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, 2022

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: 1-13429

Simpson Manufacturing Co., Inc.
(Exact name of registrant as specified in its charter)

Delaware	94-3196943
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5956 W. Las Positas Blvd., Pleasanton, CA 94588
(Address of principal executive offices, including zip code)
(925) 560-9000
(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	**SSD**	**New York Stock Exchange**

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

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

The number of shares of the registrant's common stock outstanding as of November 3, 2022: 42,597,883

Simpson Manufacturing Co., Inc. and Subsidiaries

TABLE OF CONTENTS

Part I - Financial Information

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

Simpson Manufacturing Co., Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands, unaudited)

	September 30, 2022	September 30, 2021	December 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents	$ 309,262	$ 294,180	$ 301,155
Trade accounts receivable, net	334,449	236,535	231,021
Inventories	540,020	385,512	443,756
Other current assets	48,416	33,427	22,903
Total current assets	1,232,147	949,654	998,835
Property, plant and equipment, net	341,233	255,547	259,869
Operating lease right-of-use assets	48,196	41,513	45,438
Goodwill	467,990	133,495	134,022
Intangible assets, net	330,533	22,077	26,269
Other noncurrent assets	84,159	19,783	19,692
Total assets	$ 2,504,258	$ 1,422,069	$ 1,484,125
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Trade accounts payable	$ 98,646	$ 62,405	$ 57,215
Accrued liabilities and other current liabilities	225,020	183,072	187,387
Long-term debt, current portion	22,500	—	—
Total current liabilities	346,166	245,477	244,602
Operating lease liabilities	38,650	33,063	37,091
Long-term debt, net of issuance costs	660,164	—	—
Deferred income tax and other long-term liabilities	121,723	20,526	18,434
Total liabilities	1,166,703	299,066	300,127
Commitments and contingencies (see Note 14)			
Stockholders' equity			
Common stock, at par value	433	435	432
Additional paid-in capital	296,956	291,733	294,330
Retained earnings	1,150,115	885,472	906,841
Treasury stock	(74,562)	(37,635)	—
Accumulated other comprehensive loss	(35,387)	(17,002)	(17,605)
Total stockholders' equity	1,337,555	1,123,003	1,183,998
Total liabilities and stockholders' equity	$ 2,504,258	$ 1,422,069	$ 1,484,125

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

Simpson Manufacturing Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Earnings and Comprehensive Income
(In thousands except per-share amounts, unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net sales	$ 553,662	$ 396,738	$ 1,640,464	$ 1,154,661
Cost of sales	309,139	198,706	899,828	597,901
Gross profit	244,523	198,032	740,636	556,760
Operating expenses:				
Research and development and other engineering	17,084	14,562	49,892	43,321
Selling	42,539	35,063	124,449	99,053
General and administrative	60,319	47,792	172,511	143,767
Total operating expenses	119,942	97,417	346,852	286,141
Acquisition and integration related costs	1,866	—	14,681	—
Net gain on disposal of assets	(100)	(4)	(1,227)	(112)
Income from operations	122,815	100,619	380,330	270,731
Interest expense, net and other finance costs	(2,983)	(314)	(6,568)	(1,079)
Other & foreign exchange loss, net	(1,707)	(532)	(3,814)	(4,180)
Income before taxes	118,125	99,773	369,948	265,472
Provision for income taxes	29,882	25,995	93,559	68,822
Net income	$ 88,243	$ 73,778	$ 276,389	$ 196,650
Other comprehensive income				
Translation adjustment	(26,476)	(4,889)	(54,345)	(6,649)
Unamortized pension adjustments	459	(182)	1,147	209
Cash flow hedge adjustment, net of tax	26,823	(153)	35,416	(134)
Comprehensive net income	$ 89,049	$ 68,554	$ 258,607	$ 190,076
Net income per common share:				
Basic	$ 2.06	$ 1.70	$ 6.42	$ 4.54
Diluted	$ 2.06	$ 1.70	$ 6.40	$ 4.52
Weighted average number of shares outstanding				
Basic	42,813	43,276	43,044	43,287
Diluted	42,916	43,485	43,173	43,500
Cash dividends declared per common share	$ 0.26	$ 0.25	$ 0.77	$ 0.73

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

Simpson Manufacturing Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
(In thousands except per-share data, unaudited)

Three Months Ended September 30, 2022 and 2021

	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Treasury	
	Shares	Par Value	Capital	Earnings	Income (Loss)	Stock	Total
Balance at June 30, 2022	42,906	$ 433	$ 293,720	$ 1,072,959	$ (36,193)	$ (46,281)	$ 1,284,638
Net income	—	—	—	88,243	—	—	88,243
Translation adjustment, net of tax	—	—	—	—	(26,476)	—	(26,476)
Pension adjustment and other, net of tax	—	—	—	—	459	—	459
Cash flow hedges, net of tax	—	—	—	—	26,823	—	26,823
Stock-based compensation	—	—	3,236	—	—	—	3,236
Shares issued from release of Restricted Stock Units	1	—	—	—	—	—	—
Repurchase of common stock	(309)	—	—	—	—	(28,281)	(28,281)
Cash dividends declared on common stock, $0.26 per share	—	—	—	(11,087)	—	—	(11,087)
Balance at September 30, 2022	42,598	$ 433	$ 296,956	$ 1,150,115	$ (35,387)	$ (74,562)	$ 1,337,555
Balance at June 30, 2021	43,437	$ 435	$ 289,261	$ 822,497	$ (11,778)	$ (13,510)	$ 1,086,905
Net income	—	—	—	73,778	—	—	73,778
Translation adjustment and other, net of tax	—	—	—	—	(4,889)	—	(4,889)
Pension adjustment and other, net of tax	—	—	—	—	(335)	—	(335)
Stock-based compensation	—	—	2,606	—	—	—	2,606
Shares issued from release of Restricted Stock Units	2	—	(134)	—	—	—	(134)
Repurchase of common stock	(222)	—	—	—	—	(24,125)	(24,125)
Cash dividends declared on common stock, $0.25 per share	—	—	—	(10,803)	—	—	(10,803)
Balance at September 30, 2021	43,217	$ 435	$ 291,733	$ 885,472	$ (17,002)	$ (37,635)	$ 1,123,003

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

Simpson Manufacturing Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
(In thousands except per-share data, unaudited)

Nine Months Ended September 30, 2022 and 2021

	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Treasury	
	Shares	Par Value	Capital	Earnings	Income (Loss)	Stock	Total
Balance at December 31, 2021	43,217	$ 432	$ 294,330	$ 906,841	$ (17,605)	$ —	$ 1,183,998
Net income	—	—		276,389	—	—	276,389
Translation adjustment, net of tax	—	—	—	—	(54,345)	—	(54,345)
Pension adjustment and other, net of tax	—	—	—	—	1,147	—	1,147
Cash flow hedges, net of tax	—	—	—	—	35,416	—	35,416
Stock-based compensation	—	—	11,190	—	—	—	11,190
Shares issued from release of Restricted Stock Units	138	1	(9,524)	—	—	—	(9,523)
Repurchase of common stock	(764)	—	—	—	—	(74,562)	(74,562)
Cash dividends declared on common stock, $0.77 per share	—	—	—	(33,115)	—	—	(33,115)
Common stock issued at $139.07 per share for stock bonus	7	—	960	—	—	—	960
Balance at September 30, 2022	42,598	$ 433	$ 296,956	$ 1,150,115	$ (35,387)	$ (74,562)	$ 1,337,555
Balance at December 31, 2020	43,326	$ 433	$ 284,007	$ 720,441	$ (10,428)	$ (13,510)	$ 980,943
Net income	—	—	—	196,650	—	—	196,650
Translation adjustment, net of tax	—	—	—	—	(6,649)	—	(6,649)
Pension adjustment and other, net of tax	—	—	—	—	75	—	75
Stock-based compensation	—	—	12,432	—	—	—	12,432
Shares issued from release of Restricted Stock Units	106	1	(5,397)	—	—	—	(5,396)
Repurchase of common stock	(222)	—	—	—	—	(24,125)	(24,125)
Cash dividends declared on common stock, $0.73 per share	—	—	—	(31,619)	—	—	(31,619)
Common stock issued at $93.45 per share for stock bonus	7	1	691	—	—	—	692
Balance at September 30, 2021	43,217	$ 435	$ 291,733	$ 885,472	$ (17,002)	$ (37,635)	$ 1,123,003

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

Simpson Manufacturing Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In thousands, unaudited)

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities		
Net income	$ 276,389	$ 196,650
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss/(gain) on sale of assets and other	(1,227)	(38)
Depreciation and amortization	44,521	33,192
Noncash lease expense	7,982	7,237
Inventory step-up expense	12,151	—
(Gain) Loss in equity method investment, before tax	(229)	2,289
Deferred income taxes	(13,156)	1,197
Noncash compensation related to stock plans	12,986	13,391
Provision for doubtful accounts	1,146	74
Deferred hedge gain	(1,571)	—
Changes in operating assets and liabilities (net of amounts acquired from ETANCO. see Note 3)		
Trade accounts receivable	(55,037)	(73,219)
Inventories	(27,732)	(104,223)
Trade accounts payable	4,960	15,527
Other current assets	(5,711)	(11,272)
Accrued liabilities and other current liabilities	25,283	45,924
Other noncurrent assets and liabilities	(17,359)	(4,631)
Net cash provided by operating activities	263,396	122,098
Cash flows from investing activities		
Capital expenditures	(41,571)	(31,285)
Acquisitions, net of cash (see Note 3)	(806,544)	(218)
Equity method investments	(2,768)	(9,829)
Proceeds from sale of property and equipment	1,834	132
Terminated forward contract	3,535	—
Net cash used in investing activities	(845,514)	(41,200)
Cash flows from financing activities		
Termination of cash flow hedge	21,252	—
Repurchase of common stock	(74,562)	(24,125)
Proceeds from borrowing under lines of credit and term loan	716,721	8,530
Repayments of lines of credit and capital leases	(27,816)	(8,632)
Debt issuance costs	(6,804)	(819)
Dividends paid	(32,819)	(30,815)
Cash paid on behalf of employees for shares withheld	(9,523)	(5,397)
Net cash provided by (used in) financing activities	586,449	(61,258)
Effect of exchange rate changes on cash and cash equivalents	3,776	(99)
Net increase in cash and cash equivalents	8,107	19,541
Cash and cash equivalents at beginning of period	301,155	274,639
Cash and cash equivalents at end of period	$ 309,262	$ 294,180
Noncash activity during the period		
Noncash capital expenditures	$ 681	$ 550
Dividends declared but not paid	11,223	10,847
Issuance of Company’s common stock for compensation	960	692

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

Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of Simpson Manufacturing Co., Inc. and its subsidiaries (collectively, the "Company"). Investments in 50% or less owned entities are accounted for using either cost or the equity method. All significant intercompany transactions have been eliminated.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that these condensed consolidated financial statements include all normal and recurring adjustments necessary for a fair presentation under GAAP. The Company assessed certain accounting matters that require the use of estimates and assumptions in context with the known and projected future impacts of COVID-19. The Company's actual results could differ materially from those estimates.

Interim Reporting Period

The accompanying unaudited quarterly condensed consolidated financial statements have been prepared in accordance with GAAP pursuant to the rules and regulations for reporting interim financial information and instructions on Form 10-Q. Accordingly, certain information and footnotes required by GAAP have been condensed or omitted. These interim statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (the "2021 Form 10-K").

The unaudited quarterly condensed consolidated financial statements have been prepared on the same basis as the audited annual consolidated financial statements and, in the opinion of management, contain all adjustments (consisting of only normal recurring adjustments) necessary to state fairly the financial information set forth therein in accordance with GAAP. Certain prior period amounts in the condensed consolidated financial statements and the accompanying notes have been reclassified to conform to the current period's presentation. The year-end condensed consolidated balance sheet data provided herein were derived from audited financial statements included in the 2021 Form 10-K, but do not include all disclosures required by GAAP. The Company's quarterly results fluctuate. As a result, the Company believes the results of operations for this interim period presented are not indicative of the results to be expected for any future periods.

Revenue Recognition

Generally, the Company's revenue contract with a customer exists when (1) the goods are shipped, services are rendered, and the related invoice is generated, (2) the duration of the contract does not extend beyond the promised goods or services already transferred and (3) the transaction price of each distinct promised product or service specified in the invoice is based on its relative stated standalone selling price. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a product to a customer at a point in time. Our shipping terms provide the primary indicator of the transfer of control. The Company's general shipping terms are Incoterm C.P.T. (F.O.B. shipping point), where the title, and risk and rewards of ownership transfer at the point when the products are no longer on the Company's premises. Other Incoterms are allowed as exceptions depending on the product or service being sold and the nature of the sale. The Company recognizes revenue based on the consideration specified in the invoice with a customer, excluding any sales incentives, discounts, and amounts collected on behalf of third parties (i.e., governmental tax authorities). Based on historical experience with the customer, the customer's purchasing pattern, and its significant experience selling products, the Company concluded that a significant reversal in the cumulative amount of revenue recognized would not occur when the uncertainty (if any) is resolved (that is, when the total amount of purchases is known). Refer to Note 2 for additional information.

Net Income Per Common Share

The Company calculates net income per common share based on the weighted-average number of shares of the Company's common stock outstanding during the period. Potentially dilutive securities are included in the diluted per-share calculations using the treasury stock method for all periods when the effect of their inclusion is dilutive.

Accounting for Leases

The Company has operating and finance leases for certain facilities, equipment, autos and data centers. As an accounting policy for short-term leases, the Company elected to not recognize a right-of-use ("ROU") asset and liability if, at the commencement date, the lease (1) has a term of 12 months or less and (2) does not include renewal and purchase options that the Company is reasonably certain to exercise. Monthly payments on short-term leases are recognized on a straight-line basis over the full lease term.

Accounting for Stock-Based Compensation

The Company recognizes stock-based compensation expense related to the estimated fair value of restricted stock awards on a straight-line basis, net of estimated forfeitures, over the requisite service period of the awards, which is generally the vesting term of four years. Stock-based expense related to performance share grants are measured based on grant date fair value and expensed on a graded basis over the service period of the awards, which is generally a performance period of three years. The performance conditions are based on the Company's achievement of revenue growth and return on invested capital over the performance period, and are evaluated for the probability of vesting at the end of each reporting period with changes in expected results recognized as an adjustment to expense. The assumptions used to calculate the fair value of restricted stock grants are evaluated and revised, as necessary, to reflect market conditions and the Company's experience.

Fair Value of Financial Instruments

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability. Assets and liabilities recorded at fair value are measured and classified under a three-tier fair valuation hierarchy based on the observability of the inputs available in the market: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument; and Level 3 inputs are unobservable inputs based on the Company's assumptions used to measure assets and liabilities at fair value. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The carrying amounts of trade accounts receivable, accounts payable, accrued liabilities and other current liabilities approximate fair value due to the short-term nature of these instruments. The fair values of the interest rate and foreign currency contracts are classified as Level 2 within the fair value hierarchy. The fair values of the Company's contingent consideration related to acquisitions and equity investments are classified as Level 3 within the fair value hierarchy, as these amounts are based on unobserved inputs such as management estimates and entity-specific assumptions and are evaluated on an ongoing basis.

Derivative Instruments

The Company uses derivative instruments as a risk management tool to mitigate the potential impact of certain market risks. Foreign currency and interest rate risk are the primary market risks the Company manages through the use of derivative instruments, which are accounted for as cash flow hedges or net investment hedges under the accounting standards and carried at fair value as other current or noncurrent assets or as other current or other long-term liabilities in the condensed consolidated balance sheets. Assets and liabilities with the legal right of offset are not offset in the condensed consolidated balance sheets. Net deferred gains and losses related to changes in fair value of cash flow hedges are included in accumulated other comprehensive income/loss ("OCI"), a component of stockholders' equity in the condensed consolidated balance sheets, and are reclassified into the line item in the condensed consolidated statement of earnings and comprehensive income in which the hedged items are recorded in the same period the hedged item affects earnings. The effective portion of gains and losses attributable to net investment hedges is recorded net of tax to OCI to offset the change in the carrying value of the net investment being hedged. Recognition in earnings of amounts previously recorded to OCI are limited to circumstances such as complete or substantially complete liquidation of the net investment in the hedged foreign operation. Changes in fair value of any derivatives that are determined to be ineffective are immediately reclassified from OCI into earnings.

Cash and Cash Equivalents

The Company classifies investments that are highly liquid and have maturities of three months or less at the date of purchase as cash equivalents. As of September 30, 2022 and 2021, the values of these investments were $31.9 million and $28.6 million, respectively, consisting of United States Treasury securities and money market funds. The value of the investments is based on cost, which approximates fair value based on Level 1 inputs.

Current Estimated Credit Loss - Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts receivable for estimated future expected credit losses resulting from customers' failure to make payments on its accounts receivable. The Company determines the estimate of the allowance for doubtful accounts receivable by considering several factors, including (1) specific information on the financial condition and the current creditworthiness of customers, (2) credit rating, (3) payment history and historical experience, (4) aging of the accounts receivable, and (5) reasonable and supportable forecasts about collectability. The Company also reserves 100% of the amounts deemed uncollectible due to a customer's deteriorating financial condition or bankruptcy.

Every quarter, the Company evaluates the customer group using the accounts receivable aging report and its best judgment when considering changes in customers' credit ratings, level of delinquency, customers' historical payments and loss experience, current market and economic conditions, and expectations of future market and economic conditions.

The changes in the allowance for doubtful accounts receivable for the nine months ended September 30, 2022 are outlined in the table below:

(in thousands)	**Balance at December 31, 2021**	**Expense (Deductions), net**	**Write-Offs[1]**	**Balance at September 30, 2022**
Allowance for Doubtful Accounts	$ 1,932	1,146	214	$ 2,864

[1]*Amount is net of recoveries and the effect of foreign currency fluctuations.*

Income Taxes

Income taxes are calculated using an asset and liability approach. The provision for income taxes includes federal, state and foreign taxes currently payable and deferred taxes, due to temporary differences between the financial statement and tax bases of assets and liabilities. In addition, future tax benefits are recognized to the extent that realization of such benefits is more likely than not. This method gives consideration to the future tax consequences of the deferred income tax items and immediately recognizes changes in income tax laws in the year of enactment.

The Company uses an estimated annual tax rate to measure the tax benefit or tax expense recognized in each interim period.

Accounting Standards Not Yet Adopted

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2020-04, *Reference Rate Reform* (Topic 848). ASU 2020-04 provides optional guidance to ease the potential burden in accounting for reference rate reform on financial reporting in response to the market transition from the London Interbank Offered Rate (“LIBOR”). The Company's primary credit facility, which was amended and restated on March 30, 2022, is composed of $450.0 million revolving line of credit and a $450.0 million term loan (the "Amended and Restated Credit Facility"), which matures on March 30, 2027. Borrowings under the Amended and Restated Credit Facility bear interest using Secured Overnight Financing Rate ("SOFR") plus an applicable margin in lieu of LIBOR. The Company does not expect the impacts of adopting ASU 2020-04 to be material to its financial position, results of operations and cash flows

All other newly issued and effective accounting standards during the third quarter of 2022 were determined to be not relevant or material to the Company.

2. Revenue from Contracts with Customers

Disaggregated Revenue

The Company disaggregates net sales into the following major product groups as described in its segment information included in these interim financial statements under Note 15.

Wood Construction Products Revenue. Wood construction products represented 87% and 86%, respectively, of total net sales for the nine months ended September 30, 2022 and 2021.

Concrete Construction Products Revenue. Concrete construction products represented 13% and 14%, respectively, of total net sales for both the nine months ended September 30, 2022 and 2021.

Customer Acceptance Criteria. Generally, there are no customer acceptance criteria included in the Company's standard sales agreement with customers. When an arrangement with the customer does not meet the criteria to be accounted for as a revenue contract under the standard, the Company recognizes revenue in the amount of nonrefundable consideration received when the Company has transferred control of the goods or services and has stopped transferring (and has no obligation to transfer) additional goods or services. The Company offers certain customers discounts for paying invoices ahead of the due date, which are generally 30 to 60 days after the issue date.

Other Revenue. Service sales, representing after-market repair and maintenance, engineering activities and software license sales and services were less than 0.1% of net sales and recognized as the services are completed or by transferring control over a product to a customer at a point in time. Services may be sold separately or in bundled packages. The typical contract length for a service is generally less than one year. For bundled packages, the Company accounts for individual services separately when they are distinct within the context of the contract. A distinct service is separately identifiable from other items in the bundled package if a customer can benefit from it on its own or with other resources that are readily available to the customer. The consideration (including any discounts) is allocated between separate services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the prices at which the Company separately sells the services.

Reconciliation of Contract Balances

Contract assets are the rights to consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditional on something other than the passage of time. Contract liabilities are recorded for any services billed to customers and not yet recognizable if the contract period has commenced or for the amount collected from customers in advance of the contract period commencing. As of September 30, 2022, the Company had no contract assets or contract liabilities from contracts with customers**.**

3. Acquisition

On April 1, 2022, the Company completed its acquisition of 100% of the outstanding equity interest of FIXCO Invest S.A.S. (together with its subsidiaries, "ETANCO") for total purchase consideration of $805.4 million, net of cash acquired (the "Acquisition"). The Acquisition was completed pursuant to the securities purchase agreement dated January 26, 2022, as amended (the “SPA”), by and among the Company, Fastco Investment, Fastco Financing, LRLUX and certain other security holders. The purchase price for the Acquisition was paid using cash on hand and borrowings in the amount of $250.0 million under the revolving credit facility and $450.0 million under the term loan facility. See Note 13 for further information on the Amended and Restated Credit Facility.

ETANCO is a manufacturer and distributor of fastener and fixing products headquartered in France and its primary product applications directly align with the addressable markets in which the Company operates. The Acquisition will allow the Company to enter into new commercial building markets such as façades, waterproofing, safety and solar, as well as grow its share of direct business sales in Europe.

ETANCO’s results of operations were included in the Company's consolidated financial statements from April 1, 2022 acquisition date. The Company's three and nine months ended September 30, 2022 results of operation only includes ETANCO's results of operations for the six months ending September 30, 2022, subsequent to the acquisition. ETANCO had net sales of $67.5 million and a net loss of $1.8 million, and net sales of $147.8 million and a net loss of $3.7 million, for the three and nine months ended September 30, 2022, respectively, which includes costs related to fair-value adjustments for acquired inventory, amortization of acquired intangible assets, and expenses incurred for integration. The allocation of the purchase price is preliminary and subject to change, including any costs and expenses already recognized, as the Company refines its estimates over the measurement period, which is expected to be finalized by the end of the 2022 fiscal year.

Purchase price allocation

The Acquisition was accounted for using the acquisition method of accounting in accordance with Accounting Standards Codification 805, Business Combinations (“ASC 805”) which requires, among other things, that assets acquired and liabilities assumed in a business combination be recorded at fair value as of the acquisition date with limited exceptions.

Preliminary fair value estimates of the net assets acquired are based upon preliminary calculations and valuations as of April 1, 2022. Due to the timing and significance of the Acquisition, the estimates and assumptions regarding certain tangible assets acquired and liabilities assumed, the valuation of intangible assets acquired, income taxes, contingent liabilities, goodwill and useful lives of intangible assets are subject to change as the Company obtains additional information during the measurement period of up to 12 months from the acquisition date.

The preliminary allocation of the $824.4 million purchase price to the estimated fair values of the tangible and intangible assets acquired and liabilities assumed is as follows:

(in thousands)		**Amount**
Cash and cash equivalents	$	19,010
Trade accounts receivable, net		63,607
Inventory		105,641
Other current assets		4,491
Property and equipment, net		89,143
Operating lease right-of-use assets		4,920
Goodwill		368,672
Intangible assets, net		357,327
Other noncurrent assets		1,428
Total assets		**1,014,239**
Trade accounts payable		46,457
Accrued liabilities and other current liabilities		22,079
Operating lease liabilities		5,176
Deferred income tax and other long-term liabilities		116,122
Total purchase price	**$**	**824,405**

Trade accounts receivable, net

The gross amount of trade receivables acquired was approximately $67.4 million, of which $63.6 million is estimated to be recoverable based on ETANCO's historical trend for collections.

Inventory

Acquired inventory primarily consists of raw materials and finished goods consisting of building and construction materials products. The Company adjusted acquired finished goods higher by $12.8 million to estimated fair value based on expected selling prices less a reasonable amount for selling efforts. The fair value adjustment is recognized as a component of cost of sales over the inventory’s expected turnover period and was $3.6 million and $12.8 million during the three and nine months ended September 30, 2022, respectively.

Property and equipment, net

Acquired property and equipment includes land of $15.9 million, buildings and site improvements of $32.1 million, and machinery, equipment, and software of $41.1 million. The estimated fair value of property and equipment was determined primarily using market and/or or cost approach methodologies. The acquired fair value for buildings and site improvements will depreciate on a straight-line basis over the estimated useful lives of the assets for a period of up to sixteen years, machinery, equipment and software will depreciate on an accelerated basis over an estimated useful life of three to ten years. Depreciation expense associated with the acquired property and equipment amounted to $2.2 million and $3.6 million for the three and nine months ended September 30, 2022, respectively.

Goodwill

The excess of purchase price over the net assets acquired is recognized as goodwill and relates to the value that is expected from the acquired assembled workforce as well as the increased scale and synergies resulting from the integration of both businesses. The goodwill recognized from the Acquisition is not deductible for local income tax purposes. Goodwill will be allocated to reporting units within the European reporting segment when the purchase price allocation is finalized during the measurement period.

Intangible assets, net

The estimated fair value of intangible assets acquired was determined primarily using income approach methodologies. The preliminary values allocated to intangible assets and the useful lives are as follows:

(in thousands except useful lives)	**Weighted-average useful life (in years)**	**Amount**
Customer relationships	15	$ 248,398
Trade names	Indefinite	93,811
Developed technology	10	11,256
Patents	8	3,862
		$ 357,327

The acquired definite-lived intangible assets will be amortized on a straight-line basis over estimated useful lives, which approximates the pattern in which these assets are utilized. The Company recognized $4.4 million and $8.6 million of amortization expense on these assets during the three and nine ended September 30, 2022, respectively.

Deferred taxes

As a result of the increase in fair value of inventory, property and equipment, and intangible assets, deferred tax liabilities of $105.4 million were recognized, primarily due to intangible assets.

Acquisition and integration related costs

During the three months and nine ended September 30, 2022 and the year ended December 31, 2021, the Company incurred acquisition and integration related expenses of $1.9 million, $14.7 million and $2.3 million, respectively. The fiscal 2022 amounts have been included in acquisition and integration related costs in the Company’s income from operations, while the 2021 amounts were included in interest expense, net and other. These acquisition and integration related costs consisted of investment banking, legal, accounting, advisory, and consulting fees.

Unaudited pro forma results

The following unaudited pro forma combined financial information presents estimated results as if the Company acquired ETANCO on January 1, 2021. The unaudited pro forma financial information as presented below is for informational purposes only and does not purport to actually represent what the Company’s combined results of operations would have been had the Acquisition occurred on January 1, 2021, or what those results will be for any future periods.

The following unaudited pro forma consolidated financial information has been prepared using the acquisition method of accounting in accordance with U.S. GAAP:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2022	2021	2022	2021
Net sales	$ 553,662	$ 472,172	$ 1,719,648	$ 1,395,751
Net income	$ 92,327	$ 70,456	$ 302,579	$ 181,118
Pro forma earnings per common share:				
Basic	$ 2.16	$ 1.63	$ 7.03	$ 4.18
Diluted	$ 2.15	$ 1.62	$ 7.01	$ 4.16
Weighted average shares outstanding:				
Basic	42,813	43,276	43,044	43,287
Diluted	42,916	43,485	43,173	43,500

The unaudited pro forma results above includes the following non-recurring charges to net income:

1) Acquisition and integration related costs of $1.9 million, $14.7 million, and $2.3 million, which were incurred during the three months ended September 30, 2022, nine months ended September 30, 2022, and three months ended December 31, 2021, respectively, were adjusted as if such costs were incurred during the three months ended March 31, 2021.

2) The $3.6 million and $12.8 million of amortization related to the fair value adjustment for inventory and recognized during the three and nine months ended September 30, 2022, respectively, were adjusted as if incurred during the nine months ended September 30, 2021.

3) Net income for ETANCO includes adjustments of $0.6 million and $2.7 million to conform ETANCO's historical financial results prepared under French GAAP to U.S. GAAP for the three and nine months ended September 30, 2021, respectively. In addition, $0.4 million in French to U.S. GAAP adjustments were made for the nine months ended September 30, 2022. The U.S. GAAP adjustments are primarily related to share-based payments expense on awards that were settled prior to the Acquisition, and costs incurred and capitalized by ETANCO on its historical acquisitions.

4. Net Income Per Share

The following shows a reconciliation of basic net earnings per share ("EPS") to diluted EPS:

(in thousands, except per share amounts)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Net income available to common stockholders	$ 88,243	$ 73,778	$ 276,389	$ 196,650
Basic weighted-average shares outstanding	42,813	43,276	43,044	43,287
Dilutive effect of potential common stock equivalents — restricted stock units	103	209	129	213
Diluted weighted-average shares outstanding	42,916	43,485	43,173	43,500
Net income per common share:				
Basic	$ 2.06	$ 1.70	$ 6.42	$ 4.54
Diluted	$ 2.06	$ 1.70	$ 6.40	$ 4.52

5. Stockholders' Equity

Treasury Shares

As of September 30, 2022, the Company held 763,530 shares of its common stock as treasury shares, which were repurchased during the nine months ended September 30, 2022, in the open market at an average price of $97.65 per share, for a total of $74.6 million.

As of September 30, 2022, approximately $25.4 million remains available for repurchase of shares of the Company's common stock under the previously announced $100.0 million share repurchase authorization (which expires at the end of 2022).

6. Stock-Based Compensation

The Company allocates stock-based compensation expense amongst cost of sales, research and development and other engineering expense, selling expense, or general and administrative expense based on the job functions performed by the employees to whom the stock-based compensation is awarded. Stock-based compensation capitalized in inventory was immaterial for all periods presented. The Company recognized stock-based compensation expense related to its equity plans for employees of $3.5 million and $2.6 million for the three months ended September 30, 2022 and 2021, respectively, and $13.0 million and $12.4 million for the nine months ended September 30, 2022 and 2021, respectively.

During the nine months ended September 30, 2022, the Company granted 119,169 RSUs and PSUs to the Company's employees, including officers at an estimated weighted average fair value of $119.60 per share based on the closing price (adjusted for the present value of dividends) of the Company's common stock on the grant date. The RSUs and PSUs granted to the Company's employees may be time-based, performance-based or time- and performance-based. Certain of the PSUs are granted to officers and key employees, where the number of performance-based awards to be issued is based on the achievement of certain Company performance criteria established in the award agreement over a cumulative three year period. These awards cliff vest after three years. In addition, these same officers and key employees also receive time-based RSUs, which vest pursuant to a three-year graded vesting schedule. Time-based RSUs that are granted to the Company's employees excluding officers and certain key employees, vest ratably over the four year vesting-term of the award.

The Company’s seven non-employee directors are entitled to receive approximately $704 thousand in equity compensation annually. The number of shares ultimately granted are based on the average closing share price for the Company over the 60 day period prior to approval of the award in the second quarter of each year. In May 2022, the Company granted 6,206 shares of the Company's common stock to the non-employee directors, based on the average closing price of $105.50 per share and recognized $655 thousand of expense.

As of September 30, 2022, the Company's aggregate unamortized stock compensation expense was approximately $24.2 million which is expected to be recognized in expense over a weighted-average period of 2.2 years.

7. Trade Accounts Receivable, net

Trade accounts receivable consisted of the following:

	At September 30,		At December 31,
(in thousands)	2022	2021	2021
Trade accounts receivable	$ 341,293	$ 241,955	$ 237,312
Allowance for doubtful accounts	(2,864)	(1,670)	(1,932)
Allowance for sales discounts and returns	(3,980)	(3,750)	(4,359)
	$ 334,449	$ 236,535	$ 231,021

8. Inventories

The components of inventories are as follows:

	At September 30,		At December 31,
(in thousands)	2022	2021	2021
Raw materials	$ 189,715	$ 149,488	$ 191,174
In-process products	48,627	28,399	30,309
Finished products	301,678	207,625	222,273
	$ 540,020	$ 385,512	$ 443,756

9. Derivative Instruments

The Company enters into derivative instrument agreements, including forward foreign currency exchange contracts, interest rate swaps, and cross currency swaps to manage risk in connection with changes in foreign currency and interest rates. The Company hedges committed exposures and does not engage in speculative transactions. The Company only enters into derivative instrument agreements with counterparties who have highly rated credit.

Beginning in March 2022, the Company entered into a forward foreign currency contract expiring in March 2029 to hedge its exposure to adverse foreign currency exchange rate movements for its operations in Europe and elected the spot method for designating this contract as a net investment hedge with the excluded forward point amortized to interest expense. During May 2022, the Company settled the March 2022 forward foreign currency contract for $3.9 million in cash, which included $0.4 million in recognized forward points, terminated the hedge accounting treatment and simultaneously entered into a new forward foreign currency contract expiring in March 2029 with the same notional amount at a new forward rate. The Company also elected the spot method for designating the May 2022 contract as a net investment hedge. The $3.5 million gain recognized on the March 2022 contract excluding recognized forward points is deferred in OCI and will remain in OCI until either the sale or substantially complete liquidation of the hedged subsidiaries.

Beginning in March 2022, the Company also converted a Euro-denominated ("EUR"), fixed rate obligation into a U.S. Dollar fixed rate obligation using a receive fixed, pay fixed cross currency swap, which was designated as a cash flow hedge. During May 2022, the Company settled the March 2022 cross currency swap for $22.4 million in cash, which was comprised of $21.3 million gain on the swap excluding accrued interest and $1.1 million of net interest income accrued according to the terms of the swap. The Company terminated the hedge accounting treatment and simultaneously entered into a new cross currency swap expiring in March 2029 with a lower notional amount for the US dollar denominated leg at a new US dollar interest rate. An amount of $28.3 million was reclassified out of OCI into earnings to offset the currency loss on the underlying security being hedged resulting in a net $7.0 million hedge accounting reserve balance within OCI, which is being amortized to interest expense in the Condensed Consolidated Statement of Earnings and Comprehensive Income through the termination of the underlying hedged intercompany debt in March 2029.

In addition, the Company has converted its domestic U.S. variable rate debt to fixed rate debt using a receive variable, pay fixed interest rate swap expiring March 2027. The interest rate swap contract is also designated as a cash flow hedge.

As of September 30, 2022, the aggregate notional amount of the Company's outstanding interest rate contracts, cross currency swap contracts and forward contract were $688.8 million, $460.0 million and $321.7 million, respectively. As of September 30, 2021, the aggregate notional amount of the Company's outstanding forward contracts used to hedge variability in cash flows on its Chinese Yuan denominated purchases were $2.0 million, all of which expired by December 31, 2021. As of September 30, 2022 there were no outstanding forward contracts on its Chinese Yuan denominated purchases.

Changes in fair value of any forward contracts that are determined to be ineffective are immediately reclassified from OCI into earnings. There were no amounts recognized due to ineffectiveness during the nine-months ended September 30, 2022.

The effects of fair value and cash flow hedge accounting on the Condensed Consolidated Statement of Earnings and Comprehensive Income for the periods ended September 30, were as follows:

	2022			**2021**
(in thousands)	Cost of sales	Interest expense, net	Other & foreign exchange loss, net	Cost of sales
Total amounts of income and expense line items presented in the Condensed Consolidated Statement of Earnings in which the effects of fair value or cash flow hedges are recorded	$ 899,828	$ (2,983)	$ (3,814)	$ 597,901
The effects of fair value and cash flow hedging				
Gain or (loss) on cash flow hedging relationships				
Interest contracts:				
Amount of gain or (loss) reclassified from OCI to earnings		(3,315)		
Cross currency swap contract				
Amount of gain or (loss) reclassified from OCI to earnings		(4,020)	57,560	
Forward contract				
Amount of gain or (loss) reclassified from OCI to earnings	163			207

The effects of derivative instruments on the Condensed Consolidated Statement of Earnings and Comprehensive Income for the three months ended September 30, 2022 and 2021 were as follows:

Cash Flow Hedging Relationships	**Gain (Loss) Recognized in OCI**		**Location of Gain (Loss) Reclassified from OCI into Earnings**	**Gain (Loss) Reclassified from OCI into Earnings**	
(in thousands)	**2022**	**2021**		**2022**	**2021**
Interest rate contracts	$ 18,696	$ —	Interest expense	$ (337)	$ —
Cross currency contracts	23,977	—	Interest expense	(5,979)	—
			FX gain (loss)	28,437	—
Forward contracts	$ —	$ 207	Cost of goods sold	—	228
Total	$ 42,673	$ 207		$ 22,121	$ 228

The effects of derivative instruments on the Condensed Consolidated Statement of Earnings and Comprehensive Income for the nine months ended September 30, 2022 and 2021were as follows:

Cash Flow Hedging Relationships	Gain (Loss) Recognized in OCI		Location of Gain (Loss) Reclassified from OCI into Earnings	Gain (Loss) Reclassified from OCI into Earnings	
	2022	2021		2022	2021
Interest rate contracts	$ 25,571	$ —	Interest expense	$ (3,315)	$ —
Cross currency contracts	46,692	—	Interest expense	(4,020)	—
			FX gain (loss)	57,560	—
Forward contracts	—	207	Cost of goods sold	163	428
Total	$ 72,263	$ 207		$ 50,388	$ 428

For the three and nine months ending September 30, 2022, gains on the net investment hedge of $16.9 million and $28.2 million were included in OCI, respectively. For the three and nine months ending September 30, 2022, excluded gains of $1.3 million and $2.4 million, respectively, were reclassified from OCI to interest expense.

As of September 30, 2022, the aggregate fair values of the Company's derivative instruments were comprised of an asset of $82.1 million, of which $19.9 million is included in other current assets on the condensed consolidated balance sheet, and the balance, or $62.2 million as an Other non-current assets on the condensed consolidated balance sheet.

10. Property, Plant and Equipment, net

Property, plant and equipment consisted of the following:

	At September 30,		At December 31,
(in thousands)	2022	2021	2021
Land	$ 48,027	$ 28,232	$ 28,175
Buildings and site improvements	220,684	201,730	202,393
Leasehold improvements	5,698	5,956	5,995
Machinery, equipment, and software	449,121	396,201	399,079
	723,530	632,119	635,642
Less accumulated depreciation and amortization	(419,108)	(400,981)	(402,246)
	304,422	231,138	233,396
Capital projects in progress	36,811	24,409	26,473
Total	$ 341,233	$ 255,547	$ 259,869

11. Goodwill and Intangible Assets, net

Goodwill consisted of the following:

	At September 30,		At December 31,
(in thousands)	2022	2021	2021
North America	$ 96,087	$ 96,306	$ 96,307
Europe	370,669	35,816	36,331
Asia/Pacific	1,234	1,373	1,384
Total	$ 467,990	$ 133,495	$ 134,022

Goodwill totaled $468.0 million as of September 30, 2022, including $337.3 million attributable to the ETANCO acquisition.

Amortizable intangible assets, net, consisted of the following:

	At September 30, 2022		
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
North America	$ 46,717	$ (28,922)	$ 17,795
Europe	342,407	(29,669)	312,738
Total	$ 389,124	$ (58,591)	$ 330,533

	At September 30, 2021		
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
North America	$ 41,003	$ (25,563)	$ 15,440
Europe	26,361	(19,724)	6,637
Total	$ 67,364	$ (45,287)	$ 22,077

	At December 31, 2021		
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
North America	$ 46,643	$ (26,346)	$ 20,297
Europe	26,371	(20,399)	5,972
Total	$ 73,014	$ (46,745)	$ 26,269

Intangible assets consist of definite-lived and indefinite-lived assets. Definite-lived intangible assets include customer relationships, patents, unpatented technology, and non-compete agreements. Amortization expense of definite-lived intangible assets was $5.4 million and $1.5 million for the three months ended September 30, 2022 and 2021, respectively and was $11.8 million and $5.0 million for the nine months ended September 30, 2022 and 2021, respectively. The weighted-average amortization period for all amortizable intangibles on a combined basis is 9.3 years.

Indefinite-lived intangible assets totaled $83.4 million as of September 30, 2022, including $82.8 million attributable to trade names acquired in the ETANCO acquisition.

At September 30, 2022, the estimated future amortization of definite-lived intangible assets was as follows:

(in thousands)	
Remaining three months of 2022	$ 5,272
2023	20,275
2024	19,334
2025	19,085
2026	18,422
2027	18,275
Thereafter	146,392
	$ 247,055

The changes in the carrying amount of goodwill and intangible assets for the nine months ended September 30, 2022, were as follows:

(in thousands)	Goodwill	Intangible Assets
Balance at December 31, 2021	$ 134,022	$ 26,269
Acquisition of ETANCO	368,673	357,402
Reclassifications	—	(95)
Amortization	—	(11,846)
Foreign exchange	(34,705)	(41,197)
Balance at September 30, 2022	$ 467,990	$ 330,533

12. Leases

The Company has operating leases for certain facilities, equipment and automobiles. The existing operating leases expire at various dates through 2026, some of which include options to extend the leases for up to 5 years. The Company measured the lease liability at the present value of the lease payments to be made over the lease term. The lease payments are discounted using the Company's incremental borrowing rate. The Company measured the ROU assets at the amount at which the lease liability is recognized plus initial direct costs incurred or prepayment amounts. The ROU assets are amortized on a straight-line basis over the lease term.

The following table provides a summary of leases included on the condensed consolidated balance sheets as of September 30, 2022 and 2021 and December 31, 2021, condensed consolidated statements of earnings and comprehensive income, and condensed consolidated statements of cash flows for the nine months ended September 30, 2022 and 2021, respectively:

	Condensed Consolidated Balance Sheets Line Item	September 30,		December 31,
(in thousands)		2022	2021	2021
Operating leases				
Assets				
Operating leases	Operating lease right-of-use assets	$ 48,196	$ 41,513	$ 45,438
Liabilities				
Operating - current	Accrued expenses and other current liabilities	$ 10,163	$ 8,849	$ 8,769
Operating - noncurrent	Operating lease liabilities	38,650	33,063	37,091
Total operating lease liabilities		$ 48,813	$ 41,912	$ 45,860
Finance leases				
Assets				
Property and equipment, gross	Property, plant and equipment, net	$ 3,569	$ 3,569	$ 3,569
Accumulated amortization	Property, plant and equipment, net	(3,569)	(3,340)	(3,416)
Property and equipment, net	Property, plant and equipment, net	$ —	$ 229	$ 153

The components of lease expense were as follows:

	Condensed Consolidated Statements of Earnings and Comprehensive Income Line Item	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)		2022	2021	2022	2021
Operating lease cost	General administrative expenses and cost of sales	$ 3,436	$ 2,958	$ 9,851	$ 8,570
Finance lease cost:					
Amortization of right-of-use assets	General administrative expenses	$ —	$ 2	$ —	$ 215
Interest on lease liabilities	Interest expense, net	—	—	—	2
Total finance lease		$ —	$ 2	$ —	$ 217

Other Information

Supplemental cash flow information related to leases is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2022**	**2021**	**2022**	**2021**
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows for operating leases	$ 3,435	$ 2,919	$ 9,662	$ 8,417
Finance cash flows for finance leases	—	2	—	291
Operating right-of-use assets obtained in exchange for lease obligations during the current period	3,159	926	8,728	5,624

The following is a schedule, by years, of maturities of lease liabilities as of September 30, 2022:

(in thousands)	**Operating Leases**
Remaining three months of 2022	$ 3,391
2023	12,218
2024	10,161
2025	8,287
2026	6,405
Thereafter	18,070
Total lease payments	58,532
Less: Present value discount	(9,719)
Total lease liabilities	$ 48,813

The following table summarizes the Company's lease terms and discount rates as of September 30, 2022 and 2021:

Weighted-average remaining lease terms (in years):	**2022**	**2021**
Operating leases	6.12	6.77
Weighted-average discount rate:		
Operating leases	4.79 %	5.26 %

13. Debt

On March 30, 2022, the Company entered into the Amended and Restated Credit Facility, which amends and restates the Company's previous Credit Agreement, dated as of July 27, 2012. The Amended and Restated Credit Facility provides for a 5-year revolving credit facility of $450.0 million revolving line of credit, which includes a letter of credit-sub-facility up to $50.0 million, and a 5-year term loan facility of $450.0 million. The Company borrowed $250.0 million, under the revolving credit facility and $450.0 million under the term loan facility to finance a portion of the purchase price of the Acquisition. In addition, the Company incurred $6.8 million of debt issuance costs, which are classified in long-term debt on the condensed consolidating balance sheet, that have been deferred and will amortize over the 5-year terms of the Amended and Restated Credit Facility.

The Company is required to pay an annual revolving credit facility fee of 0.10% to 0.25% per annum on the available commitments under the terms of the Amended and Restated Revolving Credit Facility, regardless of usage, with the applicable fee determined on a quarterly basis based on the Company’s net leverage ratio. The fee is included within Interest expense, net and other in the Company's Condensed Consolidated Statements of Earnings and Comprehensive Income.

Amounts borrowed under the Amended and Restated Credit Facility will bear interest from time to time at either the Base Rate, Spread Adjusted Daily Simple SOFR, Spread Adjusted Term SOFR, Adjusted Eurocurrency Rate or Daily Simple RFR, in each case, as calculated under and as in effect from time to time under the Amended and Restated Credit Facility, plus the Applicable Margin, as defined in the Amended and Restated Credit Facility. The Applicable Margin is determined based on the Company’s net leverage ratio, and ranges (i) from 0.00% to 0.75% per annum for amounts borrowed under the term loan facility that bear interest at Base Rate, (ii) from 0.75% to 1.75% per annum for amounts borrowed under the term loan facility that bear interest at Adjusted Eurocurrency Rate, Spread Adjusted Daily Simple SOFR or Spread Adjusted Term SOFR, (iii) from 0.00% to 0.50% per annum for amounts borrowed under the revolving credit facility that bear interest at Base Rate, (iv) from 0.68% to 1.53% per annum for amounts borrowed under the revolving credit facility that bear interest at Daily Simple RFR (solely to the extent denominated in pound sterling) and (v) from 0.65% to 1.50% per annum for amounts borrowed under the revolving credit facility that bear interest at Daily Simple RFR (other than loans denominated in pound sterling) or Adjusted Eurocurrency Rate. Loans outstanding under the Amended and Restated Credit Facility may be prepaid at any time without penalty except for customary breakage costs and expenses. Based on current principal payment expectations, the annual interest rate on the outstanding debt will be approximately 2.00% over the life of the debt including the effects of the interest rate swap and other derivatives noted above.

As of September 30, 2022, in addition to the Amended and Restated Credit Facility, certain of the Company’s domestic subsidiaries are guarantors for a credit agreement between certain of its foreign subsidiaries and institutional lenders. Together, all of its credit facilities provide the Company with a total of $205.1 million in available revolving credit lines and an irrevocable standby letter of credit in support of various insurance deductibles.

The Company has $688.8 million, excluding deferred financing costs, outstanding under the Amended and Restated Credit Facility, which is the estimated the fair value as of September 30, 2022. There were no outstanding balances under the Amended and Restated Credit Facility as of September 30, 2021, and December 31, 2021.

The following is a schedule, by years, of maturities for the remaining term loan facility as of September 30, 2022:

(in thousands)	5-Year Term Loan	
Remaining three months of 2022	$	5,625
2023		22,500
2024		22,500
2025		22,500
2026		22,500
2027		343,125
Total loan outstanding	$	438,750

The $250.0 million borrowed under the revolving credit facility is due on March 31, 2027.

The Company was in compliance with its financial covenants under the Amended and Restated Credit Facility as of September 30, 2022.

14. Commitments and Contingencies

Environmental

The Company’s policy with regard to environmental liabilities is to accrue for future environmental assessments and remediation costs when information becomes available that indicates that it is probable that the Company is liable for any related claims and assessments and the amount of the liability is reasonably estimable. The Company does not believe that any such matters will have a material adverse effect on the Company’s financial condition, cash flows or results of operations.

Litigation and Potential Claims

From time to time, the Company is involved in various legal proceedings and other matters arising in the normal course of business. Corrosion, hydrogen embrittlement, cracking, material hardness, wood pressure-treating chemicals, misinstallations, misuse, design and assembly flaws, manufacturing defects, labeling defects, product formula defects, inaccurate chemical mixes, adulteration, environmental conditions, or other factors can contribute to failure of fasteners, connectors, anchors, adhesives, specialty chemicals, such as fiber reinforced polymers, and tool products. In addition, inaccuracies may occur in product information, descriptions and instructions found in catalogs, packaging, data sheets, and the Company's website.

The resolution of any claim or litigation is subject to inherent uncertainty and could have a material adverse effect on the Company's financial condition, cash flows or results of operations.

15. Segment Information

The Company is organized into three reporting segments defined by the regions where the Company's products are manufactured, marketed and distributed to the Company's customers. The three reporting segments are the North America segment (comprised primarily of the Company's operations in the U.S. and Canada), the Europe segment, which includes ETANCO, and the Asia/Pacific segment (comprised of the Company's operations in Asia, the South Pacific, and the Middle East). These segments are similar in several ways, including the types of materials used, the production processes, the distribution channels and the product applications.

The Administrative & All Other column primarily includes expenses such as self-insured workers compensation claims for employees, stock-based compensation for certain members of management, interest expense, foreign exchange gains or losses and income tax expense, as well as revenues and expenses related to real estate activities.

The following tables illustrate certain measurements used by management to assess the performance of its reportable segments as of or the following periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2022	2021	2022	2021
Net Sales				
North America	$ 437,770	$ 338,591	$ 1,332,911	$ 989,711
Europe	111,903	54,832	296,592	155,567
Asia/Pacific	3,989	3,315	10,961	9,383
Total	$ 553,662	$ 396,738	$ 1,640,464	$ 1,154,661
*Sales to Other Segments**				
North America	$ 1,071	$ 815	$ 3,646	$ 1,732
Europe	1,045	1,226	4,000	4,386
Asia/Pacific	8,736	5,856	25,242	19,849
Total	$ 10,852	$ 7,897	$ 32,888	$ 25,967
*Income (Loss) from Operations ***				
North America	$ 127,318	$ 100,229	$ 400,336	$ 274,444
Europe	6,149	7,517	10,339	15,681
Asia/Pacific	234	313	898	941
Administrative and all other	(10,886)	(7,440)	(31,243)	(20,335)
Total	$ 122,815	$ 100,619	$ 380,330	$ 270,731

* Sales to other segments are eliminated in consolidation.

** Beginning in 2022, the Company changed its presentation of its North America and Administrative and all other segment's statement of operations to display allocated expenses and management fees as a separate item below income from operations. During 2021, allocated expenses and management fees between the two segments were previously included in gross profit, operating expenses and in income from operations and been adjusted herein to conform to 2022 presentation. Consolidated income of operations, income before tax and net income for all periods presented below are not affected by the change of operations.

(in thousands)	At September 30, 2022	At September 30, 2021	At December 31, 2021
Total Assets			
North America	$ 1,311,102	$ 1,274,937	$ 1,352,988
Europe	641,988	207,744	202,631
Asia/Pacific	34,333	32,748	31,832
Administrative and all other	516,835	(93,360)	(103,326)
Total	$ 2,504,258	$ 1,422,069	$ 1,484,125

Cash collected by the Company's U.S. subsidiaries is routinely transferred into the Company's cash management accounts and, therefore is in the total assets of "Administrative and all other." Cash and cash equivalent balances in the "Administrative and all other" segment were $236.3 million, $219.7 million, and $223.5 million, as of September 30, 2022 and 2021, and December 31, 2021, respectively. Also included in the total assets of "Administrative and all other" are intercompany borrowings due from the Europe segment, which were used by the Europe segment in the acquisition of ETANCO. Included in the total assets of each segment are net intercompany borrowings due to and from the other segments.

The Company's wood construction products include connectors, truss plates, fastening systems, fasteners and pre-fabricated shearwalls and are used for connecting and strengthening wood-based construction primarily in residential and commercial construction. Its concrete construction products include adhesives, specialty chemicals, mechanical anchors, carbide drill bits, powder actuated tools and reinforcing fiber materials and are used for restoration, protection or strengthening concrete, masonry and steel construction in residential, industrial, commercial and infrastructure construction. The table below illustrates the distribution of the Company's sales by product group as additional information for the following periods:

(in thousands)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Wood construction products	$ 478,554	$ 338,896	$ 1,428,745	$ 996,261
Concrete construction products	74,933	57,589	211,119	157,417
Other	175	253	600	983
Total	$ 553,662	$ 396,738	$ 1,640,464	$ 1,154,661

16. Subsequent Events

Dividend Declared

On October 21, 2022, the Company's Board of Directors (the "Board") declared a quarterly cash dividend of $0.26 per share, estimated to be $11.1 million in total. The dividend will be payable on January 26, 2023, to the Company's stockholders of record on January 5, 2023.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Each of the terms the "Company," "we," "our," "us" and similar terms used herein refer collectively to Simpson Manufacturing Co., Inc., a Delaware corporation, and its wholly-owned subsidiaries, including Simpson Strong-Tie Company Inc., unless otherwise stated. The Company regularly uses its website to post information regarding its business and governance. The Company encourages investors to use http://www.simpsonmfg.com as a source of information about the Company. The information on our website is not incorporated by reference into this report or other material we file with or furnish to the Securities and Exchange Commission (the "SEC"), except as explicitly noted or as required by law.

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of the Company's consolidated financial condition and results of operations. This discussion should be read in conjunction with the accompanying condensed consolidated financial statements and notes thereto included in this report.

"Strong-Tie" and our other trademarks appearing in this report are our property. This report contains additional trade names and trademarks of other companies. We do not intend our use or display of other companies' trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements generally can be identified by words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "target," "continue," "predict," "project," "change," "result," "future," "will," "could," "can," "may," "likely," "potentially," or similar expressions that concern our strategy, plans, expectations or intentions. Forward-looking statements include, but are not limited to, statements about future financial and operating results, our plans, objectives, business outlook, priorities, expectations and intentions, expectations for sales and market growth, comparable sales, earnings and performance, stockholder value, capital expenditures, cash flows, the housing market, the home improvement industry, demand for services, share repurchases, the integration of the acquisition of ETANCO, our strategic initiatives, including the impact of these initiatives, on our strategic and operational plans and financial results, and any statement of an assumption underlying any of the foregoing and other statements that are not historical facts. Although we believe that the expectations, opinions, projections and comments reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and we can give no assurance that such statements will prove to be correct. Actual results may differ materially from those expressed or implied in such statements.

Forward-looking statements are subject to inherent uncertainties, risks and other factors that are difficult to predict and could cause our actual results to vary in material respects from what we have expressed or implied by these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those expressed in our forward looking statements include, among others, the prolonged impact of the COVID-19 pandemic on our operations and supply chain, the operations of our customers, suppliers and business partners, and the successful integration of ETANCO and those discussed under Item 1A. Risk Factors and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021. Additional risks include: the cyclicality and impact of general economic conditions; changing conditions in global markets including the impact of sanctions and tariffs, quotas and other trade actions and import restrictions; the impact of pandemics, epidemics or other public health emergencies; volatile supply and demand conditions affecting prices and volumes in the markets for both our products and raw materials we purchase; the impact of foreign currency fluctuations; potential limitations on our ability to access capital resources and borrowings under our existing credit agreement; restrictions on our business and financial covenants under our credit agreement; reliance on employees subject to collective bargaining agreements; and or ability to repurchase shares of our common stock and the amounts and timing of repurchases, if any.

We caution that you should not place undue reliance on these forward-looking statements, which speak only as of the date of this report. Except as required under the federal securities laws or the rules and regulations of the SEC, we undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise. Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the SEC that advise of the risks and factors that may affect our business.

Overview

We design, manufacture and sell building construction products that are of high quality and performance, easy to use and cost-effective for customers. We operate in three business segments determined by geographic region: North America, Europe and Asia/Pacific.

Recent Developments

On April 1, 2022, the Company successfully completed the acquisition of ETANCO, a manufacturer of fixing and fastener products headquartered in France, for $805.4 million (730 million euros[(1)]) net of cash.

ETANCO's primary product applications directly align with the addressable markets in which the Company operates. Leveraging ETANCO's leading market position in Europe, following the acquisition, the Company would expand its portfolio of solutions, including mechanical anchors, fasteners and commercial building envelope solutions, as well as significantly increase its market presence across Europe. The acquisition of ETANCO has provided the Company access into new commercial building markets such as façades, waterproofing, safety and solar, as well as grow its share of direct business sales in Europe.

Upon announcing the acquisition, the Company expected to realize operating income synergies of approximately $30.0 million, on an annual run rate basis following integration efforts. We continue to expect that these synergies will be achieved through expanding the Company's market share by selling its products into new markets and channels, incorporating ETANCO's products into the Company's existing channels, as well as procurement optimization, manufacturing and operating expense efficiencies. Finally, interest expense has and will continue to increase as a result of the incurrence of debt to finance the acquisition of ETANCO.

Since we announced the transaction back in late December, planning for and initiating the integration of ETANCO has been our primary focus and we believe it has been progressing according to plan. We assembled a project management office that includes a leading globally recognized external advisory consulting group together with a multi-disciplinary team of key management from both Simpson and ETANCO. Because of our complementary cultures and values, our combined team has been working extremely well together as we develop detailed plans for each of our specific integration tracks. We believe our approach has contributed to a high employee retention rate throughout the transition. After several months, we have found no material adjustments to our previously identified synergy opportunities, although the realization of the full amount is subject to change based on the current environment in Europe. With the groundwork we have laid so far, we believe we are still well positioned to capture meaningful benefits from those synergies in the coming years.

At our March 23, 2021 analyst and investor day, we unveiled several key growth initiatives that we believe will help us continue our track record of achieving above market revenue growth through a combination of organic and inorganic opportunities. Our organic opportunities are focused on expansion into new markets within our core competencies of wood and concrete products. These key growth initiatives will focus on the original equipment manufacturers, repair and remodel or do-it-yourself, mass timber, concrete and structural steel markets.

In order to grow in these markets, we aspire to be among the leaders in engineered load-rated construction building products and systems and building technology while leveraging our engineering expertise, deep-rooted relationships with top builders, engineers, contractors, code officials and distributors, along with our ongoing commitment to testing, research and innovation. Importantly, we currently have existing products, testing results, distribution and manufacturing capabilities for our key growth initiatives. Although these initiatives are all currently in different stages of development, our successful growth in these areas will ultimately be a function of expanding our sales and/or marketing functions to promote our products to different end users and distribution channels, expanding our customer base, and potentially introducing new products in the future.

We also highlighted our five-year ambitions during the March 2021 analyst and investor day, which are as follows:

- Strengthen our values-based culture;
- Be the business partner of choice;
- Strive to be an innovative leader in the markets we operate;
- Continue above market growth relative to the United States housing starts;
- Remain within the top quartile of our proxy peers for operating income margin; and
- Remain in the top quartile of our proxy peers for return on invested capital.

We have made progress towards our key growth initiatives since they were first announced in 2021. Here are a few examples:

- We acquired ETANCO and are already seeing tangible results in our actual operations, as well as for the future including the use of Simpson and ETANCO branded commercial concrete products in the construction of certain venues for the upcoming Olympic games in Paris.
- Realigned our sales teams to more specifically focus on five end use markets – Residential, Commercial, OEM, National Retail and Building Technology, which has led to new customer and project wins within five of our key growth initiatives.
- In the OEM market, we were recently awarded the opportunity to supply our complete wood solutions, including specialty fasteners and other products, for the construction of custom wood base crates. We accomplished more key project wins within the Mass Timber space including specifying our products in the construction of manufacturing facilities in Austria and the state of Washington.
- Within the National Retail market, we focused on growth in the repair and remodel and do-it-yourself markets by completing a reset of some of our fastener sets with one of our key customers, and increased our publicity for Outdoor Accents in both The Home Depot and Lowe’s.
- Within the Commercial market, we expanded our offerings, including the expansion of our structural steel product line and our concrete solutions are being used in the construction of new graduate housing.
- Within Building Technology market, we updated our customer portal enabling online ordering of our products. We were selected by a building supply company based in the Southeast region of the United States to provide their customers and sales associates with the ability to design decks, pergolas and fences using Simpson’s full Outdoor Living Solutions (OLS) software platform where customers can obtain a complete bill of materials for purchase at the local store. Our building technology platform was adopted by a highly regarded regional builder during the quarter to help them automate workflows, options and automatic pricing management for broad changes and to transition away from inefficient paper processes.

As we make progress on our key growth initiatives, we believe we can continue our above market growth relative to U.S. housing starts in fiscal 2022 and beyond. These examples further emulate our Founder, Barclay Simpson’s, nine principles of doing business, and more specifically the focus and obsession on customers and users.

On September 8, 2022, the Company announced that Karen Colonias will step down from her position as Chief Executive Officer as part of Simpson's planned leadership succession, effective December 31, 2022. Simpson's Board of Directors unanimously elected Michael Olosky, 54, current President and Chief Operating Officer, to succeed Ms. Colonias as Chief Executive Officer, effective January 1, 2023. In connection with his promotion, Mr. Olosky will also join the Company's board of directors on January 1, 2023. Ms. Colonias will remain employed as an Executive Advisor to assist with a smooth and orderly transition until her retirement on June 30, 2023. Ms. Colonias will continue to serve as a member of Simpson's board of directors until the 2023 annual meeting of stockholders.

Factors Affecting Our Results of Operations

The prolonged COVID-19 pandemic and Russia’s invasion of Ukraine has severely affected global economic conditions, resulting in substantial volatility in the financial markets, increased unemployment, and considerable operational challenges. The Company’s management team continues to monitor and manage its ability to operate effectively and, to date, the Company has not experienced any significant disruptions within its supply chain. Our supply chain partners are supportive, and continue to do their part to ensure that service levels to our customers remain strong. We will continue to communicate with our supply chain partners to identify and mitigate risk and to manage inventory levels.

The Company’s business, financial condition and results of operations depends in part on the level of United States, housing starts and residential construction activity. Though single-family housing starts increased significantly over the past fifteen months, we have seen demand begin to decline recently due to supply-chain factors, inflation and interest rate increases affecting new home starts and completions. However, the Company also supplies product used in multifamily construction. Multifamily starts are higher this year compared to last year, which could offset some of the decline in single-family housing starts. With the addition of ETANCO, we believe net sales will likely increase during the remainder of fiscal year 2022 even if demand decreases. Increased product prices are expected to be offset by increasing raw material costs, sourcing logistics complications and a tight labor market, which could negatively affect operating margins for 2022.

Management continues to monitor the impact of rising material input and product logistics costs on the Company's financial condition, liquidity, operations, suppliers, industry, and workforce.

Unlike lumber or other products that have a more direct correlation to United States housing starts, our products are used to a greater extent in areas that are subject to natural forces, such as seismic or wind events. Our products are generally used in a sequential progression that follows the construction process. Residential and commercial construction begins with the foundation, followed by the wall and the roof systems, and then the installation of our products, which flow into a project or a house according to these schedules.

In prior years, our sales were heavily seasonal with operating results varying from quarter to quarter depending on weather conditions that could delay construction starts. Our sales and income have historically been lower in the first and fourth quarters than in the second and third quarters of a fiscal year. Due to efforts in diversifying our global footprint, most notably with our acquisition of ETANCO, sales from our product line, customer base and customer purchases are becoming less seasonal. Political and economic events such as rising energy costs, volatile steel market, stressed product transportation systems and increasing interest rates can also have an effect on our gross and operating profits as well as the amount of inventory on-hand. Changes in raw material cost could negatively affect our gross profit and operating margins depending on the timing of raw material purchases or how much sales prices can be increased to offset higher raw material costs. Delays in receiving products or shipping sales orders, as well as increased transportation costs, could negatively impact sales and operating profits.

Business Segment Information

Historically our North America segment has generated more revenues from wood construction products compared to concrete construction products. Our wood construction product sales increased 32.1% for the quarter ended September 30, 2022 compared to September 30, 2021, and our concrete construction product sales increased 11.4% over the same periods, due to product price increases throughout 2021 in an effort to offset rising raw material costs. These product price increases were also the primary contributor to gross profits and operating profits increasing over the same comparable periods. As a result of the product price increases phased in during 2021, full phased in product price increases for 2022 could result in $300.0 million in additional net sales compared to 2021. We currently anticipate gross margin and operating margin compression for the remainder of fiscal year 2022 compared to 2021 as higher priced raw materials and rising average cost of steel on hand offset the product price increases.

During 2022, we have been reviewing the footprint for our U.S. operations with assistance from a third party. As a result, we identified facility expansions in the U.S. that we expect will improve our overall service, production efficiencies and safety in the workplace, as well as reduce our reliance on certain outsourced, finished goods and component products and continue to ensure we have ample capacity to meet our customer needs. These investments reinforce our core business model differentiators to remain the partner of choice as we continue to produce products locally and ensure superior levels of customer service. Investments in these expansions have already started this year and will continue into 2024.

Europe sales increased 104.1% for the quarter ended September 30, 2022 compared to September 30, 2021, primarily due to the acquisition of ETANCO, which contributed $67.5 million in net sales, along with product price increases, offset by lower volumes and the negative effect of approximately $7.9 million in foreign currency translation due a strengthening United States dollar. Wood construction product sales increased 103.8% for the quarter ended September 30, 2022 compared to September 30, 2021 with ETANCO contributing $53.7 million in wood construction product sales. Concrete construction product sales are mostly project based, and sales increased 105.2% for the quarter ended September 30, 2022 compared to September 30, 2021 with ETANCO contributing $13.8 million in concrete construction product sales. The Company, including ETANCO, have suspended all sales and distribution activity to Russia and Belarus. We estimate annual sales to these countries would have been less than $5.0 million. Europe gross profit of $39.0 million included $19.4 million from the acquisition of ETANCO, net of $2.9 million in fair-value adjustments for inventory costs as a result of purchase accounting, most of which is a non-recurring charge. Europe reported income from operations of $6.1 million, including ETANCO's operating income of $1.8 million which was net of $2.9 million in inventory adjustments as noted above, $4.2 million of amortization expense on acquired intangible assets and $1.9 million for integration costs for a total of $9.0 million. The Company expects to incur additional costs in 2022 as it continues to integrate ETANCO into its European operations. The Company has not achieved significant synergies from the combination to date. The Company continues to work on integrating ETANCO into its operations. Plans have been developed to realize the Company’s previously identified synergies in the years ahead which will result in additional costs in 2022 and 2023. The Company remains well positioned to capture meaningful benefits from the synergies, subject to changing macroeconomic circumstances, which will delay some of the synergy opportunities.

Our Asia/Pacific segment has generated revenues from both wood and concrete construction products. We believe that the Asia/Pacific segment is not significant to our overall performance.

Since September 2021, inventory pounds in North America, which is the bulk of our inventory, increased 3% while the weighted average cost per pound of total on hand increased approximately 12%. Based on our current expectations, we are anticipating continued raw material cost pressure for fiscal 2022. As we work through our on-hand inventory, our costs of goods sold are expected to continue increasing modestly during the remainder of fiscal year 2022, even if prices for raw material decline, as the impact from averaging raw material costs typically lags our product price increases.

Business Outlook

The Company updated its 2022 financial outlook to include the acquisition of ETANCO, three quarters of actual results, and its latest expectations regarding demand trends, raw material costs and operating expenses as of October 24, 2022. Based on business trends and conditions, the Company's current outlook for the full fiscal year ending December 31, 2022 is as follows:

- Operating margin is expected to be in the range of 20.0% to 21.0%, in-line with its more recent historical average as the Company has better visibility on raw material costs and expected results from its acquisition of ETANCO. The revised outlook includes $16.0 to $18.0 million in expected integration and transaction costs for the acquisition.

- Interest expense on the outstanding $250.0 million Revolving Credit Facility and Term Loans, which had initial borrowings of $450.0 million, is expected to be approximately $9.8 million, including the benefit from interest rate and cross currency swaps mitigating substantially all of the volatility from changes in interest rates.

- The effective tax rate is expected to be in the range of 25.0% to 26.0%.

- Capital expenditures are expected to be in the range of $55.0 million to $65.0 million.

Footnotes
(1) Reflects EUR to USD exchange rate as of April 1, 2022.

Results of Operations for the Three Months Ended September 30, 2022, Compared with the Three Months Ended September 30, 2021

Unless otherwise stated, the below results, when providing comparisons (which are generally indicated by words such as “increased,” “decreased,” “unchanged” or “compared to”), compare the results of operations for the three months ended September 30, 2022, against the results of operations for the three months ended September 30, 2021. Unless otherwise stated, the results announced below, when referencing “both quarters,” refer to the three months ended September 30, 2021 and the three months ended September 30, 2022.

Beginning in 2022, the Company changed its presentation for both the North America and the Administrative and all other segment's statement of operations to display allocated expenses and management fees as a separate item below income from operations. During 2021, allocated expenses and management fees between the two segments were previously included in gross profit, operating expenses and in income from operations and have been adjusted herein to conform to the 2022 presentation. Consolidated income from operations, income before tax and net income for all periods presented below are not affected by the change in presentation

Third Quarter 2022 Consolidated Financial Highlights

The following table shows the change in the Company's operations from the three months ended September 30, 2021 to the three months ended September 30, 2022, and the increases or decreases for each category by segment:

	Three Months Ended	Increase (Decrease) in Operating Segment				Three Months Ended
(in thousands)	September 30, 2021	North America	Europe	Asia/ Pacific	Admin & All Other	September 30, 2022
Net sales	$ 396,738	$ 99,179	$ 57,071	$ 674	$ —	$ 553,662
Cost of sales	198,706	67,487	42,536	411	(1)	309,139
Gross profit	198,032	31,692	14,535	263	1	244,523
Research and development and other engineering expense	14,562	2,080	386	56	—	17,084
Selling expense	35,063	2,921	4,427	128	—	42,539
General and administrative expense	47,792	(343)	9,251	172	3,447	60,319
Total operating expenses	97,417	4,658	14,064	356	3,447	119,942
Acquisition and integration related costs	—	—	1,866	—	—	1,866
Net loss (gain) on disposal of assets	(4)	(56)	(27)	(14)	1	(100)
Income from operations	100,619	27,090	(1,368)	(79)	(3,447)	122,815
Interest income (expense), net and other	(314)	730	(2,637)	1	(763)	(2,983)
Other & foreign exchange loss, net	(532)	(7,925)	205	512	6,033	(1,707)
Income (loss) before income taxes	99,773	19,895	(3,800)	434	1,823	118,125
Provision for income taxes	25,995	5,119	502	106	(1,840)	29,882
Net income (loss)	$ 73,778	$ 14,776	$ (4,302)	$ 328	$ 3,663	$ 88,243

Net sales increased 39.6% to $553.7 million from $396.7 million primarily driven by the four product price increases we implemented in 2021 to offset rising raw material costs, and the acquisition of ETANCO which contributed $67.5 million in net sales. Wood construction product sales, including sales of connectors, truss plates, fastening systems, fasteners and shearwalls, represented 86% and 85% of the Company's total sales in both the third quarters of 2022 and 2021, respectively. Concrete construction product sales, including sales of adhesives, chemicals, mechanical anchors, powder actuated tools and reinforcing fiber materials, represented 14% and 15% of the Company's total sales in both the third quarters of 2022 and 2021, respectively.

Gross profit increased 23.5% to $244.5 million from $198.0 million. Gross margins decreased to 44.2% from 49.9%, primarily due to the acquisition of ETANCO, which in general has a lower gross margin profile relative to the Company but also includes $2.9 million of non-recurring inventory fair value step-up costs, as well as higher raw material costs for the Company overall. Gross margins decreased to 44.2% from 50.2% for wood construction products and decreased to 43.8% from 44.6% for concrete construction products, respectively.

Research and development and engineering expense increased 17.3% to $17.1 million from $14.6 million, primarily due to increases of $1.6 million in personnel costs, and $1.2 million in professional services offset by decrease of $0.3 million for cash profit sharing expenses.

Selling expense increased 21.3% to $42.5 million from $35.1 million, primarily due to increases of $5.3 million in personnel costs, $1.2 million in travel related costs, and $0.7 million in professional fees, and $0.4 million in advertising & trade shows offset by a decrease of $1.1 million in commissions.

General and administrative expense increased 26.2% to $60.3 million from $47.8 million, primarily due to increases of $4.3 million in depreciation and amortization, $2.5 million in professional and legal fees, $2.2 million in personnel costs, $1.6 million in computer/software expenses, $0.9 million in travel related costs, $0.7 million in lower software development expenses capitalized, and $0.3 million in stock compensation expense, offset by a decrease of $0.9 million in cash profit sharing expense.

Our effective income tax rate decreased to 25.3% from 26.1%.

Consolidated net income was $88.2 million, which includes a $1.8 million loss from ETANCO, compared to $73.8 million. Diluted earnings per share was $2.06 compared to $1.70.

Net sales

The following table shows net sales by segment for the three months ended September 30, 2022 and 2021, respectively:

(in thousands)	North America	Europe	Asia/ Pacific	Total
Three months ended				
September 30, 2021	$ 338,591	$ 54,832	$ 3,315	$ 396,738
September 30, 2022	437,770	111,903	3,989	553,662
Increase	$ 99,179	$ 57,071	$ 674	$ 156,924
Percentage increase	29.3 %	104.1 %	20.3 %	39.6 %

The following table shows segment net sales as percentages of total net sales for the three months ended September 30, 2022 and 2021, respectively:

	North America	Europe	Asia/ Pacific	Total
Percentage of total 2021 net sales	85 %	14 %	1 %	100 %
Percentage of total 2022 net sales	79 %	20 %	1 %	100 %

Gross profit

The following table shows gross profit by segment for the three months ended September 30, 2022 and 2021, respectively:

(in thousands)	North America	Europe	Asia/ Pacific	Admin & All Other	Total
Three months ended					
September 30, 2021	$176,256	$20,680	$1,139	$(43)	$198,032
September 30, 2022	207,948	35,215	1,402	(42)	244,523
Increase	$31,692	$14,535	$263	$1	$46,491
Percentage Increase	18.0 %	70.3 %	*	*	23.5 %

* *The statistic is not meaningful or material.*

The following table shows gross margin by segment for the three months ended September 30, 2022 and 2021, respectively:

	North America	Europe	Asia/ Pacific	Admin & All Other	Total
2021 gross margin percentage	52.1 %	37.7 %	34.4 %	*	49.9 %
2022 gross margin percentage	47.5 %	31.5 %	35.1 %	*	44.2 %

* *The statistic is not meaningful or material.*

North America

- Net sales increased 29.3%, primarily due to product price increases we implemented last year, along with higher sales volumes.

- Gross margin decreased to 47.5% from 52.1%, primarily due to higher raw material, factory and overhead and labor costs, each as a percentage of net sales, which were partially offset by the product price increases we implemented in 2021.

- Research, development and engineering expenses increased 15.3%, primarily due to increases of $1.4 million in professional fees, and $0.9 million in personnel costs, offset by $0.5 million higher software development expenses capitalized.

- Selling expense increased 10.1%, primarily due to increases of $2.0 million in personnel costs, $0.9 million in travel–associated expenses, $0.6 million in professional fees, and $0.5 million in advertising & trade show costs, offset by a decrease $1.0 million in sales commissions.

- General and administrative expense decreased 1.0%, primarily due to decreases of $2.9 million professional fees, $0.8 million for cash profit sharing expense and $0.8 million in depreciation/amortization expenses offset by increases of $1.5 million in computer/software expenses, $0.7 million in personnel costs, $0.7 million in travel rated costs, $0.5 million in rent expense and $0.5 million in lower software development expenses capitalized.

- Income from operations increased by $27.1 million. The increase was primarily due to higher gross profit, partly offset by higher operating expenses.

Europe

- Net sales increased 104.1%, primarily due to the acquisition of ETANCO, which contributed $67.5 million in net sales and to a lesser extent, price increases intended to offset higher material costs abroad. Europe's volumes without ETANCO were down compared to the prior year quarter and the negative effect of approximately $7.9 million in foreign currency translation.

- Gross margin decreased to 31.5% from 37.7%. Europe gross profit of $35.2 million included $19.4 million from the acquisition of ETANCO, which is net of a $2.9 million non-recurring fair-value adjustment for inventory costs as a result of purchase accounting. This adjustment was a factor as to why gross margins declined in Europe

- Income from operations decreased by $1.4 million. This includes ETANCO's operating loss of $1.8 million which is net of $2.9 million non-recurring fair-value inventory adjustment, $4.2 million of amortization expense on acquired intangible assets; and $1.9 million in integration costs for a total of $9.0 million. The Company expects to incur additional costs in 2022 as it continues to integrate ETANCO into its European operations. The Company benefitted to some extent from synergies from the combination.

Asia/Pacific

- For information about the Company's Asia/Pacific segment, please refer to the tables above setting forth changes in our operating results for the three months ended September 30, 2022 and 2021.

Results of Operations for the Nine Months Ended September 30, 2022, Compared with the Nine Months Ended September 30, 2021

Unless otherwise stated, the results announced below, when providing comparisons (which are generally indicated by words such as "increased," "decreased," "unchanged" or "compared to"), compare the results of operations for the nine months ended September 30, 2022, against the results of operations for the nine months ended September 30, 2021. Unless otherwise stated, the results announced below, when referencing "both periods," refer to the nine months ended September 30, 2021 and the nine months ended September 30, 2022

Beginning in 2022, the Company changed its presentation for both the North America and the Administrative and all other segment's statement of operations to display allocated expenses and management fees as a separate item below income from operations. During 2021, allocated expenses and management fees between the two segments were previously included in gross profit, operating expenses and in income from operations and have been adjusted herein to conform to the 2022 presentation. Consolidated income from operations, income before tax and net income for all periods presented below are not affected by the change in presentation.

Year-to-Date (9-month) 2022 Consolidated Financial Highlights

The following table illustrates the differences in our operating results for the nine months ended September 30, 2022, from the nine months ended September 30, 2021, and the increases or decreases for each category by segment:

	Nine Months Ended	Increase (Decrease) in Operating Segment				Nine Months Ended
(in thousands)	September 30, 2021	North America	Europe	Asia/ Pacific	Admin & All Other	September 30, 2022
Net sales	$ 1,154,661	$ 343,200	$ 141,025	$ 1,578	$ —	$ 1,640,464
Cost of sales	597,901	195,104	105,562	1,220	41	899,828
Gross profit	556,760	148,096	35,463	358	(42)	740,636
Research and development and other engineering expense	43,321	5,975	502	94	—	49,892
Selling expense	99,053	13,765	11,381	236	14	124,449
General and administrative expense	143,767	2,523	15,352	15	10,854	172,511
	286,141	22,263	27,235	345	10,868	346,852
Acquisition and integration related costs	—	—	14,681	—	—	14,681
Net gain on disposal of assets	(112)	(59)	(1,111)	55	—	(1,227)
Income (loss) from operations	270,731	125,892	(5,342)	(42)	(10,910)	380,330
Interest income (expense), net and other	(1,079)	755	(6,190)	(5)	(49)	(6,568)
Other & foreign exchange loss, net	(4,180)	(15,083)	(1,038)	1,387	15,100	(3,814)
Income (loss) before income taxes	265,472 —	111,564 —	(12,570)	1,340 —	4,141	369,948
Provision for income taxes	68,822	28,719	(3,747)	482	(717)	93,559
Net income	$ 196,650	$ 82,845	$ (8,823)	$ 858	$ 4,858	$ 276,389

Net sales increased 42.1% to $1,640.5 million from $1,154.7 million driven by the four product price increases that were implemented in 2021 to offset rising raw material costs, and the acquisition of ETANCO which contributed $147.8 million in net sales. Wood construction product sales, including sales of connectors, truss plates, fastening systems, fasteners and shearwalls, represented 87% of the Company's total sales in the first nine months of 2022 and 2021. Concrete construction product sales, including sales of adhesives, chemicals, mechanical anchors, powder actuated tools and reinforcing fiber materials, represented 13% of the Company's total sales in the first nine months of 2022 and 2021.

Gross profit increased 33.0% to $740.6 million from $556.8 million. Gross margins decreased to 45.1% from 48.2%, primarily due to the acquisition of ETANCO, which in general has a lower gross margin profile relative to the Company but also includes $12.2 million of non-recurring inventory fair value step-up costs, as well as higher raw material costs for the Company overall. Gross margins decreased to 45.2% from 48.1% for wood construction products and decreased to 44.5% from 45.0% for concrete construction products.

Research and development and engineering expense increased 15.2% to $49.9 million from $43.3 million primarily due to increases of $5.2 million in personnel costs, and $2.7 million in professional fees offset by $1.9 million higher software development expenses capitalized.

Selling expense increased to $124.4 million from $99.1 million, primarily due to increases of $14.2 million in personnel costs, $5.3 million in travel related costs, $3.2 million in advertising & trade shows, $1.5 million in professional fees, and $0.7 million cash profit sharing expense offset by $2.3 million in lower commissions. These increases above were mainly due to the ETANCO acquisition that added $12.7 million in selling expenses.

General and administrative expense increased to $172.5 million from $143.8 million, primarily due to increases of $7.7 million in depreciation and amortization expenses, $7.2 million in personnel costs, $6.7 million in professional and legal fees, $2.7 million in computer/software expenses, and $2.5 million in travel related costs, and $0.6 million in lower software development expenses capitalized, offset by decreases of $1.5 million in stock-based compensation, $1.2 million in cash profit sharing expenses. These increases above were mainly due to the ETANCO acquisition that added $17.0 million in general and administrative expenses.

Our *effective income tax rate* decreased to 25.3% from 25.9%.

Consolidated net income was $276.4 million compared to $196.7 million. Diluted earnings per share was $6.40 compared to $4.52.

Net sales

The following table represents net sales by segment for the nine-month periods ended September 30, 2021 and 2022:

(in thousands)	North America	Europe	Asia/ Pacific	Total
Nine Months Ended				
September 30, 2021	$ 989,711	$ 155,567	$ 9,383	$ 1,154,661
September 30, 2022	1,332,911	296,592	10,961	1,640,464
Increase	$ 343,200	$ 141,025	$ 1,578	$ 485,803
Percentage increase	34.7 %	90.7 %	16.8 %	42.1 %

The following table represents segment sales as percentages of total net sales for the nine-month periods ended September 30, 2021 and 2022, respectively:

	North America	Europe	Asia/ Pacific	Total
Percentage of total 2021 net sales	86 %	14 %	1 %	100 %
Percentage of total 2022 net sales	81 %	18 %	1 %	100 %

Gross profit

The following table represents gross profit by segment for the nine-month periods ended September 30, 2021 and 2022:

(in thousands)	North America	Europe	Asia/ Pacific	Admin & All Other	Total
Nine Months Ended					
September 30, 2021	$ 497,070	$ 56,228	$ 3,590	$ (128)	$ 556,760
September 30, 2022	645,166	91,691	3,948	(169)	740,636
Increase (decrease)	$ 148,096	$ 35,463	$ 358	$ (41)	$ 183,876
Percentage increase	29.8 %	63.1 %	*	*	33.0 %

* *The statistic is not meaningful or material*

The following table represents gross margin by segment for the nine-month periods ended September 30, 2021 and 2022:

(in thousand)	North America	Europe	Asia/ Pacific	Admin & All Other	Total
2021 gross margin percentage	50.2 %	36.1 %	38.3 %	*	48.2 %
2022 gross margin percentage	48.4 %	30.9 %	36.0 %	*	45.1 %

* *The statistic is not meaningful or material.*

North America

- Net sales increased 34.7%, primarily due to product price increases we implemented last year, along with slightly higher sales volumes.

- Gross margin decreased slightly to 48.4% from 50.2%, due to higher raw material costs as a percentage of net sales, which were partially offset by the product price increases we implemented in 2021.

- Research and development and engineering expense increased 15.0%, primarily due to increases of \$3.6 million in personnel costs, \$3.0 million in professional fees and \$0.7 million in travel rated costs, offset by \$1.8 million higher software development expenses capitalized and decrease of \$0.3 million in cash profit sharing expense.

- Selling expense increased17.0%, primarily due to increases of \$5.7 million in personnel costs, \$4.8 million in travel related costs, \$3.1 million in advertising & trade show costs, \$1.0 million in professional fees, \$0.4 million in cash profit sharing expenses, and \$0.4 million in professional fees, partly offset by decreases of \$1.9 million in sales commissions.

- General and administrative expense increased 2.5%, primarily due to increases of \$3.4 million in personnel costs, \$2.1 million in computer/software expenses, \$1.6 in travel related costs, and \$1.0 million of bad debt expense, offset by decreases of \$8.7 million of professional fees, \$1.0 million cash profit sharing expense, \$0.9 million in depreciation and amortization expenses, and \$0.4 million in stock-based compensation.

- Income from operations increased \$125.9 million, mostly due to increased sales and gross profit, partly offset by higher operating expenses.

Europe

- Net sales increased 90.7%, primarily due to the acquisition of ETANCO, which contributed \$147.8 million in net sales along with product price increases, offset by the negative effect of approximately \$18.1 million in foreign currency translation.

- Gross margin decreased to 30.9% from 36.1% while gross profit increased \$35.5 million. Europe gross profit included \$38.6 million from the acquisition of ETANCO, which includes \$12.2 million non-recurring fair-value adjustment for inventory costs as a result of purchase accounting.

- Income from operations decreased \$5.3 million, primarily due to \$7.0 million in professional fees incurred prior to the acquisition of ETANCO. Included in income from operations was ETANCO's profit of \$0.2 million which included \$12.2 million in inventory adjustments, \$8.4 million of amortization expense on acquired intangible assets, and \$7.7 million for integration costs for a total of \$28.3 million.

Asia/Pacific

- For information about the Company's Asia/Pacific segment, please refer to the tables above setting forth changes in our operating results for the nine months ended September 30, 2022 and 2021.

Effect of New Accounting Standards

See "Note 1 Basis of Presentation — *Accounting Standards Not Yet Adopted* " to the accompanying unaudited interim condensed consolidated financial statements.

Liquidity and Sources of Capital

We have historically met our capital needs through a combination of cash flows from operating activities and, when necessary, borrowings under our credit agreements.

Our principal uses of capital include the costs and expenses associated with our operations, including financing working capital requirements and continuing our capital allocation strategy, which includes supporting capital expenditures, paying cash dividends, repurchasing the Company's common stock, and financing other investment opportunities over the next twelve months. On March 30, 2022, the Company entered into an Amended and Restated Credit Agreement, which provides for a 5-year revolving credit facility of $450.0 million, and for a 5-year term loan facility of $450.0 million. The Company borrowed $250.0 million, under the revolving credit facility and $450.0 million under the term loan facility to finance a portion of the purchase price of the Company’s acquisition of ETANCO. We believe that our cash position, cash flows from operating activities and our expectation of continuing availability to draw upon our credit facilities are sufficient to meet our cash flow needs for the foreseeable future.

As of September 30, 2022, our cash and cash equivalents consisted of deposits and money market funds held with established national financial institutions. Cash and cash equivalents of $74.0 million are held in the local currencies of our foreign operations and could be subject to additional taxation if repatriated to the United States. The Company is maintaining a permanent reinvestment assertion on its foreign earnings relative to remaining cash held outside the United States.

The following table shows selected financial information as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively:

(in thousands)	At September 30, 2022	At December 31, 2021	At September 30, 2021
Cash and cash equivalents	$ 309,262	$ 301,155	$ 294,180
Property, plant and equipment, net	341,233	259,869	255,547
Goodwill, intangible assets and other	798,523	170,309	165,577
Working capital less cash and cash equivalents	576,719	453,078	409,997

The following table provides cash flow indicators for the nine-month periods ended September 30, 2022 and 2021, respectively:

(in thousands)	Nine Months Ended September 30, 2022	2021
Net cash provided by (used in):		
Operating activities	$ 263,396	$ 122,098
Investing activities	(845,514)	(41,200)
Financing activities	586,449	(61,258)

Cash flows from operating activities result primarily from our earnings, and are also affected by changes in operating assets and liabilities which consist primarily of working capital balances. Our revenues are derived from manufacturing and sales of building construction materials. Our operating cash flows are subject to seasonality and are cyclically associated with the volume and timing of construction project starts. For example, trade accounts receivable is generally at its lowest at the end of the fourth quarter and increases during the first, second and third quarters.

During the nine months ended September 30, 2022, operating activities provided $263.4 million in cash and cash equivalents, as a result of $276.4 million from net income and $62.6 million from non-cash expenses from net income, which included depreciation and amortization expense, stock-based compensation expense and the inventory fair value expense adjustment. Cash provided from net income was partly offset by a decrease of $75.6 million in the net change in operating assets and liabilities, including increases of $55.0 million in trade accounts receivable, $27.7 million in inventory and $17.4 million in other non-current assets and liabilities, partly offset by an increase of $25.3 million in other current liabilities.

Cash used in investing activities of $845.5 million during the nine months ended September 30, 2022 was mainly for the $805.4 million acquisition of ETANCO. Our capital spending for the nine months ended September 30, 2022 and September 30, 2021 was $41.6 million and $31.3 million, respectively, which was primarily used for a land purchase, machinery and equipment purchases and software in development. Based on current information and subject to future events and circumstances, total approved capital spending for 2022, will be in the $55.0 million to $65.0 million range compared to the previous estimate of $80.0 to $90.0 million, primarily due to long lead times on equipment orders. Other capital spending is earmarked for both maintenance and growth to maximize efficiencies and invest in our key initiatives.

Cash provided by financing activities of $586.4 million during the nine months ended September 30, 2022 consisted primarily of $694.0 million in loan proceeds (net of principal payments) used for the acquisition of ETANCO, offset by $74.6 million used to repurchase 763,530 shares of the Company's common stock at an average price of $97.65 per share and $32.8 million used to pay dividends to our stockholders.

On October 21, 2022, the Company's Board of Directors (the "Board") declared a quarterly cash dividend of $0.26 per share payable on January 26, 2023, to the Company's stockholders of record on January 5, 2023.

Since the beginning of 2019 to the quarter ended September 30, 2022, we have returned $390.8 million to stockholders, which represents 59.1% of our free cash flow and includes the repurchasing of over 3.0 million shares of the Company's common stock, which represents approximately 6.7% of the outstanding shares of the Company's common stock at the start of 2019. During 2022, after the acquisition of ETANCO, we changed our capital return target to 35% of our free cash flow from 50%.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of September 30, 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We have operations both within the United States and internationally, and are exposed to market risks in the ordinary course of our business.

Foreign Exchange Risk

We have foreign exchange rate risk in our international operations, and through purchases from foreign vendors. Changes in the values of currencies of foreign countries affect our financial position, income statement and cash flows when translated into U.S. Dollars. We estimate that if the exchange rate were to change by 10% in any one country where we have our operations, the change in net income would not be material to our operations taken as a whole.

We may manage our exposure to transactional exposures by entering into foreign currency forward contracts for forecasted transactions and projected cash flows for foreign currencies in future periods. In 2021 and 2022, we entered into financial contracts at various times to hedge the risk of fluctuations associated with the Euro and the Chinese Yuan.

Interest Rate Risk

Our primary exposure to interest rate risk results from outstanding borrowings under the Amended and Restated Credit Agreement, which bears interest at variable rates. As of September 30, 2022, the outstanding debt under the Amended and Restated Credit Agreement subject to interest rate fluctuations was $688.8 million. The variable interest rates on the Credit Agreement fluctuate and expose us to short-term changes in market interest rates as our interest obligation on this instrument is based on prevailing market interest rates. Interest rates fluctuate as a result of many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors that are beyond our control.

We have entered into an interest rate swap agreement to convert the variable interest rate on our revolver and term loan to fixed interest rates. The objective of the interest rate swap agreement is to eliminate the variability of the interest payment cash flows associated with the variable interest rate outstanding under the borrowings. We designated the interest rate swaps as cash flow hedges. Refer to Note 9, "Derivatives and Hedging Instruments", for further information on our interest rate swap contracts in effect as of September 30, 2022.

Commodity Price Risk

In the normal course of business, we are exposed to market risk related to our purchase of steel, a significant raw material upon which our manufacturing depends. Steel cost increased in 2021 when compared to 2020 and historical levels due to the worldwide raw material shortage stemming from the COVID-19 pandemic. While steel is typically available from numerous suppliers, the price of steel is a commodity subject to fluctuations that apply across broad spectrums of the steel market. We do not use any derivative or hedging instruments to manage steel price risk. If the price of steel increases, our variable costs would also increase. While historically we have successfully mitigated these increased costs through the implementation of price increases, in the future we may not be able to successfully mitigate these costs, which could cause our operating margins to decline. As noted above, higher steel prices not mitigated by price increases will result in a decline in operating margins for the full year of 2022 compared to operating margins for the full year of 2021.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures. As of September 30, 2022, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the chief executive officer the ("CEO") and the chief financial officer (the "CFO"), of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act). Based on this evaluation, the Company's CEO and CFO have concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level. Disclosure controls and procedures are controls and other procedures designed reasonably to assure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures are also designed reasonably to assure that this information is accumulated and communicated to the Company's management, including the CEO and the CFO, as appropriate to allow timely decisions regarding required disclosure.

The Company's management, including the CEO and the CFO, does not, however, expect that the Company's disclosure controls and procedures or the Company's internal control over financial reporting will prevent all fraud and material errors. Internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the facts that there are resource constraints and that the benefits of controls must be considered relative to their costs. The inherent limitations in internal control over financial reporting include the realities that judgments can be faulty and that breakdowns can occur because of simple error or mistake. Controls also can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of controls. The design of any system of internal control is also based in part on assumptions about the likelihood of future events, and there can be only reasonable, not absolute assurance that any design will succeed in achieving its stated goals under all potential events and conditions. Over time, controls may become inadequate because of changes in circumstances, or the degree of compliance with the policies and procedures may deteriorate.

Changes in Internal Control over Financial Reporting. The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2022, using the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and concluded that the Company's internal control over financial reporting was effective as of September 30, 2022.

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the three months ended September 30, 2022, that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting except that on April 1, 2022, the Company acquired ETANCO. As a result, the Company is currently integrating ETANCO's operations into its overall internal controls over financial reporting. Under the guidelines established by the Securities and Exchange Commission, companies are permitted to exclude acquisitions from their assessment of internal controls over financial reporting during the first year of an acquisition. Accordingly, we expect to exclude ETANCO from the assessment of internal control over financial reporting for 2022.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, the Company is involved in various legal proceedings and other matters arising in the normal course of business. Corrosion, hydrogen embrittlement, cracking, material hardness, wood pressure-treating chemicals, misinstallations, misuse, design and assembly flaws, manufacturing defects, labeling defects, product formula defects, inaccurate chemical mixes, adulteration, environmental conditions, or other factors can contribute to failure of fasteners, connectors, anchors, adhesives, specialty chemicals, such as fiber reinforced polymers, and tool products. In addition, inaccuracies may occur in product information, descriptions and instructions found in catalogs, packaging, data sheets, and the Company's website.

The Company currently is not a party to any legal proceedings which the Company expects individually or in the aggregate to have a material adverse effect on the Company's financial condition, cash flows or results of operations. Nonetheless, the resolution of any claim or litigation is subject to inherent uncertainty and we could in the future, incur judgments, enter into settlements of claims or revise our expectations regarding the outcome of the various legal proceedings and other matters we are currently involved in, which could materially impact our financial condition, cash flows or results of operations. See "Note 14 — Commitments and Contingencies" to the accompanying unaudited interim condensed consolidated financial statements for certain potential third-party claims.

Item 1A. Risk Factors.

There have been no material changes to our risk factors reported or new risk factors identified since the filing of our Annual Report on Form 10-K for the year ended December 31, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The table below shows the monthly repurchases of shares of the Company's common stock in the third quarter of 2022.

Period	(a) Total Number of Shares Purchased [1][2]	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [2]	(d) Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs [2]
July 1 - 31, 2022	16	$ 100.61	—	$ 53,719,063
August 1 - August 31, 2022	176,525	95.28	176,500	36,902,361
September 1 - September 30, 2022	132,155	86.86	132,000	$ 25,438,087
Total	308,696			

[1] Total number of shares purchased includes shares withheld for settlement of payroll taxes from stock-based compensation awards vested and for retirement eligible employees who retired during the third quarter of 2022.

[2] Pursuant to the Board's $100.0 million repurchase authorization that was publicly announced on November 18, 2021, which authorization is scheduled to expire on December 31, 2022.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

	EXHIBIT INDEX
3.1	Certificate of Incorporation of Simpson Manufacturing Co., Inc., as amended (Incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q filed on May 9, 2018).
3.2	Amended and Restated Bylaws of Simpson Manufacturing Co., Inc., as amended (Incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K dated March 28, 2017).
31.1	Chief Executive Officer's Rule 13a-14(a)/15d-14(a) Certifications is filed herewith.
31.2	Chief Financial Officer's Rule 13a-14(a)/15d-14(a) Certifications is filed herewith.
32	Section 1350 Certifications are furnished herewith.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Schema Linkbase Document
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Simpson Manufacturing Co., Inc.
(Registrant)

DATE: November 8, 2022

By /s/Brian J. Magstadt
Brian J. Magstadt
Chief Financial Officer
(principal accounting and financial officer)

Exhibit 31.1

Simpson Manufacturing Co., Inc. and Subsidiaries
Rule 13a-14(a)/15d-14(a) Certifications

I, Karen Colonias, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Simpson Manufacturing Co., Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: November 8, 2022

By /s/Karen Colonias

Karen Colonias
Chief Executive Officer

Exhibit 31.2

Simpson Manufacturing Co., Inc. and Subsidiaries
Rule 13a-14(a)/15d-14(a) Certifications

I, Brian J. Magstadt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Simpson Manufacturing Co., Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: November 8, 2022

By /s/Brian J. Magstadt

Brian J. Magstadt
Chief Financial Officer

Exhibit 32

Simpson Manufacturing Co., Inc. and Subsidiaries
Section 1350 Certifications

The undersigned, Karen Colonias and Brian J. Magstadt, being the duly elected and acting Chief Executive Officer and Chief Financial Officer, respectively, of Simpson Manufacturing Co., Inc., a Delaware corporation (the "Company"), hereby certify that the quarterly report of the Company on Form 10-Q for the quarterly period ended September 30, 2022, fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934, as amended, and that information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

DATE: November 8, 2022

By /s/Karen Colonias
Karen Colonias
Chief Executive Officer

By /s/Brian J. Magstadt
Brian J. Magstadt
Chief Financial Officer

A signed original of this written statement required by Section 1350 of Chapter 63 of Title 18 of the United States Code has been provided to Simpson Manufacturing Co., Inc. and will be retained by Simpson Manufacturing Co., Inc. and furnished to the Securities and Exchange Commission or its staff on request.

The foregoing certification is being furnished to the Securities and Exchange Commission pursuant to § 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.