The Company's primary credit facility is a revolving line of credit with \$300.0 million in available credit. This credit facility will expire in July 2017. Amounts borrowed under this credit facility will bear interest at an annual rate equal to either, at the Company's option, (a) the rate for Eurocurrency deposits for the corresponding deposits of U.S. dollars appearing on Reuters LIBOR01screen page (the LIBOR Rate), adjusted for any reserve requirement in effect, plus a spread of 0.60% to 1.45%, determined quarterly based on the Company's leverage ratio (at March 31, 2013, the LIBOR Rate was 0.21%), or (b) a base rate, plus a spread of 0.00% to 0.45%, determined quarterly based on the Company's leverage ratio. The base rate is defined in a manner such that it will not be less than the LIBOR Rate. The Company will pay fees for standby letters of credit at an annual rate equal to the LIBOR Rate plus the applicable spread described above, and will pay market-based fees for commercial letters of credit. The Company is required to pay an annual facility fee of 0.15% to 0.30% of the available commitments under the credit agreement, regardless of usage, with the applicable fee determined on a quarterly basis based on the Company's leverage ratio. The Company was also required to pay customary fees as specified in a separate fee agreement between the Company and Wells Fargo Bank, National Association, in its capacity as the Agent under the credit agreement.

The Company's borrowing capacity under other revolving credit lines and a term note totaled \$8.6 million at March 31, 2013. The other revolving credit lines and term note charge interest ranging from 1.011% to 7.25%, have maturity dates from August 2013 to September 2020, and had outstanding balances totaling \$1.2 million at March 31, 2013. The Company had outstanding balances of \$3.8 million and \$0.2 million on March 31, 2012 and December 31, 2012, respectively. The Company was in compliance with its financial covenants at March 31, 2013.

7. Commitments and Contingencies

Note 9 to the consolidated financial statements in the 2012 Annual Report provides information concerning commitments and contingencies. From time to time, the Company is involved in various legal proceedings and other matters arising in the normal course of business. The resolution of claims and litigation is subject to inherent uncertainty and could have a material adverse effect on the Company's financial condition, cash flows and results of operations.

Pending Claims

Four lawsuits (the Cases) have been filed against the Company in the Hawaii First Circuit Court: *Alvarez v. Haseko Homes, Inc. and Simpson Manufacturing, Inc.*, Civil No. 09-1-2697-11 (Case 1); *Ke Noho Kai Development, LLC v. Simpson Strong-Tie Company, Inc., and Honolulu Wood Treating Co., LTD.*, Case No. 09-1-1491-06 SSM (Case 2); *North American Specialty Ins. Co. v. Simpson Strong-Tie Company, Inc. and K.C. Metal Products, Inc.*, Case No. 09-1-1490-06 VSM (Case 3); and *Charles et al. v. Haseko Homes, Inc. et al. and Third Party Plaintiffs Haseko Homes, Inc. et al. v. Simpson Strong-Tie Company, Inc., et al.*, Civil No. 09-1-1932-08 (Case 4). Case 1 was filed on November 18, 2009. Cases 2 and 3 were originally filed on June 30, 2009. Case 4 was filed on August 19, 2009. The Cases all relate to alleged premature corrosion of the Company's strap tie holdown products installed in buildings in a housing development known as Ocean Pointe in Honolulu, Hawaii, allegedly causing property damage. Case 1 is a putative class action brought by the owners of allegedly affected Ocean Pointe houses. Case 1 was originally filed as *Kai et al. v. Haseko Homes, Inc., Haseko Construction, Inc. and Simpson Manufacturing, Inc.*, Case No. 09-1-1476, but was voluntarily dismissed and then re-filed with a new representative plaintiff. Case 2 is an action by the builders and developers of Ocean Pointe against the Company, claiming that either the Company's strap tie holdowns are defective in design or manufacture or the Company failed to provide adequate warnings regarding the products' susceptibility to corrosion in certain environments. Case 3 is a subrogation action brought by the insurance company for the builders and developers against the Company claiming the insurance company expended funds to correct problems allegedly caused by the Company's products. Case 4 is a putative class action brought, like Case 1, by owners of allegedly affected Ocean Pointe homes. In Case 4, Haseko Homes, Inc. (Haseko), the developer of the Ocean Pointe development, brought a third party complaint against the Company alleging that any damages for which Haseko may be liable are actually the fault of the Company. Similarly, Haseko's sub-contractors on the Ocean Pointe development brought cross-claims against the Company seeking indemnity and contribution for any amounts for which they may ultimately be found liable. None of the Cases alleges a specific amount of damages sought, although each of the Cases seeks compensatory damages, and Case 1 seeks punitive damages. Cases 1 and 4 have been consolidated. In December 2012, the Court granted the Company summary judgment on the claims asserted by the plaintiff homeowners in Cases 1 and 4, and on

the third party complaint and cross-claims asserted by Haseko and the sub-contractors, respectively, in Case 4. In April 2013, the Court granted Haseko and the sub-contractors motion for leave to amend their cross-claims to allege a claim for negligent misrepresentation. The Company continues to investigate the facts underlying the claims asserted in the

Cases, including, among other things, the cause of the alleged corrosion; the severity of any problems shown to exist; the buildings affected; the responsibility of the general contractor, various subcontractors and other construction professionals for the alleged damages; the amount, if any, of damages suffered; and the costs of repair, if needed. At this time, the likelihood that the Company will be found liable under any legal theory and the extent of such liability, if any, are unknown. Management believes the Cases may not be resolved for an extended period. The Company intends to defend itself vigorously in connection with the Cases.

Based on facts currently known to the Company, the Company believes that all or part of the claims alleged in the Cases may be covered by its insurance policies. On April 19, 2011, an action was filed in the United States District Court for the District of Hawaii, *National Union Fire Insurance Company of Pittsburgh, PA v. Simpson Manufacturing Company, Inc., et al.*, Civil No. 11-00254 ACK. In this action, Plaintiff National Union Fire Insurance Company of Pittsburgh, Pennsylvania (National Union), which issued certain Commercial General Liability insurance policies to the Company, seeks declaratory relief in the Cases with respect to its obligations to defend or indemnify the Company, Simpson Strong-Tie Company Inc., and a vendor of the Company's strap tie holdown products. By Order dated November 7, 2011, all proceedings in the *National Union* action have been stayed. If the stay is lifted and the National Union action is not dismissed, the Company intends vigorously to defend all claims advanced by National Union.

On April 12, 2011, Fireman's Fund Insurance Company (Fireman's Fund), another of the Company's general liability insurers, sued Hartford Fire Insurance Company (Hartford), a third insurance company from whom the Company purchased general liability insurance, in the United States District Court for the Northern District of California, *Fireman's Fund Insurance Company v. Hartford Fire Insurance Company*, Civil No. 11 1789 SBA (the *Fireman's Fund* action). The Company has intervened in the *Fireman's Fund* action and has moved to stay all proceedings in that action as well, pending resolution of the underlying Ocean Pointe Cases.

On November 21, 2011, the Company commenced a lawsuit against National Union, Fireman's Fund, Hartford and others in the Superior Court of the State of California in and for the City and County of San Francisco (the *San Francisco* coverage action). In the *San Francisco* coverage action, the Company alleges generally that the separate pendency of the *National Union* action and the *Fireman's Fund* action presents a risk of inconsistent adjudications; that the San Francisco Superior Court has jurisdiction over all of the parties and should exercise jurisdiction at the appropriate time to resolve any and all disputes that have arisen or may in the future arise among the Company and its liability insurers; and that the *San Francisco* coverage action should also be stayed pending resolution of the underlying Ocean Pointe Cases. The *San Francisco* coverage action has been ordered stayed pending resolution of the Cases.

Nishimura v. Gentry Homes, Ltd; Simpson Manufacturing Co., Inc.; and Simpson Strong-Tie Company, Inc., Civil no. 11-1-1522-07, was filed in the Circuit Court of the First Circuit of Hawaii on July 20, 2011. The Nishimura case alleges premature corrosion of the Company's strap tie holdown products in a housing development at Ewa Beach in Honolulu, Hawaii. The case is a putative class action brought by owners of allegedly affected homes. The Complaint alleges that the Company's strap products and mudsill anchors are insufficiently corrosion resistant and/or fail to comply with Honolulu's building code. In February 2012, the Court dismissed three of the five claims the plaintiffs had asserted against the Company. The Company is currently investigating the allegations of the complaint, including, among other things: the existence and extent of the alleged corrosion, if any; the building code provisions alleged to be applicable and, if applicable, whether the products complied; the buildings affected; the responsibility of the general contractor, various subcontractors and other construction professionals for the alleged damages; the amount, if any, of damages suffered; and the costs of repair, if any are needed. At this time, the likelihood that the Company will be found liable for any damage allegedly suffered and the extent of such liability, if any, are unknown. The Company denies any liability of any kind and intends to defend itself vigorously in this case.

With respect to these legal proceedings, individually and in the aggregate, the Company has not yet been able to determine whether an unfavorable outcome is probable or reasonably possible and has not been able to reasonably estimate the amount or range of any possible loss. As a result, no amounts have been accrued or disclosed in the accompanying consolidated financial statements with respect to these legal proceedings.

The Company is not engaged in any other legal proceedings as of the date hereof, which the Company expects individually or in the aggregate to have a material adverse effect on the Company's financial condition, cash flows or results of operations. The resolution of claims and litigation is subject to inherent uncertainty and could have a material adverse effect on the Company's financial condition, cash flows or results of operations.

Other

The Company's policy with regard to environmental liabilities is to accrue for future environmental assessments and remediation costs when information becomes available that indicates that it is probable that the Company is liable for any related claims and assessments and the amount of the liability is reasonably estimable. The Company does not believe that these environmental matters will have a material adverse effect on the Company's financial condition, cash flows or results of operations.

Corrosion, hydrogen embrittlement, cracking, material hardness, wood pressure-treating chemicals, misinstallations, misuse, design and assembly flaws, manufacturing defects, environmental conditions or other factors can contribute to failure of fasteners, connectors, tools, anchors, adhesives and tool products. On occasion, some of the products that the Company sells have failed, although the Company has not incurred any material liability resulting from those failures. The Company attempts to avoid such failures by establishing and monitoring appropriate product specifications, manufacturing quality control procedures, inspection procedures and information on appropriate installation methods and conditions. The Company subjects its products to extensive testing, with results and conclusions published in Company catalogues and on its websites. Based on test results to date, the Company believes that, generally, if its products are appropriately selected, installed and used in accordance with the Company's guidance, they may be reliably used in appropriate applications.

8. Stock-Based Incentive Plans

The Company currently has one stock-based incentive plan, which incorporates and supersedes its two previous plans (see Note 1 Basis of Presentation *Accounting for Stock-Based Compensation*). Participants are granted stock-based awards only if the applicable Company-wide or profit-center operating goals, or both, established by the Compensation and Leadership Development Committee of the Board of Directors at the beginning of the year, are met. Certain participants may have additional goals based on strategic initiatives of the Company.

The fair value of each restricted stock unit award is estimated on the date of the award based on the closing market price of the underlying stock on the day preceding the date of the award. On February 6, 2013, 359,371 restricted stock units were awarded, including 9,975 awarded to the Company's independent directors, at an estimated value of \$31.96 per share, based on the closing price on February 5, 2013. The restrictions on these awards generally lapse one quarter on the date of the award and one quarter on each of the first, second and third anniversaries of the date of the award.

The following table summarizes the Company's unvested restricted stock unit activity for the three months ended March 31, 2013:

Unvested Restricted Stock Units (RSUs)	Shares (in thousands)	Weighted- Average Price	Aggregate Intrinsic Value * (in thousands)
Outstanding at January 1, 2013	264	\$ 33.23	
Awarded	359		
Vested	(169)		
Forfeited	(1)		
Outstanding at March 31, 2013	453	\$ 32.45	\$ 13,878
Outstanding and expected to vest at March 31, 2013	442	\$ 32.45	\$ 14,333

* The intrinsic value is calculated using the closing price per share of \$30.61 as reported by the New York Stock Exchange on March 29, 2013.

Based on the market value on the award date, the total intrinsic value of vested restricted stock units during the three-month periods ended March 31, 2013 and 2012, was \$5.5 million and \$3.1 million, respectively.

The fair value of each stock option award was estimated on the date of grant using the Black-Scholes option pricing model. Expected volatility was based on historical volatilities of the Company's common stock measured monthly over a term that is equivalent to the expected life of the award. The expected term of each award was estimated based on the Company's prior exercise experience and future expectations of the exercise and termination behavior of the grantees. The risk-free rate was based on the yield of United States Treasury zero-coupon bonds with maturities comparable to the expected life in effect at the time of grant. The dividend yield was based on the expected dividend yield on the grant date.

No stock options were granted in 2012 or the first quarter of 2013. The following table summarizes the Company's stock option activity for the three months ended March 31, 2013:

Non-Qualified Stock Options	Shares (in thousands)	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value * (in thousands)
Outstanding at January 1, 2013	1,907	\$ 31.58		
Exercised	(18)	27.34		
Forfeited	(372)	40.67		
Outstanding at March 31, 2013	1,517	\$ 29.39		\$ 2,177
Outstanding and expected to vest at March 31, 2013	1,491	\$ 29.39	4.4	\$ 2,149
Exercisable at March 31, 2013	832	\$ 29.32	4.1	\$ 1,404

* The intrinsic value represents the amount, if any, by which the fair market value of the underlying common stock exceeds the exercise price of the stock option, using the closing price per share of \$30.61 as reported by the New York Stock Exchange on March 29, 2013.

The total intrinsic value of stock options exercised during the three month periods ended March 31, 2013 and 2012, was \$0.1 million and \$0.7 million, respectively.

A summary of the status of unvested stock options as of March 31, 2013, and changes during the three months ended March 31, 2013, are presented below:

Unvested Stock Options	Shares (in thousands)	Weighted- Average Grant-Date Fair Value
Unvested at January 1, 2013	826	\$ 10.25
Vested	(140)	10.18
Forfeited	(1)	10.33
Unvested at March 31, 2013	685	\$ 10.26

As of March 31, 2013, \$15.0 million of total unrecognized compensation cost was related to unvested stock-based compensation arrangements under the 2011 Incentive Plan. The portions of this cost related to stock options, and restricted stock units awarded through January 2013, are expected to be recognized over a weighted-average period of 2.2 years.

9. Segment Information

The Company is organized into three reportable segments. The segments are defined by the regions where the Company's products are manufactured, marketed and distributed to the Company's customers. The three regional segments are the North American segment, comprising primarily the United States and Canada, the European

segment, and the Asia/Pacific segment, comprising the Company's operations in China, Hong Kong, the South Pacific and the Middle East. These segments are similar in several ways, including the types of materials, the production processes, the distribution channels and the product applications.

The following table illustrates certain measurements used by management to assess the performance as of or for the following periods:

(in thousands)	Three Months Ended		
	March 31,		
	2013		2012
<i>Net Sales</i>			
North America	\$	127,737	\$ 127,967
Europe		23,917	28,237
Asia/Pacific		2,644	2,372
Administrative and all other		237	158
Total	\$	154,535	\$ 158,734
<i>Sales to Other Segments*</i>			
North America	\$	761	\$ 1,372
Europe		280	134
Asia/Pacific		4,136	3,724
Total	\$	5,177	\$ 5,230
<i>Income (Loss) from Operations</i>			
North America	\$	15,260	\$ 17,873
Europe		(4,180)	(2,372)
Asia/Pacific		(1,184)	(654)
Administrative and all other		(883)	(1,339)
Total	\$	9,013	\$ 13,508

* The sales to other segments are eliminated on consolidation.

(in thousands)	At March 31,		At		
	2013	2012	December 31,		
			2012		
<i>Total Assets</i>					
North America	\$	580,882	\$	546,112	\$ 583,501
Europe		182,687		201,721	194,000
Asia/Pacific		29,303		27,916	30,455
Administrative and all other		78,675		91,262	82,366
Total	\$	871,547	\$	867,011	\$ 890,322

Cash collected by the Company's United States subsidiaries is routinely transferred into the Company's cash management accounts and, therefore, has been included in the total assets of Administrative and all other. Cash and cash equivalent balances in the Administrative and all other segment were \$62.5 million, \$87.4 million, and \$91.9 million, as of March 31, 2013 and 2012, and December 31, 2012, respectively.

The following table illustrates how the Company's net sales are distributed by product for the following periods:

(in thousands)	Three Months Ended	
	2013	March 31, 2012
Wood Construction	\$ 132,798	\$ 137,779
Concrete Construction	21,434	20,742
Other	303	213
Total	\$ 154,535	\$ 158,734

Wood construction products include connectors, truss plates, fastening systems, fasteners and pre-fabricated shearwalls and are used for connecting and strengthening wood-based construction primarily in the residential construction market. Concrete construction products include adhesives, chemicals, mechanical anchors, carbide drill bits, powder actuated tools and fiber reinforcing materials and are used for restoration, protection or strengthening concrete, masonry and steel construction in residential, industrial, commercial and infrastructure construction.

10. Plant Closure

In September 2012, the Company decided to discontinue manufacturing heavy-duty mechanical anchors made in its facility in Ireland, which were sold mainly in Europe, to focus on selling light-duty and medium-duty anchors and fastener products in conjunction with its connector products. In December 2012, the Company ceased producing and selling heavy-duty mechanical anchors and terminated employees in Europe, primarily in Ireland and Germany, who were manufacturing, selling or supporting the product line. By the end of the third quarter of 2013, the Company expects to close remaining activities associated with the terminated product line, including transferring remaining inventories and certain fixed assets to its other operating locations and preparing the site for lease. All costs associated with the closure are reported in the European segment.

At December 31, 2012, the long-lived assets of the Ireland facility had a net book value of \$2.8 million, including land and building with a net book value of \$2.7 million. Due to an adverse real estate market, the Company has decided to pursue leasing the facility until the market value of the facility recovers sufficiently. In the quarter ended March 31, 2013, the Company concluded that the carrying value of its Ireland facility, associated with the Europe segment, exceeded its fair value, and therefore recorded an impairment charge, within general and administrative expense, of \$1.0 million, equal to the amount by which carrying value exceeds net estimated realizable value. Remaining equipment with a net book value of \$0.1 million will be sold to outside parties, transferred to other branches within the Company or scrapped. See note 4.

In 2012, the Company recorded employee severance obligations of \$3.0 million, of which \$2.4 million was paid in 2012, and \$0.6 million was accrued at December 31, 2012. In the first quarter of 2013, severance payments of \$77 thousand were made and severance charges of \$36 thousand were reversed due to the decision to retain an employee. No additional severance obligations were recorded in 2013. The remaining balance of \$0.5 million to be paid in 2013 represents the statutory and discretionary amounts due to employees that were or will be involuntarily terminated. The Company does not expect to record additional severance expense in 2013.

Closure liabilities are recognized when a transaction or event has occurred that leaves little or no discretion to avoid future settlement of the liability. The Company estimates that closure costs will total \$0.7 million, all of which will be allocated to operating expenses. As of December 31, 2012, the Company had recorded \$0.3 million in plant closure expenses, of which \$0.2 million was paid in 2012 and \$0.1 million is to be paid in 2013. In the first quarter of 2013, the Company had recorded \$23 thousand in plant closure costs and paid \$55 thousand in accrued plant closure costs, with \$0.1 million to be paid during the remainder of 2013. The Company estimates additional closure costs of \$0.4 million will be incurred and paid in 2013.

11. Subsequent Events

In April 2013, the Company's Board of Directors declared a cash dividend of \$0.125 per share, estimated to total \$6.1 million, to be paid on July 25, 2013, to stockholders of record on July 3, 2013.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This document contains forward-looking statements, based on numerous assumptions and subject to risks and uncertainties. Although the Company believes that the forward-looking statements are reasonable, it does not and cannot give any assurance that its beliefs and expectations will prove to be correct. Many factors could significantly affect the Company's operations and cause the Company's actual results to be substantially different from the Company's expectations. See Part II, Item 1A - Risk Factors. Actual results might differ materially from results suggested by any forward-looking statements in this report. The Company does not have an obligation to publicly update any forward-looking statements, whether as a result of the receipt of new information, the occurrence of future events or otherwise.

The following is a discussion and analysis of the consolidated financial condition and results of operations for the Company for the three months ended March 31, 2013. The following should be read in conjunction with the interim Condensed Consolidated Financial Statements and related Notes appearing elsewhere herein.

Overview

The Company designs, manufactures and sells building construction products that are of high quality and performance, easy to use and cost-effective for customers. It operates in three business segments determined by geographic region: North America, Europe and Asia/Pacific. The Company's stated goals are to strengthen its core wood construction products and expand its global footprint to be less dependent on housing starts in the United States. The North American segment sells both wood and concrete construction products. With the Company's ongoing investment in its integrated component systems offering and the acquisition of Keymark's software development team and Weyerhaeuser's line of shearwalls, the Company continues to expand product lines that complement its core wood construction product group.

The European segment also sells both wood and concrete construction products and until recently relied primarily on wood construction products for its success. In September 2012, the Company decided to discontinue manufacturing and selling heavy-duty mechanical anchors in Europe to focus on other concrete construction products, such as its light and medium-duty anchors and chemical-based and carbon-fiber-based products. The Asia/Pacific segment sells both wood and concrete construction products in nearly equal amounts. With the expansion of product lines that repair, protect and strengthen concrete, brick, mortar or asphalt construction, the Company hopes to increase concrete construction product sales in the Asia/Pacific segment.

The Admin & All Other column includes expenses such as self-insured workers compensation claims, if any, for certain members of management, stock compensation for certain members of management, interest expense, foreign exchange gains or losses and income tax expense. It also includes revenues and expenses related to real estate activities, such as rental income and depreciation expense on the Company's facility in Vacaville, California, which the Company has leased to a third party for a term expiring in August 2020.

Housing starts have increased recently, and the Company hopes to benefit from that increase. Unlike lumber or other products that have a more direct correlation to starts, however, the Company's products are used to a greater extent in areas that are subject to natural forces, such as seismic or wind events. The Company's products are used in a sequential process following the construction process. Residential and commercial construction begins with the foundation, followed by the wall and the roof systems, and the Company's products flow into a project or a house according to those schedules. Foundation product sales could be considered a leading indicator for the Company. Year to date sales through April 2013 of these products have increased in the low double digits compared to the same period in 2012.

The Company's sales also tend to be seasonal, with operating results varying from quarter to quarter. With some exceptions, the Company's sales and income have historically been lower in the first and fourth quarters than in the second and third quarters of the year, as customers purchase construction materials in the late spring and summer months for the construction season. In addition, weather conditions, such as extended cold or wet weather, which affect and sometimes delay installation of some of the Company's products, could negatively affect the Company's results of operations. Political and economic events can also affect the Company's sales and profitability.

Results of Operations for the Three Months Ended March 31, 2013, Compared with the Three Months Ended March 31, 2012

Net sales decreased 2.6% from \$158.7 million for the first quarter of 2012 to \$154.5 million for the first quarter of 2013. The Company had net income of \$4.8 million for the first quarter of 2013 compared to net income of \$7.2 million for the first quarter of 2012. Diluted net income per common share was \$0.10 for the first quarter of 2013 compared to diluted net income of \$0.15 per common share for the first quarter of 2012. Income from operations decreased 33.3% from \$13.5 million in the first quarter of 2012 to \$9.0 million in the first quarter of 2013. The following table illustrates the differences in the Company's operating results in the three months ended March 31, 2013, from the three months ended March 31, 2012, and the increases or decreases for each category by segment.

(in thousands)	Three Months Ended Mar. 31, 2012	Increase (Decrease) in Operating Segment				Admin & All Other	Three Months Ended Mar. 31, 2013
		North America	Europe	Asia/Pacific			
Net sales	\$ 158,734	\$ (231)	\$ (4,319)	\$ 272	\$ 79	\$ 154,535	
Cost of sales	89,329	2,503	(2,495)	235	(11)	89,561	
Gross profit	69,405	(2,734)	(1,824)	37	90	64,974	
Research and development and other engineering expense	9,198	(466)	(389)	(35)		8,308	
Selling expense	20,432	1,164	(431)	240	(34)	21,371	
General and administrative expense	26,244	(829)	837	370	(332)	26,290	
Loss (gain) on sale of assets	23	10	(33)	(8)		(8)	
Income from operations	13,508	(2,613)	(1,808)	(530)	456	9,013	
Interest income, net	65	(13)	65	11	(90)	38	
Income before income taxes	13,573	(2,626)	(1,743)	(519)	366	9,051	
Provision for income taxes	6,372	(2,588)	(55)	8	519	4,256	
Net income	\$ 7,201	\$ (38)	\$ (1,688)	\$ (527)	\$ (153)	\$ 4,795	

Net sales

The following table represents net sales by segment for the three month periods ended March 31, 2012 and 2013:

(in thousands)	North America	Europe	Asia/Pacific	Admin & All Other	Total
Three months ended:					
March 31, 2012	\$ 127,967	\$ 28,236	\$ 2,372	\$ 159	\$ 158,734
March 31, 2013	127,736	23,917	2,644	238	154,535
Increase (decrease)	(231)	(4,319)	272	79	(4,199)
Percentage increase (decrease)	(0.2)%	(15.3)%	11.5%	49.7%	(2.6)%

The following table represents segment net sales as percentages of total net sales for three-month periods ended March 31, 2012 and 2013:

	North America	Europe	Asia/ Pacific	Admin & All Other	Total
Percentage of total 2012 net sales	80.6%	17.8%	1.5%	0.1%	100.0%
Percentage of total 2013 net sales	82.7%	15.5%	1.7%	0.1%	100.0%

The decrease in the Company's first quarter 2013 net sales was primarily due to lower sales in Europe, which were affected by difficult economic conditions in Europe. Net sales were also affected negatively by reduced home center sales, lower selling prices and inclement weather in some regions of the United States, Canada and Europe, which possibly delayed construction projects during the quarter.

- *Regional net sales:*

- North America net sales were flat in the first quarter of 2013, compared to the first quarter of 2012, with inclement weather delaying construction projects in regions of the United States and Canada. The United States had a slight increase in sales over the same period in 2012, despite the loss of some home center business and price reductions. Canadian net sales decreased slightly over the same period in 2012, due to lower sales volumes and selling prices.

- Europe net sales decreased in the first quarter of 2013, compared to the first quarter of 2012, primarily due to the region's economic conditions, inclement weather delaying construction projects, and price decreases. Effects due to foreign currency translation were not significant.

- *Consolidated net sales channels and product groups:*

- Net sales to contractor distributors increased in the first quarter of 2013, compared to the first quarter of 2012, while net sales to lumber dealers were flat and net sales to h>

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, we carried out an evaluation, under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our "disclosure controls and procedures" (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based upon that evaluation, the Chief Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective to ensure information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (2) accumulated and communicated to our management, including our Chief Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosure.

Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of April 28, 2018.

Management recognizes that there are inherent limitations in the effectiveness of any internal control over financial reporting, including the possibility of human error and the circumvention or overriding of internal control. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

RSM US LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this Annual Report on Form 10-K and, as part of their audit, has issued their report, included herein, on the effectiveness of our internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended April 28, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 will be included under the captions “Election of Directors”, “Information as to Nominees and Other Directors”, “Information Regarding Meetings and Committees of the Board” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Company’s 2018 Proxy Statement and is incorporated herein by reference.

The following table sets forth certain information with respect to the officers of the Registrant as of April 28, 2018:

<u>Name</u>	<u>Age</u>	<u>Position with Company</u>
Nick A. Caporella ⁽¹⁾	82	Chairman of the Board and Chief Executive Officer
Joseph G. Caporella ⁽²⁾	58	President
George R. Bracken ⁽³⁾	72	Executive Vice President – Finance
Gregory P. Cook ⁽⁴⁾	60	Vice President – Controller and Chief Accounting Officer

⁽¹⁾Mr. Nick A. Caporella has served as Chairman of the Board, Chief Executive Officer and Director since the Company’s inception in 1985. Also, he serves as Chairman of the Nominating Committee. Since 1992,

Mr. Caporella's services have been provided to the Company by Corporate Management Advisors, Inc., a company he owns.

(2) Mr. Joseph G. Caporella has served as President since September 2002 and, prior to that, as Executive Vice President and Secretary since January 1991. Also, he has served as a Director since January 1987. Joseph G. Caporella is the son of Nick A. Caporella.

(3) Mr. George R. Bracken has served as Executive Vice President - Finance since July 2012. Previously, he served as Senior Vice President – Finance from October 2000 to July 2012 and Vice President and Treasurer from October 1996 to October 2000. Since 1992, Mr. Bracken's services have been provided to the Company by Corporate Management Advisors, Inc.

(4) Mr. Gregory P. Cook has served as Vice President – Controller and Chief Accounting Officer since July 15, 2014. Previously, he served as Vice-President – Controller since September 2012 and, prior to that date, as Controller since August 2007.

All officers serve until their successors are chosen and may be removed at any time by the Board of Directors. Officers are normally appointed each year at the first meeting of the Board of Directors after the annual meeting of shareholders.

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ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 will be included under the captions “Executive Compensation and Other Information” and “Compensation Committee Interlocks and Insider Participation” in the Company’s 2018 Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 will be included under the captions “Security Ownership” and “Equity Compensation Plan Information” in the Company’s 2018 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTION, AND DIRECTOR INDEPENDENCE

The information required by Item 13 will be included under the captions “Certain Relationships and Related Party Transactions” and “Information Regarding Meetings and Committees of the Board” in the Company’s 2018 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 14 will be included under the caption “Independent Auditors” in the Company’s 2018 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:	Page
1. Financial Statements	
<u>Consolidated Balance Sheets</u>	24
<u>Consolidated Statements of Income</u>	25
<u>Consolidated Statements of Comprehensive Income</u>	26
<u>Consolidated Statements of Shareholders' Equity</u>	27
<u>Consolidated Statements of Cash Flows</u>	28
<u>Notes to Consolidated Financial Statements</u>	29
<u>Report of Independent Registered Public Accounting Firm</u>	43
2. Financial Statement Schedules	
Not applicable	
3. Exhibits	
See Exhibit Index which follows.	

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EXHIBIT INDEX

Exhibit

Description

No.	
3.1	Restated Certificate of Incorporation ⁽¹⁾
3.2	Amended and Restated By-Laws ⁽¹⁾
3.3	<u>Certificate of Designation of the Special Series D Preferred Stock of the Company⁽²⁾</u>
10.1	Management Agreement between the Company and Corporate Management Advisors, Inc. ⁽³⁾ *
10.2	National Beverage Corp. Investment and Profit Sharing Plan ⁽¹⁾ *
10.3	National Beverage Corp. 1991 Omnibus Incentive Plan ⁽³⁾ *
10.4	National Beverage Corp. 1991 Stock Purchase Plan ⁽³⁾ *
10.5	Amendment No. 1 to the National Beverage Corp. Omnibus Incentive Plan ⁽⁴⁾ *
10.6	National Beverage Corp. Special Stock Option Plan ⁽⁵⁾ *
10.7	<u>Amendment No. 2 to the National Beverage Corp. Omnibus Incentive Plan⁽⁶⁾ *</u>
10.8	<u>National Beverage Corp. Key Employee Equity Partnership Program⁽⁶⁾ *</u>
10.9	<u>Second Amended and Restated Credit Agreement, dated June 30, 2008, between NewBevCo, Inc. and lender therein⁽⁷⁾</u>
10.10	<u>Amendment to National Beverage Corp. Special Stock Option Plan⁽⁸⁾ *</u>
10.11	<u>Amendment to National Beverage Corp. Key Employee Equity Partnership Program⁽⁸⁾ *</u>
10.12	<u>First Amendment to Second Amended and Restated Credit Agreement, dated January 16, 2013, between NewBevCo, Inc. and lender therein⁽⁹⁾</u>
10.13	<u>Credit Agreement, dated June 18, 2015, between NewBevCo, Inc. and lender therein⁽¹⁰⁾</u>
10.14	<u>Second Amendment to Second Amended and Restated Credit Agreement, dated July 7, 2015, between NewBevCo, Inc. and lender therein⁽¹⁰⁾</u>
10.15	<u>Third Amendment to Second Amended and Restated Credit Agreement, dated June 29, 2017, between NewBevCo, Inc. and lender therein⁽¹¹⁾</u>

10.16 Amended and Restated Credit Agreement dated October 4, 2017 between NewBevCo. and lender therein ⁽¹²⁾

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Exhibit

No.	<u>Description</u>
10.17	<u>Credit Facility Renewal Agreement, dated April 26, 2018 between NewBevCo and lender therein</u> ⁽¹³⁾
21	<u>Subsidiaries of Registrant</u> ⁽¹³⁾
23	<u>Consent of Independent Registered Public Accounting Firm</u> ⁽¹³⁾
31.1	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u> ⁽¹³⁾
31.2	<u>Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u> ⁽¹³⁾
32.1	<u>Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> ⁽¹³⁾
32.2	<u>Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> ⁽¹³⁾
101	The following financial information from National Beverage Corp.'s Annual Report on Form 10-K for the fiscal year ended April 28, 2018 is formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Income; (iii) Consolidated Statements of Comprehensive Income; (iv) Consolidated Statements of Shareholders' Equity; (v) Consolidated Statements of Cash Flows; and (vi) the Notes to Consolidated Financial Statements.

*Indicates management contract or compensatory plan or arrangement.

⁽¹⁾ Previously filed with the Securities and Exchange Commission as an exhibit to the Form S-1 Registration Statement (File No. 33-38986) on February 19, 1991 and is incorporated herein by reference.

⁽²⁾ Previously filed with the Securities and Exchange Commission as an exhibit to Form 8-K Current Report dated January 31, 2013 and is incorporated herein by reference.

⁽³⁾ Previously filed with the Securities and Exchange Commission as an exhibit to Amendment No. 1 to Form S-1 Registration Statement (File No. 33-38986) on July 26, 1991 and is incorporated herein by reference.

⁽⁴⁾ Previously filed with the Securities and Exchange Commission as an exhibit to Annual Report on Form 10-K for the fiscal year ended April 27, 1996 and is incorporated herein by reference.

⁽⁵⁾ Previously filed with the Securities and Exchange Commission as an exhibit to Registration Statement on Form S-8 (File No. 33-95308) on August 1, 1995 and is incorporated herein by reference.

⁽⁶⁾ Previously filed with the Securities and Exchange Commission as an exhibit to Annual Report on Form 10-K for the fiscal year ended May 3, 1997 and is incorporated herein by reference.

⁽⁷⁾ Previously filed with the Securities and Exchange Commission as an exhibit to Quarterly Report on Form 10-Q for the fiscal period ended January 29, 2011 and is incorporated herein by reference.

⁽⁸⁾ Previously filed with the Securities and Exchange Commission as an exhibit to Quarterly Report on Form 10-Q for the fiscal period ended January 31, 2009 and is incorporated herein by reference.

⁽⁹⁾ Previously filed with the Securities and Exchange Commission as an exhibit to Quarterly Report on Form 10-Q for the fiscal period ended January 26, 2013 and is incorporated herein by reference.

⁽¹⁰⁾ Previously filed with the Securities and Exchange Commission as an exhibit to Quarterly Report on Form 10-Q for the fiscal period ended August 1, 2015 and is incorporated herein by reference.

- (11) Previously filed with the Securities and Exchange Commission as an exhibit to Annual Report on Form 10-K for the fiscal year ended April 29, 2017 and is incorporated herein by reference.
- (12) Previously filed with the Securities and Exchange Commission as an exhibit to Quarterly Report on Form 10-Q for the fiscal period ended October 28, 2017 and is incorporated herein by reference.
- (13) Filed herewith.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NATIONAL BEVERAGE CORP.

By: /s/ Gregory P. Cook
Gregory P. Cook
Vice President – Controller and
Chief Accounting Officer

Date: June 27, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on June 27, 2018.

/s/ Nick A. Caporella
Nick A. Caporella
Chairman of the Board and
Chief Executive Officer

/s/ Cecil D. Conlee
Cecil D. Conlee
Director

/s/ Joseph G. Caporella
Joseph G. Caporella
President and Director

/s/ Samuel C. Hathorn, Jr.
Samuel C. Hathorn, Jr.
Director

/s/ George R. Bracken
George R. Bracken
Executive Vice President – Finance Director
(Principal Financial Officer)

/s/ Stanley M. Sheridan
Stanley M. Sheridan

/s/ Gregory P. Cook
Gregory P. Cook
Vice President – Controller and
Chief Accounting Officer

