GIBRALTAR INDUSTRIES, INC.
Form 10-Q
July 27, 2017

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 0-22462

GIBRALTAR INDUSTRIES, INC.
(Exact name of Registrant as specified in its charter)

Delaware	16-1445150
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3556 Lake Shore Road, P.O. Box 2028 Buffalo, New York	14219-0228
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (716) 826-6500
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 x No ¨
Indicate by checkmark 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 x 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 definition of "large accelerated filer", "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x 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. ¨

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

As of July 25, 2017, the number of common shares outstanding was: 31,601,117.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
GIBRALTAR INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net Sales	$247,627	$265,738	$454,232	$503,409
Cost of sales	185,802	196,895	343,152	380,416
Gross profit	61,825	68,843	111,080	122,993
Selling, general, and administrative expense	36,895	40,267	76,471	76,656
Income from operations	24,930	28,576	34,609	46,337
Interest expense	3,550	3,666	7,126	7,357
Other expense	353	8,195	407	8,160
Income before taxes	21,027	16,715	27,076	30,820
Provision for (benefit of) income taxes	7,853	(1,897)	9,906	3,179
Income from continuing operations	13,174	18,612	17,170	27,641
Discontinued operations:				
Loss before taxes	(644)	—	(644)	—
Benefit of income taxes	(239)	—	(239)	—
Loss from discontinued operations	(405)	—	(405)	—
Net income	$12,769	$18,612	$16,765	$27,641
Net earnings per share – Basic:				
Income from continuing operations	$0.41	$0.59	$0.54	$0.88
Loss from discontinued operations	(0.01)	—	(0.01)	—
Net income	$0.40	$0.59	$0.53	$0.88
Weighted average shares outstanding – Basic	31,709	31,475	31,698	31,447
Net earnings per share – Diluted:				
Income from continuing operations	$0.41	$0.58	$0.53	$0.87
Loss from discontinued operations	(0.01)	—	(0.01)	—
Net income	$0.40	$0.58	$0.52	$0.87
Weighted average shares outstanding – Diluted	32,183	32,007	32,219	31,916

See accompanying notes to consolidated financial statements.

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GIBRALTAR INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	$12,769	$18,612	$16,765	$27,641
Other comprehensive income (loss):				
Foreign currency translation adjustment	1,091	7,753	1,770	10,831
Adjustment to retirement benefit liability, net of tax	(3)	(1)	(6)	(2)
Adjustment to post employment health care benefit liability, net of tax	30	38	59	76
Other comprehensive income	1,118	7,790	1,823	10,905
Total comprehensive income	$13,887	$26,402	$18,588	$38,546

See accompanying notes to consolidated financial statements.

GIBRALTAR INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	June 30, 2017 (unaudited)	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 182,379	$ 170,177
Accounts receivable, net	138,871	124,072
Inventories	86,065	89,612
Other current assets	8,351	7,336
Total current assets	415,666	391,197
Property, plant, and equipment, net	95,869	108,304
Goodwill	320,848	304,032
Acquired intangibles	110,325	110,790
Other assets	4,750	3,922
	$ 947,458	$ 918,245
Liabilities and Shareholders’ Equity		
Current liabilities:		
Accounts payable	$ 88,007	$ 69,944
Accrued expenses	69,389	70,392
Billings in excess of cost	13,963	11,352
Current maturities of long-term debt	400	400
Total current liabilities	171,759	152,088
Long-term debt	209,229	209,237
Deferred income taxes	38,203	38,002
Other non-current liabilities	46,364	58,038
Shareholders’ equity:		
Preferred stock, $0.01 par value; authorized 10,000 shares; none outstanding	—	—
Common stock, $0.01 par value; authorized 50,000 shares; 32,155 shares and 32,085 shares issued and outstanding in 2017 and 2016	321	320
Additional paid-in capital	267,601	264,418
Retained earnings	228,767	211,748
Accumulated other comprehensive loss	(5,898)	(7,721)
Cost of 554 and 530 common shares held in treasury in 2017 and 2016	(8,888)	(7,885)
Total shareholders’ equity	481,903	460,880
	$ 947,458	$ 918,245

See accompanying notes to consolidated financial statements.

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GIBRALTAR INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)(unaudited)

	Six Months Ended June 30, 2017		2016	
Cash Flows from Operating Activities				
Net income	$ 16,765		$ 27,641	
Loss from discontinued operations	(405	)	—	
Income from continuing operations	17,170		27,641	
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	11,006		11,856	
Stock compensation expense	3,191		3,218	
Net gain on sale of assets	(39	)	(198	)
Loss on sale of business	—		8,533	
Exit activity (recoveries) costs, non-cash	(2,737	)	1,074	
Provision for deferred income taxes	—		196	
Other, net	628		(449	)
Changes in operating assets and liabilities, excluding the effects of acquisitions:				
Accounts receivable	(14,446	)	9,145	
Inventories	2,245		4,988	
Other current assets and other assets	(2,174	)	(4,333	)
Accounts payable	16,962		(2,427	)
Accrued expenses and other non-current liabilities	(10,086	)	(9,803	)
Net cash provided by operating activities	21,720		49,441	
Cash Flows from Investing Activities				

Cash paid for acquisitions, net of cash acquired	(18,494		)	(2,314		)
Net proceeds from sale of property and equipment	12,778			162		
Purchases of property, plant, and equipment	(3,274		)	(4,035		)
Net proceeds from sale of business	—			8,479		
Other, net	—			1,118		
Net cash (used in) provided by investing activities	(8,990		)	3,410		
Cash Flows from Financing Activities						
Long-term debt payments	(400		)	(400		)
Payment of debt issuance costs	—			(54		)
Purchase of treasury stock at market prices	(1,003		)	(462		)
Net proceeds from issuance of common stock	247			2,057		
Net cash (used in) provided by financing activities	(1,156		)	1,141		
Effect of exchange rate changes on cash	628			1,264		
Net increase in cash and cash equivalents	12,202			55,256		
Cash and cash equivalents at beginning of year	170,177			68,858		
Cash and cash equivalents at end of period	$	182,379		$	124,114	

See accompanying notes to consolidated financial statements.

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GIBRALTAR INDUSTRIES, INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(in thousands)
(unaudited)

	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive	Treasury Stock		Total Shareholders'
	Shares	Amount	Capital	Earnings	Loss	Shares	Amount	Equity
Balance at December 31, 2016	32,085	$ 320	$ 264,418	$ 211,748	$ (7,721)	530	$ (7,885)	$ 460,880
Net income	—	—	—	16,765	—	—	—	16,765
Foreign currency translation adjustment	—	—	—	—	1,770	—	—	1,770
Adjustment to retirement benefit liability, net of taxes of ($3)	—	—	—	—	(6)	—	—	(6)
Adjustment to post employment health care benefit liability, net of taxes of $36	—	—	—	—	59	—	—	59
Stock compensation expense	—	—	3,191	—	—	—	—	3,191
Cumulative effect of accounting change (see Note 2)	—	—	(254)	254	—	—	—	—
Stock options exercised	16	—	247	—	—	—	—	247
Issuance of restricted stock	2	—	—	—	—	—	—	—
Net settlement of restricted stock units	52	1	(1)	—	—	24	(1,003)	(1,003)
Balance at June 30, 2017	32,155	$ 321	$ 267,601	$ 228,767	$ (5,898)	554	$ (8,888)	$ 481,903

See accompanying notes to consolidated financial statements.

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GIBRALTAR INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. CONSOLIDATED FINANCIAL STATEMENTS
The accompanying unaudited consolidated financial statements have been prepared by management in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments consisting of normal recurring adjustments considered necessary for the fair presentation of results for the interim period have been included. The results of operations for the three and six month periods ended June 30, 2017 are not necessarily indicative of the results expected for the full year. The Company is subject to reduced activity in the first and fourth quarters as colder, inclement weather reduces order rates from end markets it serves. The accompanying unaudited consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in our annual Form 10-K for the year ended December 31, 2016.

Certain prior year amounts have been reclassified to conform to current year's presentation. Refer to Note 2 for a summary of ASUs we adopted during 2017 and the related financial statement impact.

Immaterial Adjustment to Previously Reported Interim Period

For the three and six month periods ended June 30, 2016, immaterial differences were identified between amounts presented in prior quarterly reports on Form 10-Q and amounts required to be recorded in accordance with U.S. generally accepted accounting principles due to errors in the Company's accounting for estimated total contract costs at completion as it is related to revenue recognition under the percentage of completion accounting method. Refer to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 for a complete description of these differences. The corrected amounts for the three and six month periods ended June 30, 2016, are presented in the accompanying consolidated statements of operations, comprehensive income and cash flows.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Recent Accounting Pronouncements Adopted

Standard	Description	Financial Statement Effect or Other Significant Matters
ASU No. 2016-09 Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting	The standard simplifies the accounting for share-based payment award transactions including: income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. The provisions of this standard are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted.	The Company has adopted all amendments included in this standard under each required transition method. The Company concluded there were no material changes to prior periods, except for the following: the Company (a) reclassified its prior interim period excess tax benefit for stock compensation of $292,000 on its consolidated statement of cash flows from a financing activity to an operating activity; and (b) recognized a cumulative-effect adjustment of $254,000 as an increase to retained earnings and decrease to additional paid-in capital on the Company's consolidated statement of shareholders' equity as of January 1, 2017 to reflect the change in value for a restricted stock unit liability award as of December 31, 2016, as if the award had been classified as an equity award since its respective grant date. Date of adoption: Q1 2017

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Standard	Description	Financial Statement Effect or Other Significant Matters
ASU No. 2017-04 Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment	The standard eliminates the "Step 2" analysis to determine the amount of impairment realized when a reporting unit's carrying amount exceeds its fair value in its "Step 1" analysis of accounting for impairment of goodwill. The impairment charge would be the amount determined in "Step 1." The provisions of this standard are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for annual and interim goodwill impairment testing dates after January 1, 2017.	The Company has adopted this standard and it did not have any impact on the Company's consolidated financial statements. Date of Adoption: Q1 2017
ASU No. 2017-07 Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost	The standard requires an employer to recognize the service cost component of net periodic pension costs and net periodic postretirement benefit costs in the same line item(s) as other compensation costs from services rendered by pertinent employees during the period. Other components of net benefit cost are required to be presented separately from the service cost component and outside a subtotal of income from operations. The provisions of this standard are effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual periods. Early adoption is permitted as of the beginning of an annual period for which financial statements (interim or annual) have not been issued or made available for issuance.	The Company has adopted this standard and has applied it retrospectively for the presentation of the service cost component, as well as, other components of net periodic pension cost and net periodic postretirement benefit cost in our statement of operations. The adoption decreased selling, general, and administrative expense by $160,000 for the three months ended June 30, 2016 and $320,000 for the six months ended June 30, 2016, and comparably increased other expense by the same amounts, respectively. This guidance did not have any impact on our balance sheet or our statement of cash flows. Date of Adoption: Q1 2017

Recent Accounting Pronouncements Not Yet Adopted

Standard	Description	Financial Statement Effect or Other Significant Matters
ASU No. 2014-09 Revenue from Contracts with Customers (Topic 606) And All Related ASUs	The standard requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also requires additional disclosures about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and assets recognized from costs incurred to obtain or fulfill a contract. The provisions of the standard, as well as all subsequently issued clarifications to the standard, are effective for fiscal years	The Company currently believes the most significant impact of this standard upon adoption relates to the revenue recognition for custom fabricated products within the Company's Industrial and Infrastructure Products segment. Under this standard, the Company expects to recognize revenue on an over time basis on custom fabricated products in the Industrial and Infrastructure Products segment which is a change from our current revenue recognition policy of point-in-time basis. The Company expects revenue recognition related to the remaining Industrial and Infrastructure Products segment, Residential Products segment and Renewable Energy and Conservation segment to remain substantially unchanged upon adoption of this standard. The Company has identified and is in the process of implementing appropriate changes to the

beginning after December 15, 2017 and interim periods within those fiscal years. The standard can be adopted using either a full retrospective or modified retrospective approach.	Company's business processes, systems and internal controls to support recognition and disclosure under this standard. The Company currently anticipates adopting the modified retrospective transition method approach. The Company has not yet completed the process of quantifying the effects of any changes that will result from adoption. Planned date of adoption: Q1 2018

Standard	Description	Financial Statement Effect or Other Significant Matters
ASU No. 2016-02 Leases (Topic 842)	The standard requires lessees to recognize most leases as assets and liabilities on the balance sheet, but record expenses on the statement of operations in a manner similar to current accounting. For lessors, the guidance modifies the classification criteria and accounting for sales-type and direct financing leases. The standard also requires additional disclosures about leasing arrangements and requires a modified retrospective transition approach for existing leases, whereby the standard will be applied to the earliest year presented. The provisions of the standard are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted.	The Company is currently evaluating the impact of this standard on the Company's consolidated financial statements and related disclosures, including the impact on the Company's current lease portfolio from both a lessor and lessee perspective. The adoption of this standard will primarily result in an increase in the assets and liabilities on the Company's consolidated balance sheet and related disclosures. Planned date of adoption: Q1 2019
ASU No. 2016-15 Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments	The standard provides guidance on eight specific cash flow issues to reduce diversity in reporting. The provisions of this standard are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted.	The Company is currently evaluating the requirements of this standard and has not yet determined its impact on the Company's consolidated financial statements. Planned date of adoption: Q1 2018
ASU No. 2016-16 Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory	The standard allows an entity to recognize income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The provisions of this standard are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual reporting period for which financial statements (interim or annual) have not been issued or made available for issuance.	The Company is currently evaluating the requirements of this standard and has not yet determined its impact on the Company's consolidated financial statements. Planned date of adoption: Q1 2018

3. ACCOUNTS RECEIVABLE, NET

Accounts receivable consists of the following (in thousands):

	June 30, 2017	December 31, 2016
Trade accounts receivable	$101,578	$ 81,193
Contract receivables:		
Amounts billed	35,658	41,569

Costs in excess of billings	7,007	6,582
Total contract receivables	42,665	48,151
Total accounts receivable	144,243	129,344
Less allowance for doubtful accounts	(5,372)	(5,272)
Accounts receivable	$138,871	$ 124,072

Contract receivables are primarily associated with developers, contractors and customers in connection with the Renewable Energy and Conservation segment. Costs in excess of billings principally represent revenues recognized on contracts that were not billable as of the balance sheet date. These amounts will be billed in accordance with contract terms, generally as certain milestones are reached or upon shipment. All of the costs in excess of billings are expected to be collected within one year. In situations where billings exceed revenues recognized, the excess is included in billings in excess of cost in the Consolidated Balance Sheet.

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4. INVENTORIES

Inventories consist of the following (in thousands):

	June 30, 2017	December 31, 2016
Raw material	$42,528	$ 41,758
Work-in-process	12,580	12,268
Finished goods	30,957	35,586
Total inventories	$86,065	$ 89,612

5. ACQUISITIONS

On February 22, 2017, the Company acquired all of the outstanding stock of Package Concierge. Package Concierge is a leading provider of multifamily electronic package delivery locker systems in the United States.

The acquisition of Package Concierge is expected to enable the Company to expand its position in the fast-growing package delivery solutions market. The results of Package Concierge have been included in the Company's consolidated financial results since the date of acquisition (within the Company's Residential Products segment). The final aggregate purchase consideration for the acquisition of Package Concierge was $18,917,000, which includes a working capital adjustment of $67,000 received by the Company during the second quarter of 2017 and certain other adjustments provided for in the stock purchase agreement.

The purchase price for the acquisition was allocated to the assets acquired and liabilities assumed based upon their respective fair values. The excess consideration was recorded as goodwill and approximated $16,931,000, which is not deductible for tax purposes. Goodwill represents future economic benefits arising from other assets acquired that could not be individually identified including workforce additions, growth opportunities, and increased presence in the building products markets.

The allocation of the purchase consideration to the fair value of the assets acquired and liabilities assumed is as follows as of the date of the acquisition (in thousands):

Cash	$590
Working capital	(2,071)
Property, plant and equipment	55
Acquired intangible assets	3,600
Other assets	8
Deferred income taxes	(196)
Goodwill	16,931
Fair value of purchase consideration	$18,917

The intangible assets acquired in this acquisition consisted of the following (in thousands):

	Fair Value	Estimated Useful Life
Trademarks	$ 600	Indefinite
Technology	1,300	10 years
Customer relationships	1,700	7 years
Total	$ 3,600	

On October 11, 2016, the Company acquired all of the outstanding stock of Nexus Corporation ("Nexus"). Nexus is a leading provider of commercial-scale greenhouses to customers in the United States.

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The acquisition of Nexus is expected to enable the Company to strengthen its position in the commercial greenhouse market in the United States. The results of Nexus have been included in the Company's consolidated financial results since the date of acquisition (within the Company's Renewable Energy and Conservation segment). The final aggregate purchase consideration for the acquisition of Nexus was $23,762,000, which includes a working capital adjustment and certain other adjustments provided for in the stock purchase agreement. The remaining estimated purchase adjustment accrued as of December 31, 2016 of $1,000,000 was reduced to $167,000 and was paid by the Company during the first quarter of 2017.

The purchase price for the acquisition was allocated to the assets acquired and liabilities assumed based upon their respective fair values. The excess consideration was recorded as goodwill and approximated $11,451,000, of which all is deductible for tax purposes.

The allocation of the purchase consideration to the fair value of the assets acquired and liabilities assumed is as follows as of the date of the acquisition (in thousands):

Cash	$2,495
Working capital	(1,109)
Property, plant and equipment	4,702
Acquired intangible assets	6,200
Other assets	23
Goodwill	11,451
Fair value of purchase consideration	$23,762

The intangible assets acquired in this acquisition consisted of the following (in thousands):

	Fair Value	Estimated Useful Life
Trademarks	$ 3,200	Indefinite
Technology	1,300	15 years
Customer relationships	800	11 years
Backlog	900	0.25 years
Total	$ 6,200	

The acquisitions of Package Concierge and Nexus were funded from available cash on hand. The Company incurred certain acquisition-related costs composed of legal and consulting fees, and these costs were recognized as a component of selling, general and administrative expenses in the consolidated statements of operations.

The following table summarizes acquisition-related costs for the three and six months ended June 30 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Acquisition-related costs	$ 13	$ —	$115	$ 31

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6. GOODWILL AND RELATED INTANGIBLE ASSETS

Goodwill

The changes in the carrying amount of goodwill for the six months ended June 30, 2017 are as follows (in thousands):

	Residential Products	Industrial and Infrastructure Products	Renewable Energy & Conservation	Total
Balance at December 31, 2016	$ 181,285	$ 53,884	$ 68,863	$ 304,032
Acquired goodwill	16,931	—	—	16,931
Adjustments to prior year acquisitions	—	—	(832)	(832)
Foreign currency translation	—	197	520	717
Balance at June 30, 2017	$ 198,216	$ 54,081	$ 68,551	$ 320,848

Goodwill is recognized net of accumulated impairment losses of $235,419,000 as of June 30, 2017 and December 31, 2016.

Acquired Intangible Assets

Acquired intangible assets consist of the following (in thousands):

	June 30, 2017		December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Estimated Life
Indefinite-lived intangible assets:					
Trademarks	$45,352	$ —	$44,720	$ —	Indefinite
Finite-lived intangible assets:					
Trademarks	5,842	2,749	5,808	2,427	5 to 15 Years
Unpatented technology	28,020	11,030	26,720	10,041	5 to 20 Years
Customer relationships	80,644	36,626	78,569	33,585	5 to 17 Years
Non-compete agreements	1,649	777	1,649	623	4 to 10 Years
Backlog	—	—	900	900	0.25 Years
	116,155	51,182	113,646	47,576	
Total acquired intangible assets	$161,507	$ 51,182	$158,366	$ 47,576	

The following table summarizes the acquired intangible asset amortization expense for the three and six months ended June 30 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Amortization expense	$2,230	$2,201	$4,392	$4,382

Amortization expense related to acquired intangible assets for the remainder of fiscal 2017 and the next five years thereafter is estimated as follows (in thousands):

2017	$4,363
2018	$8,286
2019	$7,615
2020	$7,103
2021	$6,501
2022	$6,090

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7. LONG-TERM DEBT

Long-term debt consists of the following (in thousands):

	June 30, 2017	December 31, 2016
Senior Subordinated 6.25% Notes	$210,000	$210,000
Other debt	2,400	2,800
Less unamortized debt issuance costs	(2,771)	(3,163)
Total debt	209,629	209,637
Less current maturities	400	400
Total long-term debt	$209,229	$209,237

The Company's Fifth Amended and Restated Credit Agreement dated December 9, 2015 (the "Senior Credit Agreement") was amended to convert our secured asset based credit facility into a secured cash flow revolver, and terminates on December 9, 2020.

The Senior Credit Agreement provides for a revolving credit facility and letters of credit in an aggregate amount of $300 million. The Company has the option to request additional financing from the banks to either increase the revolving credit facility to $500 million or to provide a term loan of up to $200 million. The Senior Credit Agreement contains financial covenants. As of June 30, 2017, the Company is in compliance with all covenants.

Borrowings under the Senior Credit Agreement are secured by the trade receivables, inventory, personal property, equipment, and certain real property of the Company’s significant domestic subsidiaries. Interest rates on the revolving credit facility are based on the LIBOR plus an additional margin that ranges from 1.25% to 2.25% for LIBOR loans based on the Total Leverage Ratio.

In addition, the revolving credit facility is subject to an undrawn commitment fee ranging between 0.20% and 0.30% based on the Total Leverage Ratio and the daily average undrawn balance.

Standby letters of credit of $11,081,000 have been issued under the Senior Credit Agreement on behalf of the Company as of June 30, 2017. These letters of credit reduce the amount otherwise available under the revolving credit facility. As of June 30, 2017, the Company had $288,919,000 of availability under the revolving credit facility. No borrowings were outstanding under the revolving credit facility at June 30, 2017 and December 31, 2016.

On January 31, 2013, the Company issued $210 million of 6.25% Senior Subordinated Notes (6.25% Notes) due February 1, 2021.The provisions of the 6.25% Notes include, without limitation, restrictions on indebtedness, liens, and distributions from restricted subsidiaries, asset sales, affiliate transactions, dividends, and other restricted payments. Dividend payments are subject to annual limits and interest is paid semiannually on February 1 and August 1 of each year.

8. RELATED PARTY TRANSACTIONS

An officer of one of the Company's operating segments is the owner of certain real estate properties leased for manufacturing and distribution purposes by that operating segment. The leases are in effect until June 2018 and June 2020. For the three and six months ended June 30, 2017 and 2016, the Company incurred the following lease expense for these properties.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Cost of sales	$263	$235	$525	$452

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9. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

The cumulative balance of each component of accumulated other comprehensive loss, net of tax, is as follows (in thousands):

	Foreign Currency Translation Adjustment	Minimum Pension Liability Adjustment	Unamortized Post Retirement Health Care Costs	Total Pre-Tax Amount	Tax (Benefit) Expense	Accumulated Other Comprehensive (Loss) Income
Balance at December 31, 2016	$ (5,848)	$ 197	$ (3,150)	$ (8,801)	$ (1,080)	$ (7,721)
Minimum pension and post retirement health care plan adjustments	—	(9				