

CARLISLE COMPANIES INC  
Form 10-Q  
July 26, 2016

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 June 30, 2016

OR

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

Commission file number 1-9278

CARLISLE COMPANIES INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware

31-1168055

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

11605 North Community House Road, Suite 600, Charlotte, North Carolina 28277 (704) 501-1100  
(Address of principal executive office, including zip code) (Telephone Number)

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 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

Shares of common stock outstanding at July 21, 2016: 64,623,689

## Item 1. Financial Statements

## Carlisle Companies Incorporated

## Unaudited Condensed Consolidated Statements of Earnings and Comprehensive Income

(in millions except share and per share amounts)	Three Months Ended		Six Months Ended	
	June 30, 2016	2015	June 30, 2016	2015
Net sales	\$ 996.9	\$ 984.6	\$ 1,790.9	\$ 1,693.9
Cost of goods sold	675.7	699.2	1,224.3	1,235.5
Selling and administrative expenses	131.5	125.6	255.6	223.7
Research and development expenses	12.0	10.9	23.3	19.7
Other (income) expense, net	(1.2)	0.9	(1.8)	0.6
Earnings before interest and income taxes	178.9	148.0	289.5	214.4
Interest expense, net	8.2	8.5	16.6	16.9
Earnings before income taxes from continuing operations	170.7	139.5	272.9	197.5
Income tax expense (Note 6)	55.4	44.7	89.1	63.2
Income from continuing operations	115.3	94.8	183.8	134.3
Discontinued operations				
Income (loss) before income taxes	(0.1)	0.2	(0.1)	-
Income tax expense	-	0.1	-	-
Income (loss) from discontinued operations	(0.1)	0.1	(0.1)	-
Net income	\$ 115.2	\$ 94.9	\$ 183.7	\$ 134.3
Basic earnings per share attributable to common shares				
Income from continuing operations	\$ 1.78	\$ 1.45	\$ 2.84	\$ 2.05
Income from discontinued operations	-	-	-	-
Basic earnings per share	\$ 1.78	\$ 1.45	\$ 2.84	\$ 2.05
Diluted earnings per share attributable to common shares				
Income from continuing operations	\$ 1.75	\$ 1.43	\$ 2.80	\$ 2.02
Income from discontinued operations	-	-	-	-
Diluted earnings per share	\$ 1.75	\$ 1.43	\$ 2.80	\$ 2.02
Average shares outstanding - in thousands				
Basic	64,246	65,010	64,131	64,943
Diluted	65,112	66,018	65,050	65,933
Dividends declared and paid	\$ 19.5	\$ 16.4	\$ 39.0	\$ 33.1

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Dividends declared and paid per share	\$ 0.30	\$ 0.25	\$ 0.60	\$ 0.50
Comprehensive Income				
Net income	\$ 115.2	\$ 94.9	\$ 183.7	\$ 134.3
Other comprehensive income (loss)				
Change in foreign currency translation	(15.0)	12.2	(4.8)	(8.5)
Change in accrued post-retirement benefit liability, net of tax	0.4	0.8	0.8	1.6
Other, net of tax	(0.1)	(0.1)	(0.3)	(0.2)
Other comprehensive income (loss)	(14.7)	12.9	(4.3)	(7.1)
Comprehensive income	\$ 100.5	\$ 107.8	\$ 179.4	\$ 127.2

See accompanying notes to Unaudited Condensed Consolidated Financial Statements

## Carlisle Companies Incorporated

## Condensed Consolidated Balance Sheets

(in millions except share and per share amounts)	June 30, 2016 (Unaudited)	December 31, 2015
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 397.9	\$ 410.7
Receivables, net of allowance of \$5.8 in 2016 and \$4.7 in 2015	631.8	502.5
Inventories (Note 8)	386.2	356.0
Prepaid expenses and other current assets	45.9	50.3
<b>Total current assets</b>	<b>1,461.8</b>	<b>1,319.5</b>
Property, plant, and equipment, net of accumulated depreciation of \$590.4 in 2016 and \$568.7 in 2015 (Note 9)	626.4	585.8
<b>Other assets:</b>		
Goodwill, net (Note 10)	1,156.0	1,134.4
Other intangible assets, net (Note 10)	901.6	887.8
Other long-term assets	25.9	23.4
<b>Total other assets</b>	<b>2,083.5</b>	<b>2,045.6</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,171.7</b>	<b>\$ 3,950.9</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Short-term debt, including current maturities (Note 12)	\$ 150.0	\$ 149.8
Accounts payable	284.0	212.6
Accrued expenses	212.7	219.4
Deferred revenue (Note 14)	26.6	24.0
<b>Total current liabilities</b>	<b>673.3</b>	<b>605.8</b>
<b>Long-term liabilities:</b>		
Long-term debt (Note 12)	596.0	595.6
Deferred revenue (Note 14)	163.8	159.7
Other long-term liabilities (Note 16)	248.5	242.4
<b>Total long-term liabilities</b>	<b>1,008.3</b>	<b>997.7</b>
<b>Shareholders' equity:</b>		
Preferred stock, \$1 par value per share. Authorized and unissued 5,000,000 shares	-	-
Common stock, \$1 par value per share. Authorized 200,000,000; 78,661,248 issued; 64,400,643 outstanding in 2016 and 64,051,600 in 2015	78.7	78.7
Additional paid-in capital	318.9	293.4
Deferred compensation equity (Note 5)	10.4	8.0
Cost of shares in treasury - 14,033,610 shares in 2016 and 14,383,241 shares in 2015	(353.0)	(327.4)

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Accumulated other comprehensive loss (Note 17)	(91.4)	(87.1)
Retained earnings	2,526.5	2,381.8
Total shareholders' equity	2,490.1	2,347.4
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 4,171.7</b>	<b>\$ 3,950.9</b>

See accompanying notes to Unaudited Condensed Consolidated Financial Statements

## Carlisle Companies Incorporated

## Unaudited Condensed Consolidated Statements of Cash Flows

(in millions)	Six Months Ended June 30, 2016	2015
Operating activities		
Net income	\$ 183.7	\$ 134.3
Reconciliation of net income to cash flows provided by operating activities:		
Depreciation	36.9	36.0
Amortization	30.5	25.8
Non-cash compensation, net of tax benefit	(5.2)	(2.4)
Deferred taxes	(0.9)	1.4
Changes in assets and liabilities, excluding effects of acquisitions and divestitures:		
Receivables	(120.2)	(141.7)
Inventories	(19.3)	(13.6)
Prepaid expenses and other assets	4.1	7.3
Accounts payable	61.3	41.4
Accrued expenses and deferred revenues	10.0	57.4
Long-term liabilities	(0.4)	2.6
Other operating activities, net	(0.6)	0.3
Net cash provided by operating activities	179.9	148.8
Investing activities		
Capital expenditures	(45.9)	(33.8)
Acquisitions, net of cash acquired	(103.1)	(577.8)
Other investing activities, net	0.1	0.1
Net cash used in investing activities	(148.9)	(611.5)
Financing activities		
Net change in short-term borrowings	-	(1.4)

and revolving credit lines		
Repayments of long-term debt	-	(1.5)
Dividends paid	(39.0)	(33.1)
Proceeds from issuance of treasury shares and stock options	35.1	31.3
Repurchases of common stock	(40.9)	(32.8)
Net cash used in financing activities	(44.8)	(37.5)
Effect of foreign currency exchange rate changes on cash and cash equivalents	1.0	(1.4)
Change in cash and cash equivalents	(12.8)	(501.6)
Cash and cash equivalents		
Beginning of period	410.7	730.8
End of period	\$ 397.9	\$ 229.2

See accompanying notes to Unaudited Condensed Consolidated Financial Statements



## Carlisle Companies Incorporated

## Unaudited Consolidated Statement of Shareholders' Equity

(In millions, except share and per share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Deferred Compensa Equity	Accumulated Other Comprehens Income (loss)	Retained Earnings	Shares in Treasury Shares	Treasury Cost	Total Shareholder Equity
Balance at December 31, 2014	64,691,059	\$ 78.7	\$ 247.8	\$ 6.0	\$ (61.8)	\$ 2,134.4	13,723,201	\$ (200.1)	\$ 2,205.0
Net income		-	-	-	-	319.7		-	319.7
Other comprehensive loss, net of tax		-	-	-	(25.3)	-		-	(25.3)
Cash dividends - \$1.10 per share		-	-	-	-	(72.3)		-	(72.3)
Repurchases of Common Stock	(1,496,411)	-	-	-	-	-	1,496,411	(137.2)	(137.2)
Issuances for stock based compensation (1)	856,952	-	45.6	2.0	-	-	(836,371)	9.9	57.5
Balance at December 31, 2015	64,051,600	78.7	293.4	8.0	(87.1)	2,381.8	14,383,241	(327.4)	2,347.4
Net income		-	-	-	-	183.7		-	183.7
Other comprehensive income, net of tax		-	-	-	(4.3)	-		-	(4.3)
Cash dividends - \$0.60 per share		-	-	-	-	(39.0)		-	(39.0)
Repurchases of Common Stock	(459,662)	-	-	-	-	-	459,662	(41.5)	(41.5)
Issuances for stock based compensation (1)	808,705	-	25.5	2.4	-	-	(809,293)	15.9	43.8
Balance at June 30, 2016	64,400,643	\$ 78.7	\$ 318.9	\$ 10.4	\$ (91.4)	\$ 2,526.5	14,033,610	\$ (353.0)	\$ 2,490.1

(1)

Issuances for stock based compensation includes shares issued from treasury to cover stock option exercises, restricted and performance share releases, net of shares repurchased to cover employee taxes.

See accompanying notes to Unaudited Condensed Consolidated Financial Statements

Notes to the Unaudited Condensed Consolidated Financial Statements

Note 1—Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by Carlisle Companies Incorporated (the "Company" or "Carlisle") in accordance and consistent with the accounting policies stated in the Company's 2015 Annual Report on Form 10-K and should be read in conjunction with the consolidated financial statements therein. The unaudited condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States and, of necessity, include some amounts that are based upon management estimates and judgments. The unaudited condensed consolidated financial statements include assets, liabilities, net sales, and expenses of all majority-owned subsidiaries. Carlisle accounts for investments in minority-owned companies where it exercises significant influence, but does not have control, on the equity basis. Intercompany transactions and balances are eliminated in consolidation.

Note 2—New Accounting Pronouncements

New Accounting Standards Adopted

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"). ASU 2015-17 requires entities to present deferred tax assets and liabilities as noncurrent in a classified balance sheet instead of separating into current and noncurrent amounts. ASU 2015-17 is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods, on a prospective or retrospective basis. Early adoption is permitted, and as such, we early adopted as of December 31, 2015 on a prospective basis and periods prior to December 31, 2015 were not restated. As this standard relates to presentation only, the adoption of ASU 2015-17 did not have a material impact on the Company's consolidated results of operations, financial position, or cash flows.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015 this guidance was clarified in ASU 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements ("ASU 2015-15"). ASU 2015-15 states that presentation of costs associated with securing a revolving line of credit as an asset is permitted, regardless of whether a balance is outstanding. As a result of adopting ASU 2015-03 on January 1, 2016, \$3.1 million was reclassified from Other long-term assets to Long-term debt at December 31, 2015. Unamortized costs related to securing our revolving line of credit will continue to be presented in Other long-term assets. As this standard relates to presentation only, the adoption of the ASUs had no impact on the Company's results of operations, financial position, or cash flows. See Note 12 Borrowings for details of amounts reclassified by issuance.

In April 2015, the FASB issued ASU 2015-05, Customer's Accounting For Fees Paid In A Cloud Computing Arrangement (“ASU 2015-05”), which provides guidance for a customer's accounting for cloud computing costs. ASU 2015-05 is effective for annual reporting periods, including interim reporting periods within those periods, beginning after December 15, 2015. The adoption of this ASU had no impact on the Company’s results of operations, financial position, or cash flows.

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory (“ASU 2015-11”), which applies to inventory valued at first-in, first-out (FIFO) or average cost. ASU 2015-11 requires inventory to be measured at the lower of cost and net realizable value, rather than at the lower of cost or market. ASU 2015-11 is effective on a prospective basis for annual periods, including interim reporting periods within those periods, beginning after December 15, 2016. The Company early adopted this standard on January 1, 2016. The adoption of this ASU had no impact on the Company’s results of operations, financial position, or cash flows.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments (“ASU 2015-16”). ASU 2015-16 eliminates the requirement to restate prior period financial statements for measurement period adjustments. The new guidance requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. In addition, separate presentation on the face of the income statement or disclosure in the notes is required regarding the portion of the adjustment recorded in the current period earnings, by line item that would have been

recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 is to be applied prospectively for measurement period adjustments that occur after the effective date. ASU 2015-16 is effective for annual reporting periods, including interim reporting periods within those periods, beginning in 2016. The adoption of this ASU had no impact on the Company's results of operations, financial position, or cash flows.

#### New Accounting Standards Issued But Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). ASU 2014-09 outlines a single, comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance issued by the FASB, including industry specific guidance. ASU 2014-09 provides accounting guidance for all revenue arising from contracts with customers and affects all entities that enter into contracts with customers to provide goods and services. The guidance also provides a model for the measurement and recognition of gains and losses on the sale of certain nonfinancial assets, such as property and equipment, including real estate.

ASU 2014-09 is effective for annual reporting periods, including interim reporting periods within those periods, beginning after December 15, 2017. The new standard must be adopted using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach.

ASU 2014-09 also requires entities to disclose both quantitative and qualitative information to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

We have not yet determined the impact of adopting the standard on our financial statements nor have we determined whether we will utilize the full retrospective or the modified retrospective approach.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) ("ASU 2016-02") which requires lessees to recognize a lease liability for the obligation to make lease payments, measured at the present value on a discounted basis, and a right-of-use ("ROU") asset for the right to use the underlying asset for the duration of the lease term, measured at the lease liability amount adjusted for lease prepayments, lease incentives received and initial direct costs. The lease liability and ROU asset are recognized in the balance sheet at the commencement of the lease. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern. Classification will be based on criteria that are largely similar to those applied in current lease accounting.

The ASU is effective for annual reporting periods, including interim periods within those periods, beginning after December 15, 2018, and requires the use of a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period presented in the financial statements. Early application of the ASU is permitted. We have not yet determined the impact of adopting the standard on our financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”). The ASU simplifies several aspects of the accounting for stock compensation.

- On a prospective basis, all income tax effects of awards should be recognized in the income statement as tax expense or benefit at the time that the awards vest or are settled, rather than recording excess tax benefit and certain deficiencies in additional paid in capital, and eliminates the requirement that excess tax benefits be realized through a reduction in income taxes payable before they can be recognized.
  - Awards may be classified as equity when an employer withholds the maximum amount of taxes on behalf of the employee. This aspect is to be adopted using a modified retrospective transition method, with a cumulative effect adjustment to retained earnings. The cash paid to a tax authority when shares are withheld to satisfy the tax withholding obligation should be classified as a financing activity on the statement of cash flows on a retrospective basis.
- Companies are required to elect the method of accounting for forfeitures of share-based payments, either by recognizing such forfeitures as they occur or estimating the number of awards expected to be forfeited and

adjusting such estimate when it is deemed likely to change. This aspect is to be adopted using a modified retrospective transition method, with a cumulative effect adjustment to retained earnings.

ASU 2016-09 is effective for annual reporting periods, including interim periods within those periods, beginning after December 15, 2016. We have not yet determined the impact of adopting the standard on our financial statements.

### Note 3—Segment Information

The Company's operations are reported in the following segments:

Carlisle Construction Materials (“CCM” or the “Construction Materials segment”)—the principal products of this segment are insulation materials, rubber (EPDM), thermoplastic polyolefin (TPO), and polyvinyl chloride (PVC) roofing membranes used predominantly on non-residential low-sloped roofs, related roofing accessories, including flashings, fasteners, sealing tapes, and coatings and waterproofing products. The markets served include new construction, re-roofing and maintenance of low-sloped roofs, water containment, HVAC sealants, and coatings and waterproofing.

Carlisle Interconnect Technologies (“CIT” or the “Interconnect Technologies segment”)—the principal products of this segment are high-performance wire, cable, connectors, contacts, and cable assemblies for the transfer of power and data primarily for the aerospace, medical, defense electronics, test and measurement equipment, and select industrial markets.

Carlisle Fluid Technologies (“CFT” or the “Fluid Technologies segment”)—the principal products of this segment are industrial finishing equipment and integrated system solutions for spraying, pumping, mixing, metering, and curing of a variety of coatings used in the transportation, auto refinishing, general industrial, wood, protective coating, and specialty markets.

Carlisle Brake & Friction (“CBF” or the “Brake & Friction segment”)—the principal products of this segment include high-performance brakes and friction material, and clutch and transmission friction material for the construction, agriculture, mining, aerospace, and motor sports markets.

Carlisle FoodService Products (“CFSP” or the “FoodService Products segment”)—the principal products of this segment include commercial and institutional foodservice permanentware, table coverings, cookware, catering equipment, fiberglass and composite material trays and dishes, industrial brooms, brushes, mops, and rotary brushes for commercial and non-commercial foodservice operators and sanitary maintenance professionals.

Corporate reflects other unallocated costs, primarily general corporate expenses.

Three Months Ended June 30, (in millions)	2016		2015	
	Net Sales	EBIT	Net Sales	EBIT
Carlisle Construction Materials	\$ 582.5	\$ 133.1	\$ 577.6	\$ 112.1
Carlisle Interconnect Technologies	209.4	39.6	198.3	36.1
Carlisle Fluid Technologies	68.2	7.3	61.7	(1.0)
Carlisle Brake & Friction	73.3	4.8	85.0	8.1
Carlisle FoodService Products	63.5	8.2	62.0	7.2
Corporate	-	(14.1)	-	(14.5)
Total	\$ 996.9	\$ 178.9	\$ 984.6	\$ 148.0

Six Months Ended June 30, (in millions)	2016		2015	
	Net Sales	EBIT	Net Sales	EBIT
Carlisle Construction Materials	\$ 986.2	\$ 205.4	\$ 948.9	\$ 148.8
Carlisle Interconnect Technologies	406.1	76.2	392.7	70.6
Carlisle Fluid Technologies	129.4	14.2	61.7	(1.0)
Carlisle Brake & Friction	145.3	8.5	171.4	16.3
Carlisle FoodService Products	123.9	15.3	119.2	12.6
Corporate	-	(30.1)	-	(32.9)
Total	\$ 1,790.9	\$ 289.5	\$ 1,693.9	\$ 214.4



## Note 4— Acquisitions

## 2016 Acquisitions

## Micro-Coax

On June 10, 2016, the Company acquired 100% of the equity of Micro-Coax, Inc., and Kroll Technologies, LLC, (collectively “Micro-Coax”) for total consideration of \$95.8 million, net of \$1.5 million cash acquired, inclusive of an estimated working capital settlement of \$0.8 million. The Company expects to finalize the working capital settlement in the third quarter of 2016. The acquired business is a provider of high-performance, high frequency coaxial wire and cable, and cable assemblies to the defense, satellite, test and measurement, and other industrial markets. The results of operations of the acquired business are reported within the Interconnect Technologies segment. See Note 3 for information about the CIT segment.

The following table summarizes the consideration transferred to acquire Micro-Coax and the preliminary allocation of the purchase price among the assets acquired and liabilities assumed. The allocation of the consideration transferred is preliminary pending receipt of the final third-party valuation studies. The Company, therefore, is still awaiting information with respect to the acquisition date fair values principally related to Property, Plant, and Equipment as well as Definite and Indefinite-lived intangible assets. The acquisition has been accounted for using the acquisition method of accounting in accordance with ASC 805, Business Combinations, which requires that consideration be allocated to the acquired assets and liabilities based upon their acquisition date fair values with the remainder allocated to goodwill.

(in millions)	Preliminary Allocation As of 6/10/2016
Total consideration transferred	\$ 97.3

## Recognized amounts of identifiable assets acquired and liabilities assumed:

Cash and cash equivalents	\$ 1.5
Receivables	6.3
Inventories	8.6
Prepaid expenses and other current assets	0.4
Property, plant, and equipment	30.0
Definite-lived intangible assets	31.5
Indefinite-lived intangible assets	2.0

Other long-term assets	1.0
Accounts payable	(1.7)
Accrued expenses	(2.4)
Total identifiable net assets	77.2
Goodwill	\$ 20.1

The preliminary goodwill recognized in the acquisition of Micro-Coax is attributable to its experienced workforce, expected operational improvements through implementation of the Carlisle Operating System, opportunities for product line expansions in addition to supply chain efficiencies and other administrative opportunities, and the significant strategic value of the business to Carlisle. Preliminary goodwill of \$20.1 million is deductible for tax purposes in the United States. All of the preliminary goodwill was assigned to the CIT reporting unit which aligns with the reportable segment. Indefinite-lived intangible assets of \$2.0 million represent acquired trade names. The \$31.5 million value allocated to definite-lived intangible assets consists of \$20.0 million of customer relationships, various acquired technologies of \$10.0 million, and a non-compete agreement of \$1.5 million.

MS Oberflächentechnik AG

On February 19, 2016, the Company acquired 100% of the equity of MS Oberflächentechnik AG (“MS”), a Swiss-based developer and manufacturer of powder coating systems and related components, for total consideration of CHF 12.3 million, or \$12.4 million, including the fair value of contingent consideration of CHF 4.3 million, or \$4.3 million. The results of operations of MS are reported within the Fluid Technologies segment. See Note 3 for information about the CFT segment.

Consideration has been primarily allocated \$8.5 million to definite-lived intangible assets, \$3.6 million to indefinite-lived intangible assets, and \$2.3 million to deferred tax liabilities, with \$2.3 million allocated to goodwill. Definite-lived intangible assets consist of \$7.3 million of technology with a useful life of seven years and customer relationships of \$1.2 million with a useful life of ten years.

2015 Acquisition

On April 1, 2015, the Company acquired 100% of the Finishing Brands business from Graco Inc. (“Graco”) for total cash consideration of \$598.9 million, net of \$12.2 million cash acquired, inclusive of the working capital settlement. The Company funded the acquisition with cash on hand. The Company reports the results of the acquired business as the CFT segment.

The Finishing Brands amounts included in the pro forma financial information below are based on the Finishing Brands’ historical results and, therefore may not be indicative of the actual results if operated by Carlisle. The pro forma adjustments represent management’s best estimates based on information available at the time the pro forma information was prepared and may differ from the adjustments that may actually have been required. Accordingly, pro forma information should not be relied upon as being indicative of the historical results that would have been realized had the acquisition occurred as of the date indicated or that may be achieved in the future.

The unaudited combined pro forma financial information presented below includes Net sales and Income from continuing operations, net of tax, of the Company as if the business combination had occurred on January 1, 2014 based on the purchase price allocation presented below:

Pro Forma	Pro Forma
Three	Six Months
Months	Ended June
Ended	30,
June	

(in millions)	30, 2015	2015
Net sales	\$ 984.6	\$ 1,755.1
Income from continuing operations	102.0	148.2

The pro forma financial information reflects adjustments to Finishing Brands' historical financial information to apply the Company's accounting policies and to reflect the additional depreciation and amortization related to the final fair value adjustments of the acquired net assets, together with the associated tax effects. Also, the pro forma financial information reflects the non-recurring costs of goods sold related to the fair valuation of inventory and acquisition-related costs described above as if they occurred in the first quarter of 2014.

The following table summarizes the consideration transferred to acquire Finishing Brands and the preliminary allocation and measurement period adjustments to arrive at the final allocation of the purchase price among the assets acquired and liabilities assumed. The acquisition has been accounted for using the acquisition method of accounting in accordance with ASC 805, Business Combinations, which requires that consideration be allocated to the acquired assets and liabilities based upon their acquisition date fair values with the remainder allocated to goodwill. The measurement

period adjustments resulted primarily from finalizing valuations of inventory with corresponding measurement period adjustment to deferred taxes.

(in millions)	Preliminary Allocation As of 4/1/2015	Measurement Period Adjustments	Final Allocation As of 3/31/2016
Total cash consideration transferred	\$ 610.6	\$ 0.5	\$ 611.1

Recognized amounts of identifiable assets acquired and liabilities assumed:

Cash and cash equivalents	\$ 12.2	\$ -	\$ 12.2
Receivables	57.3	1.2	58.5
Inventories	40.9	2.2	43.1
Prepaid expenses and other current assets	6.4	(0.2)	6.2
Property, plant, and equipment	41.0	(0.2)	40.8
Definite-lived intangible assets	216.0	-	216.0
Indefinite-lived intangible assets	125.0	-	125.0
Deferred income tax assets	1.9	(1.2)	0.7
Other long-term assets	3.8	(0.3)	3.5
Line of credit	(1.4)	-	(1.4)
Accounts payable	(16.3)	-	(16.3)
Income tax payable	(1.9)	(0.1)	(2.0)
Accrued expenses	(15.6)	-	(15.6)
Deferred income tax liabilities	(28.8)	0.6	(28.2)
Other long-term liabilities	(5.6)	(0.7)	(6.3)
 Total identifiable net assets	 434.9	 1.3	 436.2
 Goodwill	 \$ 175.7	 \$ (0.8)	 \$ 174.9

The goodwill recognized in the acquisition of Finishing Brands is attributable to its experienced workforce, the expected operational improvements through implementation of the Carlisle Operating System, opportunities for geographic and product line expansions in addition to supply chain efficiencies and other administrative opportunities, and the significant strategic value of the business to Carlisle. The Company acquired \$60.0 million of gross contractual accounts receivable, of which \$1.5 million was not expected to be collected at the date of acquisition. Goodwill of \$132.9 million is tax deductible, primarily in the United States. All of the goodwill was assigned to the CFT reporting unit which aligns with the reportable segment. Indefinite-lived intangible assets of \$125.0 million represent acquired trade names. The \$216.0 million value allocated to definite-lived intangible assets consists of \$186.0 million of customer relationships with a useful life of 15 years and various acquired technologies of \$30.0 million with useful lives ranging from five to eight years. The Company recorded an indemnification asset of \$3.0 million in Other long-term assets relating to the indemnification of Carlisle for a pre-acquisition income tax liability in accordance with the purchase agreement. The Company has also recorded deferred tax liabilities related to intangible assets of \$28.2 million.

## 2014 Acquisition

On October 1, 2014, the Company acquired 100% of the equity of LHi Technology (“LHi”) for total cash consideration of \$194.0 million, net of \$6.7 million cash acquired, inclusive of the working capital settlement. LHi is a leading designer, manufacturer, and provider of cable assemblies and related interconnect components to the medical equipment and device industry. In conjunction with the acquisition, the Company recorded an indemnification asset of \$8.7 million in Other long-term assets relating to the indemnification of Carlisle for certain pre-acquisition liabilities, principally related to direct and indirect tax uncertainties. The Company reports the results of the business acquired in the acquisition of LHi within the Interconnect Technologies segment.

## Note 5—Stock-Based Compensation

Stock-based compensation cost is recognized over the requisite service period, which generally equals the stated vesting period, unless the stated vesting period exceeds the date upon which an employee reaches retirement eligibility. Pre-tax stock-based compensation expense was \$3.9 million and \$3.3 million for the three month periods ended June 30, 2016 and 2015, respectively, and \$8.6 million and \$11.6 million for the six month periods ended June 30, 2016 and 2015, respectively.

### Incentive Compensation Program

The Company maintains an Incentive Compensation Program (the “Program”) for executives, certain other employees of the Company and its operating segments and subsidiaries, and the Company’s non-employee directors. Members of the Board of Directors that receive stock-based compensation are treated as employees for accounting purposes. The Program was approved by shareholders on May 6, 2015. The Program allows for awards to eligible employees of stock options, restricted stock, stock appreciation rights, performance shares and units or other awards based on Company common stock. At June 30, 2016, 3,936,710 shares were available for grant under this plan, of which 1,433,660 shares were available for the issuance of stock awards.

### Grants

For the six months ended June 30, 2016, the Company awarded 371,623 stock options, 69,583 restricted stock awards, 61,127 performance share awards and 13,466 restricted stock units with an aggregate grant-date fair value of approximately \$21.6 million to be expensed over the requisite service period for each award.

### Stock Option Awards

Options issued under the Program generally vest one-third on the first anniversary of grant, one-third on the second anniversary of grant, and the remaining one-third on the third anniversary of grant. All options have a maximum term life of 10 years. Shares issued to cover options under the Program may be issued from shares held in treasury, from new issuances of shares, or a combination of the two.

Pre-tax share-based compensation expense related to stock options was \$1.4 million and \$1.2 million for the three month periods ended June 30, 2016 and 2015, respectively, and \$3.0 million and \$2.5 million for the six month periods ended June 30, 2016 and 2015, respectively.

The Company utilizes the Black-Scholes-Merton (“BSM”) option pricing model to determine the fair value of its stock option awards. The BSM relies on certain assumptions to estimate an option’s fair value. The weighted-average assumptions used in the determination of fair value for stock option awards in 2016 and 2015 were as follows:

	2016		2015	
Expected dividend yield	1.4	%	1.1	%
Expected life in years	5.61		5.71	
Expected volatility	27.5	%	27.3	%
Risk-free interest rate	1.4	%	1.4	%
Weighted-average fair value	\$ 19.30		\$ 21.19	

The expected life of options is based on the assumption that all outstanding options will be exercised at the midpoint of the vesting dates (if unvested) and the options’ expiration date. The expected volatility is based on historical volatility as well as implied volatility of the Company’s options. The risk-free interest rate is based on rates of U.S. Treasury issues with a remaining life equal to the expected life of the option. The expected dividend yield is based on the projected annual dividend payment per share, divided by the stock price at the date of grant.

#### Restricted Stock Awards

Restricted stock awarded under the Program is generally released to the recipient after a period of approximately three years. The grant date fair value of the 2016 restricted stock awards, which are released to the recipient after a period of three years, is based on the closing market price of the stock on the date of grant.



### Performance Share Awards

The performance shares awarded vest based on the employee rendering three years of service to the Company, and the attainment of a market condition over the performance period, which is based on the Company's relative total shareholder return versus the S&P Midcap 400 Index® over a pre-determined time period as determined by the Compensation Committee of the Board of Directors. The grant date fair value of the 2016 performance shares was estimated using a Monte-Carlo simulation approach based on a three year measurement period. Such approach entails the use of assumptions regarding the future performance of the Company's stock and those of the S&P Midcap 400 Index®. Those assumptions include expected volatility, risk-free interest rates, correlation coefficients, and dividend reinvestment. Dividends accrue on the performance shares during the performance period and are to be paid in cash based upon the number of awards ultimately earned. The Company expenses the compensation cost associated with the performance awards on a straight-line basis over the vesting period of approximately three years.

### Restricted Stock Units

The restricted stock units awarded to eligible Directors are fully vested and will be paid in shares of Company common stock after the Director ceases to serve as a member of the Board, or if earlier, upon a change in control of the Company. The grant date fair value of the 2016 restricted stock units is based on the closing market price of the stock on February 3, 2016, the date of the grant.

### Deferred Compensation - Equity

Certain employees are eligible to participate in the Company's Non-qualified Deferred Compensation Plan (the "Deferred Compensation Plan"). Participants may elect to defer all or part of their stock-based compensation. Participants have elected to defer 275,446 shares of Company common stock as of June 30, 2016, and 253,520 shares as of December 31, 2015.

### Note 6—Income Taxes

The effective income tax rate on continuing operations for the six months ended June 30, 2016 was 32.6%. The year to date provision for income taxes includes taxes on earnings at an anticipated rate of approximately 33% and year-to-date net discrete tax benefit of \$1.1 million.

The effective tax rate on continuing operations for the six months ended June 30, 2015 was 32.0% and included a year-to-date net discrete tax benefit of \$1.2 million.

Note 7—Earnings Per Share

The Company's restricted shares and restricted stock units contain non-forfeitable rights to dividends and, therefore, are considered participating securities for purposes of computing earnings per share pursuant to the two-class method. The computation below of earnings per share excludes the income attributable to the unvested restricted shares and restricted stock units from the numerator and excludes the dilutive impact of those underlying shares from the denominator. Stock options are included in the calculation of diluted earnings per share utilizing the treasury stock method and performance share awards are included in the calculation of diluted earnings per share considering those that are contingently issuable. Neither is considered to be a participating security as they do not contain non-forfeitable dividend rights.

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The following reflects the Income from continuing operations and share data used in the basic and diluted earnings per share computations using the two-class method:

(in millions except share and per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Numerator:				
Income from continuing operations	\$ 115.3	\$ 94.8	\$ 183.8	\$ 134.3
Less: dividends declared - common stock outstanding, restricted shares and restricted share units	(19.5)	(16.4)	(39.0)	(33.1)
Undistributed earnings	95.8	78.4	144.8	101.2
Percent allocated to common shareholders (1)	99.3 %	99.5 %	99.3 %	99.5 %
	95.1	78.0	143.8	100.7
Add: dividends declared - common stock	19.3	16.3	38.5	32.5
Numerator for basic and diluted EPS	\$ 114.4	\$ 94.3	\$ 182.3	\$ 133.2
Denominator (in thousands):				
Denominator for basic EPS: weighted-average common shares outstanding	64,246	65,010	64,131	64,943
Effect of dilutive securities:				
Performance awards	445	342	445	342
Stock options	421	666	474	648
Denominator for diluted EPS: adjusted weighted-average common shares outstanding and assumed conversion	65,112	66,018	65,050	65,933