CARLISLE COMPANIES INC
Form 10-Q
October 25, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2018

Commission file number 1-9278

www.carlisle.com

CARLISLE COMPANIES INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware	**31-1168055**
(State of incorporation)	(I.R.S. Employer Identification No.)

(480) 781-5000

(Telephone Number)

16430 North Scottsdale Road, Suite 400, Scottsdale, Arizona 85254

(Address of principal executive office, including zip code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically 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.

Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

On October 18, 2018, there were 59,544,520 shares of the registrant's common stock outstanding, par value $1.00 per share.

Carlisle Companies Incorporated
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PART I
Item 1. Financial Statements
Carlisle Companies Incorporated
Condensed Consolidated Statements of Income and Comprehensive Income (Unaudited)

(in millions, except share and per share amounts)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Revenues	$ 1,181.4	$ 1,002.4	$ 3,402.2	$ 2,760.3
Cost of goods sold	867.1	717.8	2,506.3	1,963.1
Selling and administrative expenses	164.8	137.9	473.3	389.8
Research and development expenses	12.3	12.4	40.4	37.5
Other operating (income) expense, net	(2.8)	(0.5)	(12.2)	(0.7)
Operating income	140.0	134.8	394.4	370.6
Interest expense, net	13.0	7.8	41.7	21.4
Other non-operating (income) expense, net	5.1	3.4	6.3	1.6
Income from continuing operations before income taxes	121.9	123.6	346.4	347.6
Provision for income taxes	25.0	44.5	76.9	115.9
Income from continuing operations	96.9	79.1	269.5	231.7
Discontinued operations:				
Income before income taxes	2.6	11.4	300.3	29.7
(Benefit) provision for income taxes	(0.2)	4.2	46.8	11.0
Income from discontinued operations	2.8	7.2	253.5	18.7
Net income	$ 99.7	$ 86.3	$ 523.0	$ 250.4
Basic earnings per share attributable to				

common shares:								
Income from continuing operations	$	1.61	$	1.27	$	4.40	$	3.62
Income from discontinued operations	0.05		0.11		4.15		0.29	
Basic earnings per share	$	1.66	$	1.38	$	8.55	$	3.91
Diluted earnings per share attributable to common shares:								
Income from continuing operations	$	1.59	$	1.26	$	4.37	$	3.60
Income from discontinued operations	0.05		0.11		4.12		0.29	
Diluted earnings per share	$	1.64	$	1.37	$	8.49	$	3.89
Average shares outstanding (in thousands):								
Basic	59,826		62,432		60,712		63,503	
Diluted	60,329		62,797		61,176		63,916	
Dividends declared and paid per share	$	0.40	$	0.37	$	1.14	$	1.07
Comprehensive income:								
Net income	$	99.7	$	86.3	$	523.0	$	250.4
Other comprehensive income (loss):								
Foreign currency (losses) gains	(8.4)		13.4		(21.6)		44.6	
Amortization of unrecognized net periodic benefit costs, net of tax	0.6		0.4		2.6		1.2	
Other, net of tax	—		(0.2)		0.5		(0.9)	
Other comprehensive income (loss)	(7.8)		13.6		(18.5)		44.9	
Comprehensive income	$	91.9	$	99.9	$	504.5	$	295.3

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

Carlisle Companies Incorporated
Condensed Consolidated Balance Sheets (Unaudited)

(in millions, except share and per share amounts)	**September 30, 2018**		**December 31, 2017**	
ASSETS				
Current assets:				
Cash and cash equivalents	$	780.5	$	378.3
Receivables, net of allowance of $5.9 million and $6.5 million, respectively	850.5		625.7	
Inventories, net	489.1		448.8	
Prepaid expenses	24.4		21.7	
Other current assets	56.9		73.6	
Discontinued operations	—		96.5	
Total current assets	2,201.4		1,644.6	
Property, plant, and equipment, net	763.0		731.1	
Goodwill, net	1,443.3		1,452.1	
Other intangible assets, net	993.5		1,065.0	
Other long-term assets	31.2		34.9	
Discontinued operations	—		372.1	
Total assets	$	5,432.4	$	5,299.8
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable	$	362.7	$	332.1
Accrued expenses	280.3		257.8	
Deferred revenue	29.7		27.8	
Discontinued operations	—		40.9	
Total current liabilities	672.7		658.6	
Long-term liabilities:				
Long-term debt	1,587.4		1,586.2	
Deferred revenue	197.6		188.0	
Other long-term liabilities	269.0		288.7	
Discontinued operations	—		50.0	
Total long-term liabilities	2,054.0		2,112.9	
Shareholders' equity:				

Preferred stock, $1 par value per share (5,000,000 shares authorized and unissued)	—		—	
Common stock, $1 par value per share (200,000,000 shares; 59,583,235 and 61,839,734 shares outstanding, respectively)	78.7		78.7	
Additional paid-in capital	377.8		353.7	
Deferred compensation equity	8.3		10.4	
Treasury shares, at cost (18,893,688 and 16,613,193 shares, respectively)	(935.5)		(649.6)	
Accumulated other comprehensive loss	(110.7)		(85.7)	
Retained earnings	3,287.1		2,820.8	
Total shareholders' equity	2,705.7		2,528.3	
Total liabilities and equity	$	5,432.4	$	5,299.8

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

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Carlisle Companies Incorporated
Condensed Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended September 30,	
(in millions)	**2018**	**2017**
Operating activities:		
Net income	$ 523.0	$ 250.4
Reconciliation of net income to net cash provided by operating activities:		
Depreciation	64.6	61.5
Amortization	78.6	59.2
Stock-based compensation, net of tax benefit	17.8	11.9
Deferred taxes	(9.0)	(3.1)
(Gain) loss on sale of assets	(6.4)	0.3
Gain on sale of discontinued operation, net of tax	(251.0)	—
Other operating activities, net	0.4	6.3
Changes in assets and liabilities, excluding effects of acquisitions:		
Receivables	(207.2)	(155.3)
Inventories	(61.9)	(45.9)
Prepaid expenses and other assets	(0.9)	1.4
Accounts payable	12.6	61.3
Accrued expenses	(66.2)	39.9
Deferred revenues	11.8	15.4
Other long-term liabilities	(3.6)	(3.7)
Net cash provided by operating activities	102.6	299.6
Investing activities:		

Proceeds from sale of discontinued operation	758.0	—
Capital expenditures	(96.1)	(105.8)
Acquisitions, net of cash acquired	(19.5)	(280.0)
Other investing activities, net	11.4	0.2
Net cash provided by (used in) investing activities	653.8	(385.6)
Financing activities:		
Proceeds from revolving credit facility	—	491.0
Repayments of revolving credit facility	—	(306.0)
Repurchases of common stock	(295.4)	(266.4)
Dividends paid	(69.7)	(69.0)
Withholding tax paid related to stock-based compensation	(9.7)	(8.2)
Proceeds from exercise of stock options	22.3	4.1
Net cash used in financing activities	(352.5)	(154.5)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(0.4)	2.8
Change in cash and cash equivalents	403.5	(237.7)
Less: change in cash and cash equivalents of discontinued operations	(1.3)	(1.6)
Cash and cash equivalents at beginning of period	378.3	385.0
Cash and cash equivalents at	$ 780.5	$ 145.7

end of period

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

Carlisle Companies Incorporated
Condensed Consolidated Statement of Shareholders’ Equity (Unaudited)

(in millions, except per share amounts)	**Common Stock**						**Shares in Treasury**		
	Shares	**Amount**	**Additional Paid-In Capital**	**Deferred Compensation Equity**	**Accumulated Other Comprehensive Income (Loss)**	**Retained Earnings**	**Shares**	**Cost**	**Total Shareholders' Equity**
Balance as of December 31, 2016	64.3	$ 78.7	$ 335.3	$ 10.3	$ (122.2)	$ 2,547.4	14.2	$ (382.6)	$ 2,466.9
Net income	—	—	—	—	—	250.4	—	—	250.4
Other comprehensive income, net of tax	—	—	—	—	44.9	—	—	—	44.9
Cash dividends - $1.07 per share	—	—	—	—	—	(69.0)	—	—	(69.0)
Repurchases of common stock	(2.7)	—	—	—	—	—	2.7	(268.5)	(268.5)
Issuances and deferrals, net for stock based compensation[1]	0.2	—	11.5	1.6	—	—	(0.2)	(1.5)	11.6
Balance as of September 30, 2017	61.8	$ 78.7	$ 346.8	$ 11.9	$ (77.3)	$ 2,728.8	16.7	$ (652.6)	$ 2,436.3
Balance as of December 31, 2017	61.8	$ 78.7	$ 353.7	$ 10.4	$ (85.7)	$ 2,820.8	16.6	$ (649.6)	$ 2,528.3
Adoption of accounting standards[2]	—	—	—	—	(6.5)	13.0	—	—	6.5
Net income	—	—	—	—	—	523.0	—	—	523.0
Other comprehensive loss, net of tax	—	—	—	—	(18.5)	—	—	—	(18.5)
Cash dividends - $1.14 per share	—	—	—	—	—	(69.7)	—	—	(69.7)

Repurchases of common stock	(2.7)	—	—	—	—	—	2.7	(299.9)	(299.9)
Issuances and deferrals, net for stock based compensation[1]	0.5	—	24.1	(2.1)	—	—	(0.5)	14.0	36.0
Balance as of September 30, 2018	59.6	$ 78.7	$ 377.8	$ 8.3	$ (110.7)	$ 3,287.1	18.8	$ (935.5)	$ 2,705.7

1. Issuances and deferrals, net for stock based compensation reflects share activity related to option exercises, restricted and performance shares vested and net issuances and deferrals associated with deferred compensation equity.

2. Refer to Note 2 for further information regarding new accounting standards adopted.

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

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Carlisle Companies Incorporated
Notes to Condensed Consolidated Financial Statements (Unaudited)
Note 1—Basis of Presentation
The accompanying unaudited Condensed Consolidated Financial Statements have been prepared by Carlisle Companies Incorporated (the "Company" or "Carlisle"). The accompanying unaudited Condensed Consolidated Financial Statements do not include all disclosures as required by accounting principles generally accepted in the United States of America ("United States" or "U.S."), and should be read in conjunction with the Company's audited Consolidated Financial Statements and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2017.
The accompanying unaudited Condensed Consolidated Financial Statements are prepared in conformity with accounting principles generally accepted in the U.S. and, of necessity, include some amounts that are based upon management estimates and judgments. The accompanying unaudited Condensed Consolidated Financial Statements include assets, liabilities, revenues and expenses of all majority-owned subsidiaries. Intercompany transactions and balances are eliminated in consolidation.
In the Company's opinion, the accompanying unaudited Condensed Consolidated Financial Statements contain all adjustments, consisting solely of adjustments of a normal, recurring nature, except as disclosed in Note 2 for new accounting standards adopted, necessary to present fairly the financial position, results of operations and cash flows for the periods presented. During the fourth quarter of 2017, the Company revised (i) the Condensed Consolidated Statements of Income to include a subtotal of operating income, with other non-operating (income) expense, net reflected as a separate line item below interest expense, net and (ii) its segment measure of profit and loss to operating income (previously earnings before interest and taxes). The Company has reclassified certain prior period amounts to conform to the current period presentation of operating income, including other operating (income) expense, net, operating income and other non-operating (income) expense, net in the Condensed Consolidated Statements of Income and operating income in Note 3. These changes were made to better reflect the Company's results of operations and to be consistent with the change in the measure of operating performance evaluated by the Chief Operating Decision Maker, the Company's Chief Executive Officer.
Discontinued Operations
The results of operations for the Company's Carlisle FoodService Products ("CFS") segment have been classified as discontinued operations for all periods presented in the Condensed Consolidated Statements of Income. Assets and liabilities subject to the completed sale of CFS have been classified as discontinued operations for all periods presented in the Condensed Consolidated Balance Sheets. Refer to Note 5 for additional information.
Note 2—New Accounting Pronouncements
New Accounting Standards Adopted
In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 outlines a single, comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance issued by the FASB, including industry specific guidance. ASU 2014-09 provides accounting guidance for all revenue arising from contracts with customers and affects all entities that enter into contracts with customers to provide goods and services.
On January 1, 2018, the Company adopted ASU 2014-09 and all the related amendments ("ASC 606") to all uncompleted contracts using the modified retrospective method. The Company recognized the cumulative effect of initially applying ASC 606 as an adjustment to the opening balance of retained earnings totaling $6.5 million. The comparative information has not been adjusted and continues to be reported under the accounting standards in effect for those periods. The Company expects the impact of the adoption of ASC 606 to be immaterial to its reported revenue on an ongoing basis.
A majority of the Company's revenues continue to be recognized when products are shipped from its manufacturing facilities or delivered to the customer, depending on shipping terms. For certain highly customized product contracts in the Carlisle Interconnect Technologies segment, revenue was previously

recognized as billed, at the point products were shipped and title and associated risk and rewards of ownership passed to the customer. In

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accordance with ASC 606, the Company now recognizes revenue over time, for those highly customized products, using the input method as products are manufactured.
A summary of the effects of adopting ASC 606 on the Condensed Consolidated Financial Statements follows:

	Three Months Ended September 30, 2018		
(in millions)	**As Reported**	**Balances Without Adoption of ASC 606**	**Effect of Change Higher/(Lower)**
Condensed Consolidated Statement of Income			
Revenues	$ 1,181.4	$ 1,175.1	$ 6.3
Cost of goods sold	867.1	862.3	4.8
Operating income	140.0	138.5	1.5
Provision for income taxes	25.0	24.7	0.3
Income from continuing operations	96.9	95.7	1.2
Net income	99.7	98.5	1.2

	Nine Months Ended September 30, 2018		
(in millions)	**As Reported**	**Balances Without Adoption of ASC 606**	**Effect of Change Higher/(Lower)**
Condensed Consolidated Statement of Income			
Revenues	$ 3,402.2	$ 3,375.9	$ 26.3
Cost of goods sold	2,506.3	2,487.6	18.7
Operating income	394.4	386.8	7.6
Provision for income taxes	76.9	75.1	1.8
Income from continuing operations	269.5	263.7	5.8
Net income	523.0	517.2	5.8

	September 30, 2018		
(in millions)	**As Reported**	**Balances Without Adoption of ASC 606**	**Effect of Change Higher/(Lower)**
Condensed Consolidated Balance Sheet			
Receivables	$ 850.5	$ 802.0	$ 48.5
	489.1	522.5	(33.4)

Inventories, net			
Other current assets	56.9	56.0	0.9
Accrued expenses	280.3	278.5	1.8
Other long-term liabilities	269.0	267.0	2.0
Retained earnings	3,287.1	3,280.6	6.5

In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* ("ASU 2017-07"), which requires employers to include only the service cost component of net periodic pension cost and net periodic postretirement benefit cost in operating income, if such measure is presented. The other components of net benefit cost, including amortization of prior service cost/credit, and settlement and curtailment effects, are to be included in non-operating income. ASU 2017-07 also stipulates that only the service cost component of net benefit cost is eligible for capitalization into inventory or other tangible assets.

On January 1, 2018, the Company adopted ASU 2017-07 using a retrospective approach for the presentation in the Condensed Consolidated Statement of Income to include only the service cost component of net periodic pension costs and net periodic postretirement benefit cost in operating income. The Company elected to use, as a practical expedient, the amounts disclosed in its defined benefit plan note for the prior comparative period as the estimation basis for applying the retrospective presentation requirements. As a result of adopting ASU 2017-07, net periodic benefit income for the non-service cost components of $(0.6) million and $(1.8) million was reclassified from other operating (income) expense, net to other non-operating (income) expense, net for the three and nine months ended September 30, 2017.

In February 2018, the FASB issued ASU 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* ("ASU 2018-02") which allows entities to reclassify from accumulated other comprehensive income to retained earnings for stranded tax effects related to the change in federal tax rate for all items accounted for in other comprehensive income. Entities can also elect to reclassify other stranded tax effects that relate to the Tax Cuts and Jobs Act, but do not directly relate to the change in the federal tax rate, including state taxes and changing from a worldwide tax system to a territorial system. Tax effects that are stranded in other comprehensive income for other reasons may not be reclassified.

Effective January 1, 2018, the Company early adopted ASU 2018-02 using a modified retrospective approach for the presentation in the Condensed Consolidated Balance Sheets to reclassify $6.5 million related to the change in federal tax rate from accumulated other comprehensive loss to retained earnings.

New Accounting Standards Issued But Not Yet Adopted

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

In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which amended the new leasing standard to give entities another option for transition. This transition option allows entities to not apply the new standard in the comparative periods they present in their financial statements in the year of adoption. ASU 2016-02, and its amendments, are effective for the Company beginning January 1, 2019, and requires the use of a modified retrospective approach for leases that exist at, or are entered into after the beginning of the year of adoption under the new transition guidance. Early application of the ASU is permitted; however, the Company plans to adopt on January 1, 2019 and expects to elect this new transition method. The Company continues its evaluation of adopting the standard, and currently expects the standard to have an impact of approximately $50.0 million to $60.0 million on its assets and liabilities for the addition of ROU assets and lease liabilities. The Company does not expect the standard to have a material impact on its results of operations or liquidity.

Note 3 —Segment Information

The Company has organized its operations into four primary segments, based on the products it sells, each of which represent a reportable segment as follows:

Carlisle Construction Materials ("CCM")—the principal products of this segment are rubber (EPDM), thermoplastic polyolefin (TPO) and polyvinyl chloride (PVC) roofing membranes used predominantly on non-residential low-sloped roofs, related roofing accessories, including flashings, fasteners, sealing tapes and coatings and waterproofing products. CCM also manufactures and distributes energy-efficient rigid foam insulation panels for substantially all roofing applications. The markets served primarily include new construction, re-roofing and maintenance of low-sloped roofs, water containment, HVAC sealants and coatings and waterproofing. In addition, CCM offers a broad range of specialty polyurethane products and solutions across a broad diversity of markets and applications.

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

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

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Carlisle Brake & Friction ("CBF")—the principal products of this segment include high-performance brakes and friction material and clutch and transmission friction material for the construction, agriculture, mining, on-highway, aerospace and motor sports markets.
A summary of segment information follows:

	Three Months Ended September 30,			
	2018		2017	
(in millions)	**Revenues**	**Operating Income (Loss)**	**Revenues**	**Operating Income (Loss)**
Carlisle Construction Materials	$ 776.8	$ 120.9	$ 640.2	$ 124.4
Carlisle Interconnect Technologies	240.2	29.3	210.8	25.9
Carlisle Fluid Technologies	72.4	11.6	70.9	0.1
Carlisle Brake & Friction	92.0	(1.1)	80.5	1.3
Segment Total	1,181.4	160.7	1,002.4	151.7
Corporate and unallocated[1]	—	(20.7)	—	(16.9)
Total	$ 1,181.4	$ 140.0	$ 1,002.4	$ 134.8

	Nine Months Ended September 30,			
	2018		2017	
(in millions)	**Revenues**	**Operating Income (Loss)**	**Revenues**	**Operating Income (Loss)**
Carlisle Construction Materials	$ 2,204.0	$ 338.1	$ 1,717.5	$ 334.2
Carlisle Interconnect Technologies	702.2	84.0	606.8	67.6
Carlisle Fluid Technologies	209.2	25.1	202.4	12.4
Carlisle Brake & Friction	286.8	6.3	233.6	3.8
Segment total	3,402.2	453.5	2,760.3	418.0
Corporate and unallocated[1]	—	(59.1)	—	(47.4)
Total	$ 3,402.2	$ 394.4	$ 2,760.3	$ 370.6

1. Corporate operating loss includes other unallocated costs, primarily general corporate expenses.

Note 4—Acquisitions

Accella Holdings LLC

On November 1, 2017, the Company acquired 100% of the equity of Accella Holdings LLC, the parent company to Accella Performance Materials Inc. (collectively "Accella"), a specialty polyurethane platform, from Accella Performance Materials LLC, a subsidiary of Arsenal Capital Partners, for total consideration of $671.4 million, including a cash, working capital and indebtedness settlement, which was finalized in the first quarter of 2018. Accella offers a wide range of polyurethane products and solutions across a broad diversity of markets and applications. The Company funded the acquisition with borrowings from the Revolving Credit Facility.

In the three and nine months ended September 30, 2018, Accella contributed revenues of $112.3 million and $340.7 million, respectively, and an operating loss of $1.3 million and $1.2 million, respectively, to the

Company's consolidated results. The results of operations of the acquired business are reported as part of the CCM segment.

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

The unaudited combined pro forma financial information presented below includes revenues and income from continuing operations, net of tax, of the Company as if the business combination had occurred on January 1, 2016, based on the purchase price allocation presented below:

	Unaudited Pro Forma as of September 30, 2017	
(in millions)	**Three Months Ended**	**Nine Months Ended**
Revenues	$ 1,117.6	$ 3,070.6
Income from continuing operations	72.0	212.9

The pro forma financial information reflects adjustments to Accella's historical financial information to apply the Company's accounting policies and to reflect the additional depreciation and amortization related to the preliminary fair value adjustments of the acquired net assets of $1.7 million and $8.5 million for the three and nine months ended September 30, 2017, respectively, together with the associated tax effects. Also, the pro forma financial information reflects acquisition-related costs described above as if they occurred in 2016.

The following table summarizes the consideration transferred to acquire Accella and the preliminary allocation of the purchase price among the assets acquired and liabilities assumed. The acquisition has been accounted for using the acquisition method of accounting in accordance with ASC 805, *Business Combinations*, which requires that consideration be allocated to the acquired assets and assumed liabilities based upon their acquisition date fair values with the remainder allocated to goodwill. The fair values are preliminary and subject to change pending review of the final valuation for all acquired assets and liabilities.

(in millions)	**Preliminary Allocation 11/1/2017**	**Measurement Period Adjustments**	**Preliminary Allocation 9/30/2018**
Total cash consideration transferred	$ 670.7	$ 0.7	$ 671.4
Recognized amounts of identifiable assets acquired and liabilities assumed:			
Cash and cash equivalents	$ 16.5	$ —	$ 16.5
Receivables, net	66.8	—	66.8
Inventories, net	48.5	(1.0)	47.5
Prepaid expenses and other current assets	0.9	—	0.9
Property, plant and equipment	59.6	3.2	62.8
Definite-lived intangible assets	240.0	(1.0)	239.0
Other long-term assets	15.6	—	15.6
	(45.5)	—	(45.5)

Accounts payable						
Income tax payable	2.0		—		2.0	
Accrued expenses	(23.2)		9.5		(13.7)	
Other long-term liabilities	(15.6)		—		(15.6)	
Deferred income taxes	(83.5)		2.2		(81.3)	
Total identifiable net assets	282.1		12.9		295.0	
Goodwill	$	388.6	$	(12.2)	$	376.4

The goodwill recognized in the acquisition of Accella reflects market participant synergies attributable to significant raw material purchase synergies with CCM, other administrative synergies and the assembled workforce to Carlisle, in addition to opportunities for product line expansions. The Company acquired $68.5 million of gross contractual accounts receivable, of which $1.7 million was not expected to be collected at the date of acquisition. Goodwill of $19.7 million is tax deductible, primarily in the United States. All of the goodwill has been preliminary assigned to the CCM reporting unit which aligns with the CCM reportable segment. The $239.0 million value allocated to definite-lived intangible assets consists of $145.0 million of customer relationships with useful lives ranging from 9 to 11 years, various acquired technologies of $66.0 million with useful lives ranging from 3 to 14 years and trade names of $28.0 million with useful lives ranging from 4 to 14 years. In accordance with the purchase agreement, Carlisle is indemnified for up to $25.0 million, and recorded an indemnification asset of $15.6 million in other long-term assets relating to the indemnification for a pre-acquisition income tax liability. The Company has also recorded, as part of the purchase price allocation, deferred tax liabilities related to intangible assets of approximately $81.3 million. During the third quarter of 2018, $4.5 million of certain pre-acquisition income tax uncertainties were resolved, resulting in the reversal of the related indemnification asset and corresponding liability.

Excluding Accella, proforma results of operations for the 2017 acquisitions have not been presented because the effect of these acquisitions was not material to the Company's financial condition or results of operations for any of the periods presented.

Drexel Metals

On July 3, 2017, the Company acquired 100% of the equity of Drexel Metals, Inc., ("Drexel Metals") for cash consideration of $55.8 million. Drexel Metals is a leading provider of architectural standing seam metal roofing systems for commercial, institutional and residential applications.

In the three and nine months ended September 30, 2018, Drexel Metals contributed revenues of $21.3 million and $52.3 million, respectively, and operating income of $1.3 million and $3.6 million, respectively, to the Company's consolidated results. The results of operations of the acquired business are reported within the CCM segment.

Consideration has been allocated to goodwill of $26.9 million, $19.0 million to definite-lived intangible assets, $10.4 million to indefinite-lived intangible assets, $8.8 million to inventory, $5.3 million to accounts receivable, $5.8 million to accounts payable and $10.8 million to deferred income and other taxes payable. Definite-lived intangible assets consist of customer relationships with an estimated useful life of nine years. Of the $26.9 million of goodwill, none is deductible for tax purposes. All of the goodwill was assigned to the CCM reporting unit, which aligns with the reportable segment.

Arbo

On January 31, 2017, the Company acquired 100% of the equity of Arbo Holdings Limited ("Arbo") for estimated consideration of GBP 9.1 million or $11.5 million, including the estimated fair value of contingent consideration of GBP 2.0 million or $2.5 million and a working capital settlement, which was finalized in the second quarter of 2017. Arbo is a provider of sealants, coatings, and membrane systems used for waterproofing and sealing buildings and other structures.

In the three and nine months ended September 30, 2018, Arbo contributed revenues of $5.2 million and $14.6 million, respectively, and operating income of $0.5 million and $1.0 million, respectively, to the Company's consolidated results. The results of operations of the acquired business are reported within the CCM segment.

Consideration has been allocated to goodwill of $4.7 million, $2.2 million to definite-lived intangible assets, $2.1 million to inventory, $1.6 million to indefinite-lived intangibles, $1.5 million to accounts receivable, $1.4 million to accounts payable, and $1.4 million to deferred income and other taxes payable. Definite-lived intangible assets consist of customer relationships with an estimated useful life of 15 years. Of the $4.7 million of goodwill, $1.3 million is deductible for tax purposes. All of the goodwill was assigned to the CCM reporting unit, which aligns with the reportable segment.

Note 5—Discontinued Operations

As previously announced, the Company completed the sale of CFS to the Jordan Company of New York, NY, on March 20, 2018, for gross proceeds of $758.0 million, including a working capital adjustment, which was finalized in the third quarter of 2018. The sale of CFS is consistent with the Company's vision of operating a portfolio of businesses with highly engineered manufacturing products in strong growth markets.

A summary of the results from discontinued operations included in the Condensed Consolidated Statements of Income follows:

(in millions)	Three Months Ended September 30, 2018	2017	Nine Months Ended September 30, 2018	2017
Revenues	$ —	$ 86.4	$ 69.5	$ 257.0
Cost of goods sold	—	59.5	49.5	181.2
Other operating expenses, net	0.7	15.4	16.5	45.9
Operating (loss) income	(0.7)	11.5	3.5	29.9
Other non-operating (income) expense, net	—	0.1	—	0.2
(Loss) income from discontinued operations before income taxes	(0.7)	11.4	3.5	29.7
Gain on sale of discontinued operations	3.3	—	296.8	—
(Benefit) provision for income taxes	(0.2)	4.2	46.8	11.0
Income from discontinued operations	$ 2.8	$ 7.2	$ 253.5	$ 18.7

A summary of the carrying amounts of CFS's major assets and liabilities, which were classified as discontinued operations in the Condensed Consolidated Balance Sheet follows:

(in millions)	December 31, 2017
ASSETS	
Cash and cash equivalents	$ 1.3
Receivables, net	32.0
Inventories, net	59.0
Prepaid other current assets	4.2
Total current assets	$ 96.5
Property, plant, and equipment, net	$ 49.7
Goodwill, net	149.7
	169.4

Other intangible assets, net		
Other long-term assets	3.3	
Total long-term assets	$	372.1
LIABILITIES		
Accounts payable	$	20.4
Accrued expenses	20.5	
Total current liabilities	$	40.9
Other long-term liabilities	$	50.0
Total long-term liabilities	$	50.0

A summary of cash flows from discontinued operations included in the Condensed Consolidated Statements of Cash Flows follows:

(in millions)	**Nine Months Ended September 30,**			
		2018		**2017**
Net cash (used in) provided by operating activities	$	(2.0)	$	46.7
Net cash used in investing activities	(8.1)		(221.2)	
Net cash provided by financing activities[1]	11.4		176.1	
Change in cash and cash equivalents from discontinued operations	$	1.3	$	1.6

1. Represents borrowings from the Carlisle cash pool to fund capital expenditures and acquisitions.

Note 6—Earnings Per Share

The Company’s restricted shares and restricted stock units contain non-forfeitable rights to dividends and are considered participating securities for purposes of computing earnings per share pursuant to the two-class method.

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The computation below of earnings per share includes the income attributable to the vested and deferred restricted shares in the numerator and includes the dilutive impact of those underlying shares in the denominator. The computation below of earnings per share excludes the income attributable to the unvested restricted shares and restricted stock units from the numerator and excludes the dilutive impact of those underlying shares from the denominator. Stock options are included in the calculation of diluted earnings per share utilizing the treasury stock method and performance share awards are included in the calculation of diluted earnings per share considering those are contingently issuable. Neither is considered to be a participating security as they do not contain non-forfeitable dividend rights.
The following reflects income from continuing operations and share data used in the basic and diluted earnings per share computations using the two-class method:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(in millions, except share and per share amounts)	**2018**	**2017**	**2018**	**2017**
Income from continuing operations	$ 96.9	$ 79.1	$ 269.5	$ 231.7
Less: dividends declared on common stock outstanding, restricted shares and restricted share units	(24.1)	(23.2)	(69.7)	(69.0)
Undistributed earnings	72.8	55.9	199.8	162.7
Percent allocated to common shareholders[1]	99.3%	99.3%	99.3%	99.4 %
	72.3	55.5	198.4	161.6
Add: dividends declared on common stock	23.8	23.2	69.0	68.1
Income from continuing operations attributable to common shares	$ 96.1	$ 78.7	$ 267.4	$ 229.7
Shares (in thousands):				
Weighted-average common shares outstanding	59,826	62,432	60,712	63,503
Effect of dilutive securities:				
Performance awards	118	82	118	82
Stock options	385	283	346	331
Adjusted weighted-average common shares outstanding and assumed conversion	60,329	62,797	61,176	63,916
Per share income from continuing operations attributable to common shares:				
Basic	$ 1.61	$ 1.27	$ 4.40	$ 3.62
Diluted	$ 1.59	$ 1.26	$ 4.37	$ 3.60
1. Basic weighted-average common shares outstanding	59,826	62,432	60,712	63,503
Basic weighted-average common shares outstanding, unvested restricted shares expected to vest and restricted share units	60,227	62,846	61,113	63,918
Percent allocated to common shareholders	99.3%	99.3 %	99.3 %	99.4 %

To calculate earnings per share for income from discontinued operations and for net income, the denominator for both basic and diluted earnings per share is the same as used in the above table. Income from discontinued operations and net income used in the basic and diluted earnings per share computations follows:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(in millions, except share amounts presented in thousands)	**2018**	**2017**	**2018**	**2017**
	$ 2.8	$ 7.2	$ 251.9	$ 18.6

Income from discontinued operations attributable to common shareholders for basic and diluted earnings per share				
Net income attributable to common shareholders for basic and diluted earnings per share	98.9	85.9	519.3	248.4
Anti-dilutive stock options excluded from EPS calculation[1]	327	377	604	328

1. Represents stock options excluded from the calculation of diluted earnings per share, as such options' assumed proceeds upon exercise would result in the repurchase of more shares than the underlying award.

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Note 7—Revenue Recognition

Revenue is recognized when obligations under the terms of a contract with a customer are satisfied; generally this occurs with the transfer of control of the Company’s products or services. Revenue is measured as the amount of total consideration expected to be received in exchange for transferring goods or providing services. Total expected consideration, in certain cases, is estimated at each reporting period, including interim periods, and is subject to change with variability dependent on future events, such as customer behavior related to future purchase volumes, returns, early payment discounts and other customer allowances. Estimates for rights of return, discounts and rebates to customers and other adjustments for variable consideration are provided for at the time of sale as a deduction to revenue, based on an analysis of historical experience and actual sales data. Changes in these estimates are reflected as an adjustment to revenue in the period identified. Sales, value added and other taxes collected concurrently with revenue-producing activities are excluded from revenue.

The Company receives payment at the inception of the contract for separately priced extended service warranties, and revenue is deferred and recognized on a straight-line basis over the life of the contracts. The term of these warranties range from 5 to 40 years. The weighted average life of the contracts as of September 30, 2018, is approximately 19 years.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer in exchange for payment and is the unit of account. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when or as the performance obligation is satisfied. The majority of the Company’s contracts have a single performance obligation to transfer individual goods or services. For contracts with multiple performance obligations, the contract's transaction price is allocated to each performance obligation using the Company’s best estimate of the standalone selling price of each distinct good or service in the contract. The primary method used to estimate standalone selling price is observable prices.

The Company’s performance obligations are satisfied, and control is transferred, either at a point in time or over time as work progresses. For the majority of the Company’s products, control is transferred and revenue is recognized when the product is shipped from the manufacturing facility or delivered to the customer, depending on shipping terms.

Revenue is recognized over time primarily for separately priced extended service warranties in the CCM segment and certain highly customized product contracts in the CIT segment. Revenues for separately priced extended service warranties are recognized over the life of the contract. Revenues for highly customized product contracts are recognized based on the proportion of costs incurred to date, relative to total estimated costs to complete the contract and are generally incurred over twelve months or less. Highly customized product contract costs generally include labor, material and overhead.

A summary of the timing of revenue recognition and reconciliation of disaggregated revenue by reportable segment follows:

	Three Months Ended September 30, 2018				
(in millions)	**CCM**	**CIT**	**CFT**	**CBF**	**Total**
Products transferred at a point in time	$ 771.4	$ 232.5	$ 72.4	$ 92.0	$ 1,168.3
Products and services transferred over time	5.4	7.7	—	—	13.1
Total revenues	$ 776.8	$ 240.2	$ 72.4	$ 92.0	$ 1,181.4

Three Months Ended September 30, 2017

(in millions)	**CCM**	**CIT**	**CFT**	**CBF**	**Total**
Products transferred at a point in time	$ 635.2	$ 209.9	$ 70.9	$ 80.5	$ 996.5
Products and services transferred over time	5.0	0.9	—	—	5.9
Total revenues	$ 640.2	$ 210.8	$ 70.9	$ 80.5	$ 1,002.4

	Nine Months Ended September 30, 2018				
(in millions)	**CCM**	**CIT**	**CFT**	**CBF**	**Total**
Products transferred at a point in time	$ 2,188.1	$ 666.0	$ 209.2	$ 286.8	$ 3,350.1
Products and services transferred over time	15.9	36.2	—	—	52.1
Total revenues	$ 2,204.0	$ 702.2	$ 209.2	$ 286.8	$ 3,402.2

	Nine Months Ended September 30, 2017				
(in millions)	**CCM**	**CIT**	**CFT**	**CBF**	**Total**
Products transferred at a point in time	$ 1,702.5	$ 602.9	$ 202.4	$ 233.6	$ 2,741.4
Products and services transferred over time	15.0	3.9	—	—	18.9
Total revenues	$ 1,717.5	$ 606.8	$ 202.4	$ 233.6	$ 2,760.3

Remaining performance obligations for extended service warranties represent the transaction price for the remaining stand-ready obligation to perform warranty services. A summary of estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied as of September 30, 2018, follows:

(in millions)	**Remainder of 2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Thereafter**
Extended service warranties	$ 5.2	$ 20.1	$ 19.2	$ 18.1	$ 17.0	$ 15.8	$ 122.7

The Company has applied the practical expedient to not disclose information about remaining performance obligations that have original expected durations of one year or less. Additionally, the Company has applied the transition practical expedient to not disclose the amount of transaction price allocated to the remaining performance obligations and an expectation of when the Company expects to recognize associated revenues, for the nine months ended September 30, 2018.

Contract Balances

Contract liabilities relate to payments received in advance of performance under a contract, primarily related to extended service warranties in the CCM segment and systems contracts in the CFT segment. Contract liabilities are recognized as revenue as (or when) the Company performs under the contract. A summary of the change in contract liabilities for the nine months ended September 30, follows:

(in millions)	**2018**	**2017**
Balance as of January 1	$ 215.8	$ 195.2
Revenue recognized	(53.7)	(53.6)
Revenue deferred	64.9	69.6
Acquired liabilities	0.3	0.5

Balance as of September 30	$	227.3	$	211.7

Contract assets relate to the Company's right to payment for performance completed to date under a contract, primarily related to highly customized product contracts within the CIT segment. Accounts receivable are recorded when the right to payment becomes unconditional. A summary of the change in contract assets for the nine months ended September 30, follows:

(in millions)	**2018**	
Balance as of January 1	$	—
Adoption of ASC 606	22.8	
Revenue recognized and unbilled	118.6	
Revenue billed	(92.3)	
Balance as of September 30	$	49.1

Contract assets were immaterial as of September 30, 2017.

Costs to Obtain a Contract

The Company has applied the practical expedient to recognize costs of obtaining or fulfilling a contract as expense as incurred. These costs generally included sales commissions and are included in selling, general and administrative costs in the Condensed Consolidated Statement of Income.

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Revenues by End-Market

A summary of revenues disaggregated by major end-market industries and reconciliation of disaggregated revenue by segment follows:

	Three Months Ended September 30, 2018				
(in millions)	**CCM**	**CIT**	**CFT**	**CBF**	**Total**
General construction	$ 716.0	$ —	$ —	$ —	$ 716.0
Aerospace	—	160.3	—	5.8	166.1
Heavy equipment	29.8	—	—	74.4	104.2
Transportation	—	—	36.6	9.7	46.3
Medical	—	39.1	—	—	39.1
General industrial and other	31.0	40.8	35.8	2.1	109.7
Total revenues	$ 776.8	$ 240.2	$ 72.4	$ 92.0	$ 1,181.4

	Three Months Ended September 30, 2017				
(in millions)	**CCM**	**CIT**	**CFT**	**CBF**	**Total**
General construction	$ 640.2	$ —	$ —	$ —	$ 640.2
Aerospace	—	137.8	—	4.4	142.2
Heavy equipment	—	—	—	63.0	63.0
Transportation	—	—	39.1	10.7	49.8
Medical	—	35.4	—	—	35.4
General industrial and other	—	37.6	31.8	2.4	71.8
Total revenues	$ 640.2	$ 210.8	$ 70.9	$ 80.5	$ 1,002.4

	Nine Months Ended September 30, 2018				
(in millions)	**CCM**	**CIT**	**CFT**	**CBF**	**Total**
General construction	$ 2,030.4	$ —	$ —	$ —	$ 2,030.4
Aerospace	—	465.9	—	15.6	481.5
Heavy equipment	87.6	—	—	232.9	320.5
Transportation	—	—	109.7	31.0	140.7
Medical	—	108.4	—	—	108.4
General industrial and other	86.0	127.9	99.5	7.3	320.7
Total revenues	$ 2,204.0	$ 702.2	$ 209.2	$ 286.8	$ 3,402.2

	Nine Months Ended September 30, 2017				
(in millions)	**CCM**	**CIT**	**CFT**	**CBF**	**Total**
General construction	$ 1,717.5	$ —	$ —	$ —	$ 1,717.5
Aerospace	—	395.7	—	13.5	409.2
Heavy equipment	—	—	—	179.8	179.8

Transportation	—	—	110.8	30.8	141.6
Medical	—	95.8	—	—	95.8
General industrial and other	—	115.3	91.6	9.5	216.4
Total revenues	$ 1,717.5	$ 606.8	$ 202.4	$ 233.6	$ 2,760.3

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Revenues by Geographic Area

A summary of revenues based on the country to which the product was delivered and reconciliation of disaggregated revenue by segment follows:

	Three Months Ended September 30, 2018				
(in millions)	**CCM**	**CIT**	**CFT**	**CBF**	**Total**
United States	$ 687.2	$ 171.6	$ 29.2	$ 41.1	$ 929.1
International:					
Europe	52.2	20.5	14.2	24.4	111.3
Asia	3.8	24.8	24.0	18.9	71.5
Canada	27.7	1.4	1.9	0.8	31.8
Mexico and Latin America	1.0	12.1	2.3	3.3	18.7
Middle East and Africa	3.3	6.8	0.4	0.5	11.0
Other	1.6	3.0	0.4	3.0	8.0
Total international	89.6	68.6	43.2	50.9	252.3
Total revenues	$ 776.8	$ 240.2	$ 72.4	$ 92.0	$ 1,181.4

	Three Months Ended September 30, 2017				
(in millions)	**CCM**	**CIT**	**CFT**	**CBF**	**Total**
United States	$ 572.1	$ 142.4	$ 27.4	$ 34.3	$ 776.2
International:					
Europe	40.1	24.6	14.3	22.7	101.7
Asia	4.5	23.6	22.2	16.3	66.6
Canada	20.6	1.3	1.4	0.8	24.1
Mexico and Latin America	0.3	11.6	3.8	3.5	19.2
Middle East and Africa	1.9	5.8	0.5	0.3	8.5
Other	0.7	1.5	1.3	2.6	6.1
Total international	68.1	68.4	43.5	46.2	226.2
Total revenues	$ 640.2	$ 210.8	$ 70.9	$ 80.5	$ 1,002.4

	Nine Months Ended September 30, 2018				
(in millions)	**CCM**	**CIT**	**CFT**	**CBF**	**Total**
United States	$ 1,949.8	$ 491.9	$ 85.5	$ 121.3	$ 2,648.5
International:					
Europe	144.0	65.8	42.5	83.6	335.9
Asia	12.6	73.3	68.4	58.4	212.7
Canada	75.6	3.9	5.2	2.2	86.9
Mexico and Latin America					