

PGT Innovations, Inc.
Form 10-Q
May 02, 2019

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 30, 2019

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 001-37971

PGT Innovations, Inc.

1070 Technology Drive

North Venice, FL 34275

Registrant's telephone number: 941-480-1600

State of Incorporation IRS Employer Identification No.
Delaware 20-0634715

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

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Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted 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 such files).

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Common Stock, \$0.01 par value, outstanding was 58,347,213 shares, as of April 30, 2019.

Securities registered pursuant to Section 12(b) of the Act:

Trading

Title of each class	Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.01 per share	PGTI	New York Stock Exchange, Inc.

PGT INNOVATIONS, INC.

TABLE OF CONTENTS

Form 10-Q for the Three Months Ended March 30, 2019

	Page Number
Part I. <u>Financial Information</u>	3
Item 1. <u>Condensed Consolidated Financial Statements (unaudited):</u>	3
<u>Condensed Consolidated Statements of Operations</u>	3
<u>Condensed Consolidated Statements of Comprehensive Income</u>	4
<u>Condensed Consolidated Balance Sheets</u>	5
<u>Condensed Consolidated Statements of Cash Flows</u>	6
<u>Condensed Consolidated Statements of Shareholders' Equity</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	25
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	33
Item 4. <u>Controls and Procedures</u>	33
Part II. <u>Other Information</u>	34
Item 1. <u>Legal Proceedings</u>	34
Item 1A. <u>Risk Factors</u>	34
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	34
Item 3. <u>Defaults Upon Senior Securities</u>	34
Item 4. <u>Mine Safety Disclosure</u>	34
Item 5. <u>Other Information</u>	34
Item 6. <u>Exhibits</u>	35

PART I — FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

PGT INNOVATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Three Months Ended	
	March	March
	30,	31,
	2019	2018
	(unaudited)	
Net sales	\$173,737	\$140,253
Cost of sales	112,467	95,480
Gross profit	61,270	44,773
Selling, general and administrative expenses	44,014	28,657
Income from operations	17,256	16,116
Interest expense, net	6,714	4,043
Debt extinguishment costs	—	3,079
Income before income taxes	10,542	8,994
Income tax expense	2,285	1,654
Net income	\$8,257	\$7,340
Net income per common share:		
Basic	\$0.14	\$0.15
Diluted	\$0.14	\$0.14
Weighted average shares outstanding:		
Basic	58,134	49,858
Diluted	59,220	51,998

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

PGT INNOVATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	Three Months Ended	
	March 30, 2019	March 31, 2018
	(unaudited)	
Net income	\$8,257	\$7,340
Other comprehensive income (loss) before tax:		
Change in fair value of derivatives	595	(83)
Reclassification to earnings	915	—
Other comprehensive income (loss) before tax	1,510	(83)
Income tax (expense) benefit related to components of other comprehensive income (loss)	(386)	21
Other comprehensive income (loss), net of tax	1,124	(62)
Comprehensive income	\$9,381	\$7,278

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

PGT INNOVATIONS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)

(unaudited)

	March 30, 2019	December 29, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$44,936	\$ 52,650
Accounts receivable, net	76,035	80,717
Inventories	47,962	44,666
Contract assets, net	9,375	6,757
Prepaid expenses	5,495	2,863
Other current assets	10,317	7,908
Total current assets	194,120	195,561
Property, plant and equipment, net	120,238	115,707
Operating lease right-of-use asset, net	29,568	—
Intangible assets, net	267,803	271,818
Goodwill	277,827	277,827
Other assets, net	1,192	1,240
Total assets	\$890,748	\$ 862,153
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$56,963	\$ 68,557
Current portion of long-term debt	87	163
Current portion of operating lease liability	7,016	—
Total current liabilities	64,066	68,720
Long-term debt, less current portion	367,041	366,614
Operating lease liability, less current portion	25,510	—
Deferred income taxes	23,144	22,758
Other liabilities	15,139	18,517
Total liabilities	494,900	476,609
Shareholders' equity:		
Preferred stock; par value \$.01 per share; 10,000 shares	—	—
authorized; none outstanding		
Common stock; par value \$.01 per share; 200,000 shares authorized; 61,273 and		

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60,729 shares issued and 58,289 and 58,082 shares outstanding at March 30, 2019 and December 29, 2018, respectively	613	607
Additional paid-in-capital	410,578	409,661
Accumulated other comprehensive loss	(1,941)	(3,065)
Accumulated deficit	(643)	(8,900)
Shareholders' equity	408,607	398,303
Less: Treasury stock at cost	(12,759)	(12,759)
Total shareholders' equity	395,848	385,544
Total liabilities and shareholders' equity	\$890,748	\$862,153

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

PGT INNOVATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended	
	March 30, 2019	March 31, 2018
	(unaudited)	
Cash flows from operating activities:		
Net income	\$8,257	\$7,340
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,497	2,961
Amortization	4,015	1,659
Amortization of right-of-use asset	1,597	-
Provision for allowance for doubtful accounts	68	416
Stock-based compensation	1,198	514
Amortization and write-offs of deferred financing costs and debt discount	427	615
Debt extinguishment costs	—	3,079
Gains on transfers and disposals of assets	(28)	(10)
Change in operating assets and liabilities:		
Accounts receivable	(60)	(7,921)
Inventories	(3,651)	(3,332)
Contract assets, net, prepaid expenses, other current and other assets	(4,678)	(1,034)
Change in operating lease liability	508	-
Accounts payable, accrued and other liabilities	(11,242)	4,591
Net cash provided by operating activities	908	8,878
Cash flows from investing activities:		
Purchases of property, plant and equipment	(8,299)	(6,644)
Proceeds from transfers and disposals of assets	28	10
Net cash used in investing activities	(8,271)	(6,634)
Cash flows from financing activities:		
Payments of long-term debt	(76)	(72)
Payments of financing costs	—	(1,687)
Taxes paid relating to shares withheld on employee equity awards	(505)	(637)
Proceeds from exercise of stock options	213	173
Proceeds from issuance of common stock under employee stock purchase plan (ESPP)	17	5
Other	—	(7)
Net cash used in financing activities	(351)	(2,225)

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Net (decrease) increase in cash and cash equivalents	(7,714)	19
Cash and cash equivalents at beginning of period	52,650	34,029
Cash and cash equivalents at end of period	\$44,936	\$34,048
Non-cash activity:		
Establish right-of-use asset	\$31,165	\$—
Establish operating lease liability	\$(33,594)	\$—
Property, plant and equipment additions in accounts payable	\$729	\$512

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

PGT INNOVATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands)

	Common stock Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock	Total
Balance at December 30, 2017	49,805,338	\$ 525	\$ 252,275	\$ —	\$ (64,716)	\$(12,759)	\$ 175,325
Cumulative effect of change in accounting principle, net of tax effect of \$647	—	—	—	—	1,883	—	1,883
Balance at December 30, 2017 - as adjusted	49,805,338	525	252,275	—	(62,833)	(12,759)	177,208
Vesting of restricted stock	116,475	—	—	—	—	—	—
Grants of restricted stock	—	1	(1)	—	—	—	—
Purchases of treasury stock	(32,439)	—	—	—	—	(637)	(637)
Retirement of treasury stock	—	(1)	(636)	—	—	637	—
Stock-based compensation	—	—	514	—	—	—	514
Exercise of stock options	86,549	1	172	—	—	—	173
Common stock issued under ESPP	373	—	5	—	—	—	5
Net income	—	—	—	—	7,340	—	7,340
Other comprehensive loss	—	—	—	(62)	—	—	(62)
Balance at March 31, 2018	49,976,296	\$ 526	\$ 252,329	\$ (62)	\$ (55,493)	\$(12,759)	\$ 184,541

	Common stock Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock	Total
Balance at December 29, 2018	58,081,540	\$ 607	\$ 409,661	\$ (3,065)	\$ (8,900)	\$(12,759)	\$ 385,544
Vesting of restricted stock	133,770	—	—	—	—	—	—
Grants of restricted stock	—	5	(5)	—	—	—	—
Purchases of treasury stock	(34,240)	—	—	—	—	(505)	(505)
Retirement of treasury stock	—	—	(505)	—	—	505	—
Stock-based compensation	—	—	—	—	—	—	—