

TRIMAS CORP
Form 10-Q
October 29, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549
FORM 10-Q
(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended September 30, 2015

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 001-10716

TRIMAS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 38-2687639
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

39400 Woodward Avenue, Suite 130

Bloomfield Hills, Michigan 48304

(Address of principal executive offices, including zip code)

(248) 631-5450

(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 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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a
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

As of October 26, 2015, the number of outstanding shares of the Registrant's common stock, \$0.01 par value, was 45,282,253 shares.

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Forward-Looking Statements

This report may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 about our financial condition, results of operations and business. These forward-looking statements can be identified by the use of forward-looking words, such as “may,” “could,” “should,” “estimate,” “project,” “forecast,” “intend,” “expect,” “anticipate,” “believe,” “target,” “plan” or other comparable words, or by discussions of strategy that may involve risks and uncertainties.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties which could materially affect our business, financial condition or future results including, but not limited to, risks and uncertainties with respect to: the Company's leverage; liabilities imposed by the Company's debt instruments; market demand; competitive factors; supply constraints; material and energy costs; risks and uncertainties associated with intangible assets, including goodwill or other intangible asset impairment charges; technology factors; litigation; government and regulatory actions; the Company's accounting policies; future trends; general economic and currency conditions; various conditions specific to the Company's business and industry; the Company's ability to integrate Allfast and attain the expected synergies, including that the acquisition is accretive; the Company's ability to attain the Financial Improvement Plan targeted savings and free cash flow amounts; future prospects of the Company; and other risks that are discussed in Part I, Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2014. The risks described in our Annual Report on Form 10-K and elsewhere in this report are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deemed to be immaterial also may materially adversely affect our business, financial position and results of operations or cash flows.

The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. We caution readers not to place undue reliance on the statements, which speak only as of the date of this report. We do not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statement to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

We disclose important factors that could cause our actual results to differ materially from our expectations implied by our forward-looking statements under Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this report. These cautionary statements qualify all forward-looking statements attributed to us or persons acting on our behalf. When we indicate that an event, condition or circumstance could or would have an adverse effect on us, we mean to include effects upon our business, financial and other conditions, results of operations, prospects and ability to service our debt.

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

TriMas Corporation

Consolidated Balance Sheet

(Dollars in thousands)

	September 30, 2015 (unaudited)	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$22,460	\$24,420
Receivables, net of reserves of approximately \$3.5 million and \$2.2 million as of September 30, 2015 and December 31, 2014, respectively	144,600	132,800
Inventories	176,410	171,260
Deferred income taxes	24,030	24,030
Prepaid expenses and other current assets	12,550	8,690
Current assets, discontinued operations	—	197,420
Total current assets	380,050	558,620
Property and equipment, net	174,320	177,470
Goodwill	455,430	460,080
Other intangibles, net	281,230	297,420
Other assets	21,930	27,960
Non-current assets, discontinued operations	—	140,200
Total assets	\$1,312,960	\$1,661,750
Liabilities and Shareholders' Equity		
Current liabilities:		
Current maturities, long-term debt	\$13,860	\$23,400
Accounts payable	84,060	103,510
Accrued liabilities	61,870	63,110
Current liabilities, discontinued operations	—	119,900
Total current liabilities	159,790	309,920
Long-term debt	445,560	615,170
Deferred income taxes	42,350	46,320
Other long-term liabilities	57,400	64,450
Non-current liabilities, discontinued operations	—	35,260
Total liabilities	705,100	1,071,120
Preferred stock, \$0.01 par: Authorized 100,000,000 shares; Issued and outstanding: None	—	—
Common stock, \$0.01 par: Authorized 400,000,000 shares; Issued and outstanding: 45,282,876 shares at September 30, 2015 and 45,280,385 shares at December 31, 2014	450	450
Paid-in capital	810,200	806,810
Accumulated deficit	(193,320)	) (226,850
Accumulated other comprehensive income (loss)	(9,470)	) 10,220
Total shareholders' equity	607,860	590,630
Total liabilities and shareholders' equity	\$1,312,960	\$1,661,750

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

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TriMas Corporation

Consolidated Statement of Income

(Unaudited—dollars in thousands, except for per share amounts)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net sales	\$222,190	\$222,330	\$671,220	\$663,870
Cost of sales	(159,720)	(162,460)	(484,110)	(480,800)
Gross profit	62,470	59,870	187,110	183,070
Selling, general and administrative expenses	(40,910)	(39,350)	(123,320)	(113,070)
Operating profit	21,560	20,520	63,790	70,000
Other expense, net:				
Interest expense	(3,440)	(2,080)	(10,610)	(6,310)
Debt financing and extinguishment costs	—	—	(1,970)	—
Other expense, net	(720)	(1,730)	(2,330)	(3,450)
Other expense, net	(4,160)	(3,810)	(14,910)	(9,760)
Income from continuing operations before income tax expense	17,400	16,710	48,880	60,240
Income tax expense	(5,690)	(5,620)	(16,740)	(21,020)
Income from continuing operations	11,710	11,090	32,140	39,220
Income (loss) from discontinued operations, net of tax	—	11,140	(4,740)	28,590
Net income	11,710	22,230	27,400	67,810
Less: Net income attributable to noncontrolling interests	—	—	—	810
Net income attributable to TriMas Corporation	\$11,710	\$22,230	\$27,400	\$67,000
Basic earnings per share attributable to TriMas Corporation:				
Continuing operations	\$0.26	\$0.24	\$0.71	\$0.85
Discontinued operations	—	0.25	(0.10)	0.64
Net income per share	\$0.26	\$0.49	\$0.61	\$1.49
Weighted average common shares—basic	45,157,412	44,919,340	45,102,067	44,863,008
Diluted earnings per share attributable to TriMas Corporation:				
Continuing operations	\$0.26	\$0.24	\$0.70	\$0.85
Discontinued operations	—	0.25	(0.10)	0.63
Net income per share	\$0.26	\$0.49	\$0.60	\$1.48
Weighted average common shares—diluted	45,499,104	45,276,199	45,439,618	45,231,058

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

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TriMas Corporation
 Consolidated Statement of Comprehensive Income
 (Unaudited—dollars in thousands)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net income	\$ 11,710	\$ 22,230	\$ 27,400	\$ 67,810
Other comprehensive income (loss):				
Defined benefit pension and postretirement plans (Note 14)	200	180	2,930	530
Foreign currency translation	(4,760	) (10,620	) (10,420	) (5,760
Derivative instruments (Note 9)	(3,180	) 250	(3,890	) 30
Total other comprehensive loss	(7,740	) (10,190	) (11,380	) (5,200
Total comprehensive income	3,970	12,040	16,020	62,610
Less: Net income attributable to noncontrolling interests	—	—	—	810
Total comprehensive income attributable to TriMas Corporation	\$ 3,970	\$ 12,040	\$ 16,020	\$ 61,800

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

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TriMas Corporation

Consolidated Statement of Cash Flows

(Unaudited—dollars in thousands)

	Nine months ended September 30,	
	2015	2014
Cash Flows from Operating Activities:		
Net income	\$ 27,400	\$ 67,810
Income (loss) from discontinued operations	(4,740	) 28,590
Income from continuing operations	32,140	39,220
Adjustments to reconcile net income to net cash provided by operating activities, net of acquisition impact:		
Loss on dispositions of property and equipment	590	430
Depreciation	16,430	15,350
Amortization of intangible assets	15,790	10,900
Amortization of debt issue costs	1,360	1,430
Deferred income taxes	(4,220	) (7,120)
Non-cash compensation expense	4,590	6,450
Excess tax benefits from stock based compensation	(300	) (1,100)
Debt financing and extinguishment costs	1,970	—
Increase in receivables	(15,790	) (24,610)
Increase in inventories	(7,010	) (1,970)
(Increase) decrease in prepaid expenses and other assets	(1,020	) 1,320
Increase (decrease) in accounts payable and accrued liabilities	(15,540	) 11,970
Other, net	(250	) 370
Net cash provided by operating activities of continuing operations, net of acquisition impact	28,740	52,640
Net cash provided by (used for) operating activities of discontinued operations	(14,030	) 12,260
Net cash provided by operating activities, net of acquisition impact	14,710	64,900
Cash Flows from Investing Activities:		
Capital expenditures	(20,360	) (18,320)
Acquisition of businesses, net of cash acquired	—	(27,510)
Net proceeds from disposition of property and equipment	1,680	50
Net cash used for investing activities of continuing operations	(18,680	) (45,780)
Net cash used for investing activities of discontinued operations	(2,510	) (2,510)
Net cash used for investing activities	(21,190	) (48,290)
Cash Flows from Financing Activities:		
Proceeds from borrowings on term loan facilities	275,000	—
Repayments of borrowings on term loan facilities	(441,410	) (6,660)
Proceeds from borrowings on revolving credit and accounts receivable facilities	995,620	732,480
Repayments of borrowings on revolving credit and accounts receivable facilities	(1,006,490	) (687,520)
Payments for deferred purchase price	(5,810) —
Debt financing fees	(1,850) —
Distributions to noncontrolling interests	—	(580)
Payment for noncontrolling interests	—	(51,000)
Shares surrendered upon vesting of options and restricted stock awards to cover tax obligations	(2,620	) (2,780)
Proceeds from exercise of stock options	430	480
Excess tax benefits from stock based compensation	300	1,100
Cash transferred to the Cequent businesses	(17,050) —

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Net cash used for financing activities of continuing operations	(203,880)	(14,480)
Net cash provided by financing activities of discontinued operations	208,400	940
Net cash provided by (used for) financing activities	4,520	(13,540)
Cash and Cash Equivalents:		
Net increase (decrease) for the period	(1,960)	3,070
At beginning of period	24,420	27,000
At end of period	\$ 22,460	\$ 30,070
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 12,320	\$ 7,960
Cash paid for taxes	\$ 22,260	\$ 25,610
The accompanying notes are an integral part of these financial statements.		

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TriMas Corporation
Consolidated Statement of Shareholders' Equity
Nine Months Ended September 30, 2015
(Unaudited—dollars in thousands)

	Common Stock	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balances, December 31, 2014	\$450	\$806,810	\$ (226,850)	\$ 10,220	\$590,630
Net income attributable to TriMas Corporation	—	—	27,400	—	27,400
Other comprehensive loss	—	—	—	(11,380)	(11,380)
Shares surrendered upon vesting of options and restricted stock awards to cover tax obligations	—	(2,620)	—	—	(2,620)
Stock option exercises and restricted stock vestings	—	430	—	—	430
Excess tax benefits from stock based compensation	—	300	—	—	300
Non-cash compensation expense	—	5,280	—	—	5,280
Distribution of the Cequent businesses	—	—	6,130	(8,310)	(2,180)
Balances, September 30, 2015	\$450	\$810,200	\$ (193,320)	\$ (9,470)	\$607,860

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

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TRIMAS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

TriMas Corporation ("TriMas" or the "Company"), and its consolidated subsidiaries, is a global manufacturer and distributor of products for commercial, industrial and consumer markets. The Company is principally engaged in the following reportable segments with diverse products and market channels: Packaging, Aerospace, Energy and Engineered Components. See Note 11, "Segment Information," for further information on each of the Company's reportable segments.

On June 30, 2015, the Company completed the previously announced spin-off of its Cequent businesses, creating a new independent publicly traded company, Horizon Global Corporation ("Horizon"). In addition, on June 30, 2015, immediately prior to the effective time of the spin-off, Horizon paid a cash distribution to the Company of \$214.5 million using the proceeds of its new debt financing arrangement and cash on hand.

Consistent with previous estimates, the Company incurred approximately \$30 million of one-time, pre-tax costs associated with the spin-off, of which approximately \$29 million was incurred during 2015. These costs primarily related to financing, legal, tax and accounting services rendered by third parties. Of the \$30 million in costs, approximately \$18 million was included in income (loss) from discontinued operations, \$9 million was capitalized as deferred financing fees associated with Horizon's debt issuance coincident with the spin-off and was included in the balance sheet of the discontinued operations and approximately \$3 million relates to fees associated with the Company's refinancing of long-term debt, of which approximately \$2 million was included in income from continuing operations as debt financing and extinguishment costs and approximately \$1 million was capitalized as deferred financing fees in the accompanying consolidated balance sheet.

The financial position, results of operations and cash flows of the Cequent businesses are reflected as discontinued operations for all periods presented through the date of the spin-off. See Note 3, "Discontinued Operations," for further details regarding the spin-off.

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries and, in the opinion of management, contain all adjustments, including adjustments of a normal and recurring nature, necessary for a fair presentation of financial position and results of operations. Results of operations for interim periods are not necessarily indicative of results for the full year. The accompanying consolidated financial statements and notes thereto should be read in conjunction with the Company's 2014 Annual Report on Form 10-K.

2. New Accounting Pronouncements

In September 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement - Period Adjustments" ("ASU 2015-16"). ASU 2015-16 requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The effect on earnings of changes in depreciation, amortization or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date must be recorded in the reporting period in which the adjustment amounts are determined rather than retrospectively. Additionally, an entity is required to present separately on the face of the income statement or disclose in the notes to the financial statements the portion of the amount recorded in 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 effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, with early adoption permitted. The Company is in the process of assessing the impact of the adoption of ASU 2015-16 on its consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory" ("ASU 2015-11"). ASU 2015-11 requires an entity to measure inventory at the lower of cost and net realizable value, thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market.

The ASU defines net realizable value as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. ASU 2015-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016 and is to be applied prospectively with early adoption permitted. The Company is in the process of assessing the impact of adoption of ASU 2015-11 on its consolidated financial statements.

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TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): 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. Given the absence of authoritative guidance within ASU 2015-03 for debt issuance costs related to line-of-credit arrangements, in August 2015, the FASB issued ASU 2015-15, "Interest - Imputation of Interest (Subtopic 835-30) - Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements," which clarifies ASU 2015-03 by stating that the staff of the Securities and Exchange Commission ("SEC") would not object to an entity deferring and presenting debt issuance costs associated with line-of-credit arrangements as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. ASU 2015-03 is currently effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, with early adoption permitted. The Company is in the process of assessing the impact of the adoption of ASU 2015-03 on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU 2014-09 was originally effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2016. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date" ("ASU 2015-14"), which defers ASU 2014-09 by one year, making it effective for annual reporting periods beginning on or after December 15, 2017 while also providing for early adoption, but not before the original effective date. The Company is in the process of assessing the impact of the adoption of ASU 2014-09 on its consolidated financial statements.

3. Discontinued Operations

Spin-off of the Cequent businesses

On June 30, 2015, the Company completed the previously announced spin-off of its Cequent businesses (comprised of the former Cequent Americas and Cequent Asia Pacific Europe Africa ("Cequent APEA") reportable segments), creating a new independent publicly traded company, Horizon, through the distribution of 100% of the Company's interest in Horizon to holders of the Company's common stock. On June 30, 2015, each of the Company's shareholders of record as of the close of business on the record date of June 25, 2015 received two shares of Horizon common stock for every five shares of TriMas common stock held. In addition, on June 30, 2015, immediately prior to the effective time of the spin-off, Horizon entered into a new debt financing arrangement and used the proceeds to make a cash distribution of \$214.5 million to the Company.

The Cequent businesses are presented as discontinued operations in the Company's consolidated balance sheet, the consolidated statements of income and cash flows for all periods presented.

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TRIMAS CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (unaudited)

The carrying value of the assets and liabilities immediately preceding the spin-off of the Cequent businesses on June 30, 2015, and as of December 31, 2014 were as follows:

	Immediately preceding the spin-off on June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$17,050	\$—
Receivables, net	92,750	63,520
Inventories	125,750	123,370
Deferred income taxes	4,840	4,840
Prepaid expenses and other current assets	6,520	5,690
Total current assets	246,910	197,420
Property and equipment, net	\$48,870	\$55,180
Goodwill	5,630	6,580
Other intangibles, net	61,400	66,510
Other assets	15,910	11,930
Total assets	\$378,720	\$337,620
Liabilities		
Current liabilities:		
Current maturities, long-term debt	\$17,940	\$460
Accounts payable	81,830	81,500
Accrued liabilities	44,190	37,940
Total current liabilities	143,960	119,900
Long-term debt	195,460	300
Deferred income taxes	9,220	8,970
Other long-term liabilities	27,900	25,990
Total liabilities	\$376,540	\$155,160

Following the spin-off, there were no assets or liabilities remaining from the Cequent operations.

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TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

Results of discontinued operations, including the discontinued Cequent businesses and NI Industries, are summarized as follows:

	Three months ended September 30, 2014	Nine months ended September 30, 2015	2014
	(dollars in thousands)		
Net sales	\$ 157,870	\$ 300,900	\$ 488,050
Cost of sales	(119,700)	(227,860)	(366,740)
Gross profit	38,170	73,040	121,310
Selling, general and administrative expenses	(27,100)	(72,360)	(83,090)
Operating profit	11,070	680	38,220
Interest expense	(1,280)	(2,540)	(3,960)
Other expense, net	6,080	(1,970)	4,870
Other expense, net	4,800	(4,510)	910
Income (loss) from discontinued operations, before income taxes	15,870	(3,830)	39,130
Income tax expense	(4,730)	(910)	(10,540)
Income (loss) from discontinued operations, net of tax	\$ 11,140	\$ (4,740)	\$ 28,590

NI Industries

During the third quarter of 2014, the Company ceased operations of its former NI Industries business, which manufactured cartridge cases for the defense industry and was party to a U.S. Government facility maintenance contract. During the three months ended September 30, 2014, the Company received approximately \$6.7 million for the sale of certain intellectual property and related inventory and tooling. Net sales for NI Industries were approximately \$0.1 million and \$3.4 million for the three months and nine months ended September 30, 2014, respectively, and net income was approximately \$3.8 million for both the three months and nine months ended September 30, 2014. There were no net sales or net income (loss) for NI Industries during the three or nine months ended September 30, 2015.

4. Acquisitions

In July 2014, the Company completed the acquisition of Lion Holdings PVT. Ltd. ("Lion Holdings") within the Company's Packaging reportable segment for the amount of approximately \$27.5 million, net of cash acquired. Located in both India and Vietnam, Lion Holdings specializes in the manufacture of highly engineered dispensing solutions and generated approximately \$10 million in revenue for the twelve months ended June 30, 2014.

5. Goodwill and Other Intangible Assets

In connection with the Company's reporting, forecasting and analysis of the results of operations during the third quarter of 2015, the Company determined that there were indicators of a decline in fair value of the Company's Energy and engine products reporting units due to a significant decline in profitability levels, which also may indicate a potential impairment of the recorded goodwill and/or indefinite-lived intangible assets. In addition, the Company's stock price and resulting market capitalization declined approximately 30% during the third quarter of 2015, which management believes is partially due to the decline in profitability of the aforementioned two reporting units. The Company considers the reduction in total Company market capitalization, which is a significant input to estimated total Company fair value, as an indicator that the fair value of the Energy and engine products reporting units, and/or other reporting units, may be less than the carrying value.

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TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

In September 2015, the Company announced a broadly-focused financial improvement plan, to be implemented over the next few quarters and expected to result in improved operational efficiencies, profitability, and cash flow. The plan includes significant cost savings actions within the Energy and engine products reporting units, the impact of which the Company is evaluating in connection with an estimate of fair value.

Given this fact pattern and indicators of potential impairment, the Company determined it would perform an impairment analysis of each of the Company's reporting units and indefinite-lived trademarks/tradenames, along with a comparison of the estimated aggregate fair value of all reporting units to the Company's market capitalization. As the financial improvement plan was not announced until mid-September and is an important input to the estimation of the fair value of Company's reporting units, and the market capitalization continued to be volatile throughout August and September, there was inadequate time within the third quarter to complete the impairment analysis. The Company expects to complete the testing during the fourth quarter of 2015.

Changes in the carrying amount of goodwill for the nine months ended September 30, 2015 are summarized as follows:

	Packaging	Aerospace	Energy	Engineered Components	Total
	(dollars in thousands)				
Balance, December 31, 2014	\$ 169,350	\$ 210,130	\$ 73,180	\$ 7,420	\$ 460,080
Foreign currency translation and other	(2,560)	) —	(2,090)	) —	(4,650)
Balance, September 30, 2015	\$ 166,790	\$ 210,130	\$ 71,090	\$ 7,420	\$ 455,430

The gross carrying amounts and accumulated amortization of the Company's other intangibles as of September 30, 2015 and December 31, 2014 are summarized below. The Company amortizes these assets over periods ranging from one to 30 years.

Intangible Category by Useful Life	As of September 30, 2015		As of December 31, 2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(dollars in thousands)			
Finite-lived intangible assets:				
Customer relationships, 5 – 12 years	\$ 74,970	\$ (24,020)	) \$ 75,300	\$ (18,180)
Customer relationships, 15 – 25 years	132,230	(36,330)	) 132,230	(31,140)
Total customer relationships	207,200	(60,350)	) 207,530	(49,320)
Technology and other, 1 – 15 years	57,870	(21,800)	) 58,040	(18,750)
Technology and other, 17 – 30 years	43,310	(28,730)	) 43,300	(27,150)
Total technology and other	101,180	(50,530)	) 101,340	(45,900)
Indefinite-lived intangible assets:				
Trademark/Trade names	83,730	—	) 83,770	—
Total other intangible assets	\$ 392,110	\$ (110,880)	) \$ 392,640	\$ (95,220)

Amortization expense related to intangible assets as included in the accompanying consolidated statement of income is summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Technology and other, included in cost of sales	\$ 1,480	\$ 1,150	\$ 4,560	\$ 3,450
	3,730	2,570	11,230	7,450

Customer relationships, included in selling, general
and administrative expenses

Total amortization expense	\$5,210	\$3,720	\$15,790	\$10,900
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6. Inventories

Inventories consist of the following components:

	September 30, 2015	December 31, 2014
	(dollars in thousands)	
Finished goods	\$106,020	\$104,760
Work in process	23,030	24,300
Raw materials	47,360	42,200
Total inventories	\$176,410	\$171,260

7. Property and Equipment, Net

Property and equipment consists of the following components:

	September 30, 2015	December 31, 2014
	(dollars in thousands)	
Land and land improvements	\$13,890	\$14,710
Buildings	63,310	60,570
Machinery and equipment	269,110	262,670
	346,310	337,950
Less: Accumulated depreciation	171,990	160,480
Property and equipment, net	\$174,320	\$177,470

Depreciation expense as included in the accompanying consolidated statement of income is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Depreciation expense, included in cost of sales	\$4,950	\$4,330	\$14,330	\$13,160
Depreciation expense, included in selling, general and administrative expense	650	640	2,100	2,190
Total depreciation expense	\$5,600	\$4,970	\$16,430	\$15,350

8. Long-term Debt

The Company's long-term debt consists of the following:

	September 30, 2015	December 31, 2014
	(dollars in thousands)	
Credit Agreement	\$390,120	\$559,530
Receivables facility and other	69,300	79,040
	459,420	638,570
Less: Current maturities, long-term debt	13,860	23,400
Long-term debt	\$445,560	\$615,170

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Credit Agreement

During the second quarter of 2015, the Company amended its credit agreement (the "Credit Agreement"), pursuant to which the Company was able to extend maturities and resize its credit facilities following the spin-off of the Cequent businesses. The cash distribution to the Company from Horizon was used to reduce the outstanding borrowings under the previous credit agreement. The Credit Agreement consists of a \$500.0 million senior secured revolving credit facility, which permits borrowings denominated in specific foreign currencies ("Foreign Currency Loans"), subject to a \$75.0 million sub limit, which matures on June 30, 2020 and is subject to interest at London Interbank Offered Rates ("LIBOR") plus 1.75%, and a \$275.0 million senior secured term loan A facility ("Term Loan A Facility"), which matures on June 30, 2020 and is subject to interest at LIBOR plus 1.75%. The interest rate spread is based upon the leverage ratio, as defined, as of the most recent determination date.

The Credit Agreement also provides incremental term loan and/or revolving credit facility commitments in an amount not to exceed the greater of \$300.0 million and an amount such that, after giving effect to such incremental commitments and the incurrence of any other indebtedness substantially simultaneously with the making of such commitments, the senior secured net leverage ratio, as defined, is no greater than 2.50 to 1.00. The terms and conditions of any incremental term loan and/or revolving credit facility commitments must be no more favorable than the existing credit facility.

The Company may be required to prepay a portion of its Term Loan A Facility in an amount equal to a percentage of the Company's excess cash flow, as defined, with such percentage based on the Company's leverage ratio, as defined. As of September 30, 2015, no amounts are due under this provision.

The Company is also able to issue letters of credit, not to exceed \$40.0 million in aggregate, against its revolving credit facility commitments. At September 30, 2015 and December 31, 2014, the Company had letters of credit of approximately \$22.4 million and \$21.9 million, respectively, issued and outstanding.

At September 30, 2015, the Company had approximately \$115.1 million outstanding under its revolving credit facility and had \$362.5 million potentially available after giving effect to approximately \$22.4 million of letters of credit issued and outstanding. At December 31, 2014, the Company had approximately \$118.1 million outstanding under its revolving credit facility and had \$435.0 million potentially available after giving effect to approximately \$21.9 million of letters of credit issued and outstanding. However, including availability under its accounts receivable facility and after consideration of leverage restrictions contained in the Credit Agreement, the Company had \$107.3 million and \$192.0 million at September 30, 2015 and December 31, 2014, respectively, of borrowing capacity available for general corporate purposes.

Principal payments required under the Credit Agreement for the Term Loan A Facility are approximately \$3.4 million due each fiscal quarter from December 2015 through September 2018 and approximately \$5.2 million due each fiscal quarter from December 2018 through March 2020, with final payment of \$202.8 million due on June 30, 2020.

The debt under the Credit Agreement is an obligation of the Company and certain of its domestic subsidiaries and is secured by substantially all of the assets of such parties. Borrowings under the \$75.0 million foreign currency sub limit of the \$500.0 million senior secured revolving credit facility are secured by a pledge of the assets of the foreign subsidiary borrowers that are a party to the agreement. The Credit Agreement also contains various negative and affirmative covenants and other requirements affecting the Company and its subsidiaries, including restrictions on the incurrence of debt, liens, mergers, investments, loans, advances, guarantee obligations, acquisitions, assets dispositions, sale-leaseback transactions, hedging agreements, dividends and other restricted payments, transactions with affiliates, restrictive agreements and amendments to charters, bylaws, and other material documents. The terms of the Credit Agreement also require the Company and its subsidiaries to meet certain restrictive financial covenants and ratios computed quarterly, including a maximum leverage ratio (total consolidated indebtedness plus outstanding amounts under the accounts receivable securitization facility over consolidated EBITDA, as defined) and a minimum interest expense coverage ratio (consolidated EBITDA, as defined, over cash interest expense, as defined). At

September 30, 2015, the Company was in compliance with its financial covenants contained in the Credit Agreement.

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The Company incurred approximately \$1.8 million in fees to complete the amendment of the Credit Agreement, of which approximately \$1.4 million was capitalized as deferred financing fees and \$0.4 million was recorded as debt financing fees in the accompanying consolidated statement of income during the nine months ended September 30, 2015. The Company also recorded non-cash debt extinguishment costs of \$1.5 million related to the write-off of deferred financing fees associated with the previous credit facilities.

As of September 30, 2015 and December 31, 2014, the Company's Term Loan A Facility traded at approximately 95.5% and 99.5% of par value and the Company's revolving credit facility traded at approximately 94.2% and 99.2% of par value, respectively. The valuations of the Credit Agreement were determined based on Level 2 inputs under the fair value hierarchy, as defined.

Receivables Facility

The Company is a party to an accounts receivable facility through TSPC, Inc. ("TSPC"), a wholly-owned subsidiary, to sell trade accounts receivable of substantially all of the Company's domestic business operations. During the second quarter of 2015, the Company amended the facility to remove the Cequent businesses and to reduce the committed funding from \$105.0 million to \$75.0 million, with no other significant changes to the facility.

Under this facility, TSPC, from time to time, may sell an undivided fractional ownership interest in the pool of receivables up to approximately \$75.0 million to a third party multi-seller receivables funding company. The net amount financed under the facility is less than the face amount of accounts receivable by an amount that approximates the purchaser's financing costs. The cost of funds under this facility consisted of a 3-month LIBOR-based rate plus a usage fee of 1.00% and 1.15% as of September 30, 2015 and 2014, respectively, and a fee on the unused portion of the facility of 0.35% as of September 30, 2015 and 2014.

The Company had approximately \$69.0 million and \$78.7 million outstanding under the facility as of September 30, 2015 and December 31, 2014, respectively. No amounts were available but not utilized as of September 30, 2015. As of December 31, 2014, approximately \$1.6 million was available but not utilized. Aggregate costs incurred under the facility were approximately \$0.2 million and \$0.3 million for the three months ended September 30, 2015 and 2014, respectively, and \$0.7 million and \$1.0 million for the nine months ended September 30, 2015 and 2014, respectively, and are included in interest expense in the accompanying consolidated statement of income. The facility expires on October 16, 2018.

The cost of funds fees incurred are determined by calculating the estimated present value of the receivables sold compared to their carrying amount. The estimated present value factor is based on historical collection experience and a discount rate based on a 3-month LIBOR-based rate plus the usage fee discussed above and is computed in accordance with the terms of the agreement. As of September 30, 2015, the cost of funds under the facility was based on an average liquidation period of the portfolio of approximately 1.7 months and an average discount rate of 1.8%.

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9. Derivative Instruments

The Company utilizes interest rate swap agreements to fix the LIBOR-based variable portion of the interest rate on its long term debt. Terms of the interest rate swap agreements require the Company to receive a variable interest rate and pay a fixed interest rate. As of September 30, 2015, the Company had interest rate swap agreements in place that hedge a notional value of debt ranging from approximately \$251.5 million to approximately \$192.7 million and amortize consistent with future debt principal payments. The interest rate swap agreements establish fixed interest rates in a range of 0.74% to 2.68% with various expiration terms extending to June 30, 2020. At inception, the interest rate swaps were and continue to be designated as cash flow hedges.

As of September 30, 2015 and December 31, 2014, the fair value carrying amount of the Company's derivative instruments are recorded as follows:

	Balance Sheet Caption	Asset / (Liability) Derivatives	
		September 30, 2015	December 31, 2014
		(dollars in thousands)	
Derivatives designated as hedging instruments			
Interest rate swaps	Other assets	\$90	\$1,270
Interest rate swaps	Accrued liabilities	(510)	(180)
Interest rate swaps	Other long-term liabilities	(4,470)	—
Total derivatives designated as hedging instruments		\$(4,890)	\$1,090

The following table summarizes the income (loss) recognized in accumulated other comprehensive income ("AOCI"), the amounts reclassified from AOCI into earnings and the amounts recognized directly into earnings as of September 30, 2015 and December 31, 2014, and for the three and nine months ended September 30, 2015 and 2014:

	Amount of Income (Loss) Recognized in AOCI on Derivative (Effective Portion, net of tax)		Location of Loss Reclassified from AOCI into Earnings (Effective Portion)	Amount of Loss Reclassified from AOCI into Earnings			
	As of September 30, 2015	As of December 31, 2014		Three months ended September 30, 2015	September 30, 2014	Nine months ended September 30, 2015	September 30, 2014
	(dollars in thousands)			(dollars in thousands)			
Derivatives designated as hedging instruments							
Interest rate swaps	\$(3,030)	\$680	Interest expense from discontinued operations	\$(210)	\$—	\$(210)	\$—
				\$—	\$(240)	\$(440)	\$(730)

Over the next 12 months, the Company expects to reclassify approximately \$0.5 million of pre-tax deferred losses from AOCI to interest expense as the related interest payments for the designated interest rate swaps are funded.

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The fair value of the Company's derivatives are estimated using an income approach based on valuation techniques to convert future amounts to a single, discounted amount. Estimates of the fair value of the Company's interest rate swaps use observable inputs such as interest rate yield curves. Fair value measurements and the fair value hierarchy level for the Company's assets and liabilities measured at fair value on a recurring basis as of September 30, 2015 and December 31, 2014 are shown below.

Description	Frequency	Asset / (Liability)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(dollars in thousands)					
September 30, 2015	Interest rate swaps	Recurring	\$(4,890)	\$—	\$(4,890)
December 31, 2014	Interest rate swaps	Recurring	\$1,090	\$—	\$1,090

10. Commitments and Contingencies

Asbestos

As of September 30, 2015, the Company was a party to 1,056 pending cases involving an aggregate of 6,297 claimants alleging personal injury from exposure to asbestos containing materials formerly used in gaskets (both encapsulated and otherwise) manufactured or distributed by certain of the Company's subsidiaries for use primarily in the petrochemical refining and exploration industries. The following chart summarizes the number of claimants, number of claims filed, number of claims dismissed, number of claims settled, the average settlement amount per claim and the total defense costs, exclusive of amounts reimbursed under the Company's primary insurance, at the applicable date and for the applicable periods:

	Claims pending at beginning of period	Claims filed during period	Claims dismissed during period	Claims settled during period	Average settlement amount per claim during period	Total defense costs during period
Fiscal Year Ended December 31, 2014	7,975	210	155	38	\$18,734	\$2,800,000
Nine Months Ended September 30, 2015	7,992	221	1,897	19	\$10,318	\$2,326,180

In addition, the Company acquired various companies to distribute its products that had distributed gaskets of other manufacturers prior to acquisition. The Company believes that many of its pending cases relate to locations at which none of its gaskets were distributed or used.

The Company may be subjected to significant additional asbestos-related claims in the future, the cost of settling cases in which product identification can be made may increase, and the Company may be subjected to further claims in respect of the former activities of its acquired gasket distributors. The Company is unable to make a meaningful statement concerning the monetary claims made in the asbestos cases given that, among other things, claims may be initially made in some jurisdictions without specifying the amount sought or by simply stating the requisite or maximum permissible monetary relief, and may be amended to alter the amount sought. The large majority of claims do not specify the amount sought. Of the 6,297 claims pending at September 30, 2015, 139 set forth specific amounts of damages (other than those stating the statutory minimum or maximum). Below is a breakdown of the amount sought for those claims seeking specific amounts:

Compensatory & Punitive	Compensatory Only	Punitive Only
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Range of damages sought (in millions)	\$0.0 to \$5.0	\$5.0 to \$10.0	\$10.0+	\$0.0 to \$0.6	\$0.6 to \$5.0	\$5.0+	\$0.0 to \$2.5	\$2.5 to \$5.0	\$5.0+
Number of claims	67	43	29	17	52	70	136	2	1

In addition, relatively few of the claims have reached the discovery stage and even fewer claims have gone past the discovery stage.

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Total settlement costs (exclusive of defense costs) for all asbestos-related cases, some of which were filed over 20 years ago, have been approximately \$7.5 million. All relief sought in the asbestos cases is monetary in nature. To date, approximately 40% of the Company's costs related to settlement and defense of asbestos litigation have been covered by its primary insurance. Effective February 14, 2006, the Company entered into a coverage-in-place agreement with its first level excess carriers regarding the coverage to be provided to the Company for asbestos-related claims when the primary insurance is exhausted. The coverage-in-place agreement makes asbestos defense costs and indemnity coverage available to the Company that might otherwise be disputed by the carriers and provides a methodology for the administration of such expenses. Nonetheless, the Company believes it is likely there will be a period within the next one or two years, prior to the commencement of coverage under this agreement and following exhaustion of the Company's primary insurance coverage, during which the Company will be solely responsible for defense costs and indemnity payments, the duration of which would be subject to the scope of damage awards and settlements paid.

Based on the settlements made to date and the number of claims dismissed or withdrawn for lack of product identification, the Company believes that the relief sought (when specified) does not bear a reasonable relationship to its potential liability. Based upon the Company's experience to date, including the trend in annual defense and settlement costs incurred to date, and other available information (including the availability of excess insurance), the Company does not believe these cases will have a material adverse effect on its financial position and results of operations or cash flows.

Claims and Litigation

The Company is subject to other claims and litigation in the ordinary course of business, but does not believe that any such claim or litigation will have a material adverse effect on its financial position and results of operations or cash flows.

11. Segment Information

TriMas groups its operating segments into reportable segments that provide similar products and services. Each operating segment has discrete financial information evaluated regularly by the Company's chief operating decision maker in determining resource allocation and assessing performance. Within these reportable segments, there are no individual products or product families for which reported net sales accounted for more than 10% of the Company's consolidated net sales. See below for more information regarding the types of products and services provided within each reportable segment:

Packaging – Highly engineered closure and dispensing systems for a range of end markets, using steel and plastic industrial and consumer packaging applications.

Aerospace – Permanent blind bolts, temporary fasteners, highly engineered specialty fasteners and other precision machined parts used in the commercial, business and military aerospace industries.

Energy – Metallic and non-metallic industrial sealant products and fasteners for the petroleum refining, petrochemical and other industrial markets.

Engineered Components – High-pressure and low-pressure cylinders for the transportation, storage and dispensing of compressed gases, and natural gas engines, compressors, gas production equipment and chemical pumps engineered for use at well sites for the oil and gas industry.

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Segment activity is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Net Sales				
Packaging	\$87,930	\$89,320	\$256,470	\$257,000
Aerospace	45,380	27,410	134,340	86,420
Energy	51,600	50,290	152,910	155,390
Engineered Components	37,280	55,310	127,500	165,060
Total	\$222,190	\$222,330	\$671,220	\$663,870
Operating Profit (Loss)				
Packaging	\$21,870	\$20,770	\$60,090	\$59,670
Aerospace	7,110	3,870	22,410	14,390
Energy	(3,560)	) (1,100	) (10,390	) 870
Engineered Components	4,380	8,090	16,570	24,920
Corporate expenses	(8,240)		