

MASONITE INTERNATIONAL CORP
Form 10-Q
August 10, 2017
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 July 2, 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: 001-11796

Masonite International Corporation
(Exact name of registrant as specified in its charter)

British Columbia, Canada

(State or other jurisdiction of incorporation or organization) 98-0377314 (I.R.S. Employer Identification No.)

2771 Rutherford Road

Concord, Ontario L4K 2N6 Canada

(Address of principal executive offices)

(800) 895-2723

(Registrant's telephone number, including area code)

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, 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 (Do not check if a smaller reporting company) 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.

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

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

The registrant had outstanding 29,544,506 shares of Common Stock, no par value, as of August 7, 2017.

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July 2, 2017

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the federal securities laws, including, without limitation, statements concerning the conditions in our industry, our operations, our economic performance and financial condition, including, in particular, statements relating to our business and growth strategy and product development efforts under "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements include all statements that do not relate solely to historical or current facts and can be identified by the use of words such as "may," "might," "will," "should," "estimate," "project," "plan," "anticipate," "expect," "intend," "outlook," "believe" and other similar expressions. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. These forward-looking statements are based on estimates and assumptions by our management that, although we believe to be reasonable, are inherently uncertain and subject to a number of risks and uncertainties. These risks and uncertainties include, without limitation, those identified under "Risk Factors" in our Annual Report on Form 10-K for the year ended January 1, 2017, and elsewhere in this Quarterly Report.

The following list represents some, but not necessarily all, of the factors that could cause actual results to differ from historical results or those anticipated or predicted by these forward-looking statements:

- our ability to successfully implement our business strategy;
- general economic, market and business conditions, including foreign exchange rate fluctuation and inflation;
- levels of residential new construction; residential repair, renovation and remodeling; and non-residential building construction activity;
- the United Kingdom's formal trigger of the two year process for its exit from the European Union, and related negotiations;
- competition;
- our ability to manage our operations including integrating our recent acquisitions and companies or assets we acquire in the future;
- our ability to generate sufficient cash flows to fund our capital expenditure requirements, to meet our pension obligations, and to meet our debt service obligations, including our obligations under our senior notes and our ABL Facility;
- labor relations (i.e., disruptions, strikes or work stoppages), labor costs and availability of labor;
- increases in the costs of raw materials or any shortage in supplies;
- our ability to keep pace with technological developments;
- the actions taken by, and the continued success of, certain key customers;
- our ability to maintain relationships with certain customers;
- the ability to generate the benefits of our restructuring activities;
- retention of key management personnel;
- environmental and other government regulations; and
- limitations on operating our business as a result of covenant restrictions under our existing and future indebtedness, including our senior notes and our ABL Facility.

We caution you that the foregoing list of important factors is not exclusive. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this Quarterly Report may not in fact occur. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

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PART I – FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

MASONITE INTERNATIONAL CORPORATION

Condensed Consolidated Statements of Comprehensive Income (Loss)

(In thousands of U.S. dollars, except per share amounts)

(Unaudited)

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
Net sales	\$519,741	\$513,985	\$1,006,922	\$1,003,290
Cost of goods sold	412,415	402,881	804,039	793,941
Gross profit	107,326	111,104	202,883	209,349
Selling, general and administration expenses	63,604	68,961	128,449	133,859
Restructuring costs, net	(700)	(103)	(407)	(84)
Loss (gain) on disposal of subsidiaries	212	(1,431)	212	(1,431)
Operating income (loss)	44,210	43,677	74,629	77,005
Interest expense (income), net	7,112	6,933	14,136	14,165
Other expense (income), net	(22)	(801)	(271)	(15)
Income (loss) from continuing operations before income tax expense (benefit)	37,120	37,545	60,764	62,855
Income tax expense (benefit)	8,932	2,855	7,253	9,065
Income (loss) from continuing operations	28,188	34,690	53,511	53,790
Income (loss) from discontinued operations, net of tax	(134)	(184)	(379)	(372)
Net income (loss)	28,054	34,506	53,132	53,418
Less: net income (loss) attributable to non-controlling interest	1,170	1,151	2,683	2,235
Net income (loss) attributable to Masonite	\$26,884	\$33,355	\$50,449	\$51,183
Earnings (loss) per common share attributable to Masonite:				
Basic	\$0.90	\$1.09	\$1.69	\$1.68
Diluted	\$0.89	\$1.06	\$1.66	\$1.64
Earnings (loss) per common share from continuing operations attributable to Masonite:				
Basic	\$0.91	\$1.10	\$1.70	\$1.69
Diluted	\$0.89	\$1.07	\$1.67	\$1.65

Comprehensive income (loss):