COLUMBUS MCKINNON CORP
Form 10-Q
October 31, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

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

For the quarterly period ended September 30, 2017
or
o 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: 0-27618

Columbus McKinnon Corporation
(Exact name of registrant as specified in its charter)

New York	16-0547600
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
205 Crosspoint Parkway, Getzville, NY	14068
(Address of principal executive offices)	(Zip code)

(716) 689-5400
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

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. : ý Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Act.

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

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

The number of shares of common stock outstanding as of October 26, 2017 was: 22,998,460 shares.

FORM 10-Q INDEX
COLUMBUS McKINNON CORPORATION
September 30, 2017

Part I. Financial Information
Item 1. Condensed Consolidated Financial Statements (Unaudited)

COLUMBUS McKINNON CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2017 (unaudited)	March 31, 2017
	(In thousands)	
ASSETS:		
Current assets:		
Cash and cash equivalents	$69,455	$77,591
Trade accounts receivable	126,408	111,569
Inventories	139,332	130,643
Prepaid expenses and other	16,766	21,147
Total current assets	351,961	340,950
Property, plant, and equipment, net	113,104	113,028
Goodwill	338,238	319,299
Other intangibles, net	264,748	256,183
Marketable securities	8,064	7,686
Deferred taxes on income	57,120	61,857
Other assets	12,436	14,840
Total assets	$1,145,671	$1,113,843
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Trade accounts payable	$41,954	$40,994
Accrued liabilities	88,117	97,397
Current portion of long term debt	49,710	52,568
Total current liabilities	179,781	190,959
Senior debt, less current portion	22	41
Term loan and revolving credit facility	342,518	368,710
Other non current liabilities	236,551	212,783
Total liabilities	758,872	772,493
Shareholders' equity:		
Voting common stock; 50,000,000 shares authorized; 22,994,794 and 22,565,613 shares issued and outstanding	230	226
Additional paid in capital	266,119	258,853
Retained earnings	202,989	179,735
Accumulated other comprehensive loss	(82,539)	(97,464)
Total shareholders' equity	386,799	341,350
Total liabilities and shareholders' equity	$1,145,671	$1,113,843

See accompanying notes.

COLUMBUS McKINNON CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
(UNAUDITED)

	Three Months Ended		Six Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	(In thousands, except per share data)			
Net sales	$212,828	$ 151,925	$416,554	$ 300,938
Cost of products sold	141,209	102,196	275,627	203,162
Gross profit	71,619	49,729	140,927	97,776
Selling expenses	25,042	19,032	48,842	37,846
General and administrative expenses	19,347	13,831	38,199	27,614
Research and development expenses	3,723	2,482	6,645	4,981
Amortization of intangibles	3,920	1,765	7,639	3,515
	52,032	37,110	101,325	73,956
Income from operations	19,587	12,619	39,602	23,820
Interest and debt expense	5,067	2,525	10,208	5,099
Investment (income) loss	(46)	(88)	(108)	(305)
Foreign currency exchange (gain) loss	69	(220)	393	(783)
Other (income) expense, net	(61)	(48)	(200)	(128)
Income before income tax expense	14,558	10,450	29,309	19,937
Income tax expense	2,050	3,634	5,145	6,720
Net income	12,508	6,816	24,164	13,217
Dividends declared	(910)	(808)	(910)	(808)
Retained earnings - beginning of period	191,391	180,574	179,735	174,173
Retained earnings - end of period	$202,989	$ 186,582	$202,989	$ 186,582
Average basic shares outstanding	22,746	20,202	22,663	20,169
Average diluted shares outstanding	23,142	20,368	23,013	20,325
Basic income per share:	$0.55	$ 0.34	$1.07	$ 0.66
Diluted income per share:	$0.54	$ 0.33	$1.05	$ 0.65
Dividends declared per common share	$0.04	$ 0.04	$0.04	$ 0.04

See accompanying notes.

COLUMBUS McKINNON CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended		Six Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	(In thousands)			
Net income	$12,508	$ 6,816	$24,164	$ 13,217
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	4,913	569	14,030	(3,017)
Change in derivatives qualifying as hedges, net of taxes of $44, $(274), $(967) and $(233)	(86)	508	1,878	432
Change in pension liability and postretirement obligation, net of taxes of $63, $9, $604 and $(111)	(123)	(17)	(1,172)	207
Adjustments for unrealized gain (loss) on investments:				
Unrealized holding gain (loss) arising during the period, net of taxes of $(49), $(33), $(97) and $(98)	95	61	189	183
Reclassification adjustment for gain (loss) included in net income, net of taxes of $0, $7, $0, and $40	—	(14)	—	(75)
Net change in unrealized gain (loss) on investments	95	47	189	108
Total other comprehensive income (loss)	4,799	1,107	14,925	(2,270)
Comprehensive income	$17,307	$ 7,923	$39,089	$ 10,947

See accompanying notes.

COLUMBUS McKINNON CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended	
	September 30, 2017	September 30, 2016
	(In thousands)	
OPERATING ACTIVITIES:		
Net income	$24,164	$ 13,217
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,755	11,928
Deferred income taxes and related valuation allowance	2,635	2,075
Net gain on sale of real estate, investments and other	(2)	(115)
Stock based compensation	2,951	2,539
Amortization of deferred financing costs and discount on debt	1,327	344
Changes in operating assets and liabilities, net of effects of business acquisitions:		
Trade accounts receivable	(10,098)	3,049
Inventories	(2,230)	1,152
Prepaid expenses and other	916	5,102
Other assets	2,463	(227)
Trade accounts payable	(307)	(3,112)
Accrued liabilities	3,452	(2,801)
Non-current liabilities	(8,243)	(7,502)
Net cash provided by (used for) operating activities	34,783	25,649
INVESTING ACTIVITIES:		
Proceeds from sales of marketable securities	138	9,192
Purchases of marketable securities	(225)	(207)
Capital expenditures	(6,082)	(8,450)
Purchase of business, net of cash acquired	—	(587)
Net payments to former STAHL owner	(14,750)	—
Net cash provided by (used for) investing activities	(20,919)	(52)
FINANCING ACTIVITIES:		
Proceeds from exercises of stock options	5,594	139
Net borrowings (repayments) under lines of credit	—	(21,000)
Repayment of debt	(30,131)	(6,550)
Restricted cash related to purchase of business	—	(588)
Payment of dividends	(1,814)	(1,611)
Other	(1,277)	(541)
Net cash provided by (used for) financing activities	(27,628)	(30,151)
Effect of exchange rate changes on cash	5,628	(1,344)
Net change in cash and cash equivalents	(8,136)	(5,898)
Cash and cash equivalents at beginning of year	77,591	51,603
Cash and cash equivalents at end of period	$69,455	$ 45,705
Supplementary cash flow data:		
Interest paid	$9,366	$ 4,863

Income taxes paid (refunded), net	$(139)	$ 1,039

See accompanying notes.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
September 30, 2017

1. Description of Business

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position of Columbus McKinnon Corporation (the Company) at September 30, 2017, the results of its operations for the three and six month periods ended September 30, 2017 and September 30, 2016, and cash flows for the six months ended September 30, 2017 and September 30, 2016, have been included. Results for the period ended September 30, 2017 are not necessarily indicative of the results that may be expected for the year ending March 31, 2018. The balance sheet at March 31, 2017 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Columbus McKinnon Corporation annual report on Form 10-K for the year ended March 31, 2017.

For its fiscal 2018 financial statements, the Company has reclassified research and development expenses previously recorded in general and administrative expense into a separate line item on the condensed consolidated statements of operations and retained earnings. All periods presented have been revised to reflect this presentation. With the acquisitions of Magnetek in September 2015 and STAHL CraneSystems (“STAHL”) in January 2017, the Company expects research and development costs to factor more prominently in our cost structure. Therefore, the new presentation of research and development costs provides transparency into these costs. Consistent with prior periods, the Company continues to account for research and development expenses in accordance with the provisions of ASC 730. Costs that qualify as research and development costs are expensed as incurred.

The Company is a leading global designer, manufacturer and marketer of hoists, actuators, cranes, rigging tools, digital power control systems, and other material handling products, which efficiently and safely move, lift, position, and secure materials. Key products include hoists, rigging tools, cranes, actuators, digital power control and delivery systems, and elevator application drive systems. On January 31, 2017, the Company acquired STAHL. STAHL is a leading manufacturer of explosion-protected hoists and crane components specializing in custom engineering of lifting solutions and hoisting technology. STAHL serves independent crane builders and Engineering Procurement and Construction (EPC) firms, providing products to a variety of end markets including oil & gas, automotive, general manufacturing, steel & concrete, power generation as well as process industries such as chemical and pharmaceuticals.

The Company’s material handling products are sold globally, principally to third party distributors through diverse distribution channels, and to a lesser extent directly to end-users. During the three and six month periods ended September 30, 2017, approximately 53% and 54% of sales were to customers in the United States, respectively.

2. Acquisitions

On July 15, 2016, the Company purchased 100% of the assets of Ergomatic Products LLC ("Ergomatic"), a designer and manufacturer of ergonomic lift assists, articulating arms, torque tubes, and pneumatic control systems for material handling and tool suspension applications. The purchase price of the transaction was $1,175,000, of which $588,000 was paid to the seller on the day of closing with the remainder due to the seller over a two year period.

In connection with the acquisition of Ergomatic, the Company withheld $588,000 to be paid to the seller upon satisfaction of certain conditions. Of this amount, $294,000 was paid to the seller in the current quarter and the remaining $294,000 is expected to be paid in July 2018. The Company has recorded short term restricted cash on its consolidated balance sheets of $294,000 within prepaid expenses and a short term liability of $294,000 within accrued liabilities at September 30, 2017.

The allocation of the purchase price to the assets and liabilities of Ergomatic is now complete as the measurement period has closed. Please refer to the Company's annual report on form 10-K for the fiscal year ended March 31, 2017 ("2017 10-K") for further details on the assets acquired and liabilities assumed related to the Ergomatic transaction.

On January 31, 2017, the Company completed its acquisition of STAHL for $217,773,000, net of cash acquired. STAHL is a leading manufacturer of explosion-protected hoists and crane components as well as provides custom engineered lifting solutions and hoisting technology with annual sales of approximately $165,000,000. STAHL serves independent crane builders and Engineering Procurement and Construction (EPC) firms, providing products to a variety of end markets including oil & gas, automotive, general manufacturing, steel & concrete, power generation, as well as process industries such as chemical and pharmaceuticals.

The purchase price has been preliminarily allocated to the assets acquired and liabilities assumed as of the date of acquisition. The excess consideration of $149,839,000 has preliminarily been recorded as goodwill, a decrease of $483,000 from March 31, 2017. The decrease is due to a payment received in the previous quarter from the prior owner of STAHL as a result of a working capital true up. The identifiable intangible assets acquired include customer relationships of $120,220,000, trademark and trade names of $18,191,000, patents and technology of $2,660,000, and other intangibles totaling $1,968,000. The weighted average life of the acquired identifiable intangible assets subject to amortization was estimated at 16 years at the time of acquisition. Goodwill recorded in connection with the acquisition is not deductible for income tax purposes. The allocation of the purchase price to the assets acquired and liabilities assumed of STAHL is not complete as of September 30, 2017 as the Company is continuing to gather information regarding STAHL's contingent liabilities and intangible assets.

The preliminary assignment of purchase consideration to the assets acquired and liabilities assumed is as follows:

Cash	$30,473
Working capital	18,593
Property, plant, and equipment	14,234
Intangible assets	143,039
Other assets	380
Other liabilities	(74,762)
Deferred taxes, net	(33,550)
Goodwill	149,839
Total	$248,246

Please refer to the Company's 2017 10-K for further details on the assets acquired and liabilities assumed related to the STAHL transaction.

The following unaudited pro forma financial information presents the combined results of operations as if the STAHL acquisition had occurred as of April 1, 2016. The pro forma information includes certain adjustments, including depreciation and amortization expense, interest expense, and certain other adjustments, together with related income tax effects. The pro forma amounts may not be indicative of the results that actually would have been achieved had the acquisitions occurred as of April 1, 2016 and are not necessarily indicative of future results of the combined companies (in thousands, except per share data):

	Three Months Ended		Six Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Net sales	$212,828	$193,685	$416,554	$386,916
Net income	$12,508	$7,964	$24,164	$15,898
Net income per share - Basic	$0.55	$0.35	$1.07	$0.71
Net income per share - Diluted	$0.54	$0.35	$1.05	$0.70

3. Fair Value Measurements

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 820 “Fair Value Measurements and Disclosures” establishes the standards for reporting financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value on a recurring basis (at least annually). Under these standards, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date.

ASC Topic 820-10-35-37 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the valuation techniques that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is separated into three levels based on the reliability of inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, involving some degree of judgment.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The availability of observable inputs can vary and is affected by a wide variety of factors, including the type of asset/liability, whether the asset/liability is established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, assumptions are required to reflect those that market participants would use in pricing the asset or liability at the measurement date.

The Company primarily uses readily observable market data in conjunction with internally developed discounted cash flow valuation models when valuing its derivative portfolio and, consequently, the fair value of the Company's derivatives is based on Level 2 inputs. The carrying amount of the Company's annuity contract acquired in connection with the acquisition of Magnetek is recorded at net asset value of the contract and, consequently, its fair value is based on Level 2 inputs and is included in other assets on the Company's condensed consolidated balance sheet. The carrying value of the Company's Term Loan and senior debt approximate fair value based on current market interest rates for debt instruments of similar credit standing and, consequently, their fair values are based on Level 2 inputs.

The following table provides information regarding financial assets and liabilities measured or disclosed at fair value (in thousands):

	Fair value measurements at reporting date using			
Description	September 30, 2017	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets/(Liabilities) measured at fair value:				
Marketable securities	$8,064	$ 8,064	$—	$ —
Annuity contract	2,613	—	2,613	—
Derivative Assets (Liabilities):				
Foreign exchange contracts	(402)	—	(402)	—
Interest rate swap liability	(1,322)	—	(1,322)	—
Interest rate swap asset	348	—	348	—
Cross currency swap liability	(27,933)	—	(27,933)	—
Cross currency swap asset	2,361	—	2,361	—
Disclosed at fair value:				
Term loan	$(407,545)	$ —	$(407,545)	$ —
Senior debt	(266)	—	(266)	—

	Fair value measurements at reporting date using			
Description	March 31, 2017	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets/(Liabilities) measured at fair value:				
Marketable securities	$7,686	$ 7,686	$—	$ —
Annuity contract	2,898	—	2,898	—
Derivative assets (liabilities):				
Foreign exchange contracts	18	—	18	—
Interest rate swap liability	(1,808)	—	(1,808)	—
Interest rate swap asset	1,394	—	1,394	—
Cross currency swap liability	(7,580)	—	(7,580)	—
Cross currency swap asset	3,237	—	3,237	—
Disclosed at fair value:				
Term loan	$(436,555)	$ —	$(436,555)	$ —
Senior debt	(3,159)	—	(3,159)	—

The Company does not have any non-financial assets and liabilities that are recognized at fair value on a recurring basis. At September 30, 2017, the term loan and senior debt have been recorded at carrying value which approximates fair value.

Interest and dividend income on marketable securities are recorded in investment (income) loss. Changes in the fair value of derivatives are recorded in foreign currency exchange (gain) loss or other comprehensive loss, to the extent that the derivative qualifies as a hedge under the provisions of ASC Topic 815. Interest and dividend income on marketable securities are measured based upon amounts earned on their respective declaration dates.

Please refer to the 2017 10-K for a full description of the assets and liabilities measured on a non-recurring basis that are included in the Company's March 31, 2017 balance sheet.

4. Inventories

Inventories consisted of the following (in thousands):

	September 30, 2017	March 31, 2017
At cost - FIFO basis:		
Raw materials	$ 77,584	$74,716
Work-in-process	41,742	39,117
Finished goods	35,233	33,666
Total at cost FIFO basis	154,559	147,499
LIFO cost less than FIFO cost	(15,227)	(16,856)
Net inventories	$ 139,332	$130,643

An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must necessarily be based on management's estimates of expected year-end inventory levels and costs. Because these are subject to many factors beyond management's control, estimated interim results are subject to change in the final year-end LIFO inventory valuation.

5. Marketable Securities

All of the Company’s marketable securities, which consist of equity securities and fixed income securities, have been classified as available-for-sale securities and are therefore recorded at their fair values with the unrealized gains and losses, net of tax, reported in accumulated other comprehensive loss in the shareholders’ equity section of the condensed consolidated balance sheet unless unrealized losses are deemed to be other-than-temporary. In such instances, the unrealized losses are reported in the condensed consolidated statements of operations and retained earnings within investment income. Estimated fair value is based on quoted market prices at the balance sheet dates. The cost of securities sold is based on the specific identification method. Interest and dividend income are included in investment income in the condensed consolidated statements of operations and retained earnings.

Marketable securities are carried as long-term assets since they are held for the settlement of the Company’s general and product liability insurance claims filed through CM Insurance Company, Inc. ("CMIC"), a wholly owned captive insurance subsidiary. The marketable securities are not available for general working capital purposes.

In accordance with ASC Topic 320-10-35-30 “Investments – Debt & Equity Securities – Subsequent Measurement,” the Company reviews its marketable securities for declines in market value that may be considered other-than-temporary. The Company generally considers market value declines to be other-than-temporary if there are declines for a period longer than six months and in excess of 20% of original cost, or when other evidence indicates impairment. We also consider the nature of the underlying investments, our intent and ability to hold the investments until their market values recover, and other market conditions in making this assessment. There were no other-than-temporary impairments for the three and six months ended September 30, 2017 or September 30, 2016.

During the quarter ended September 30, 2016, CMIC obtained approval from the New York State Department of Finance Services to loan $6,000,000 to the Company based on arms-length terms and conditions. To fund this intercompany loan, CMIC sold a portion of its marketable security portfolio with a cost of $5,938,000 and a fair value of $6,000,000 resulting in a realized gain of $62,000.

The following is a summary of available-for-sale securities at September 30, 2017 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Marketable securities	$ 7,562	$ 512	$ 10	$ 8,064

The aggregate fair value of investments and unrealized losses on available-for-sale securities in an unrealized loss position at September 30, 2017 are as follows (in thousands):

	Aggregate Fair Value	Unrealized Losses
Securities in a continuous loss position for less than 12 months	$ 1,288	$ 9
Securities in a continuous loss position for more than 12 months	42	1
	$ 1,330	$ 10

The Company considered the nature of the investments, causes of previous impairments, the severity and duration of unrealized losses and other factors and determined that the unrealized losses at September 30, 2017 were temporary in nature.

Net realized gains related to sales of marketable securities were $0 and $21,000, in the three month periods ended September 30, 2017 and September 30, 2016, respectively and $200 and $115,000 for the six months period ended, respectively.

The following is a summary of available-for-sale securities at March 31, 2017 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Marketable securities	$ 7,475	$ 248	$ 37	$ 7,686

6. Goodwill and Intangible Assets

Goodwill and indefinite lived trademarks are not amortized but are tested for impairment at least annually, in accordance with the provisions of ASC Topic 350-20-35-1. Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. The fair value of a reporting unit is determined using a discounted cash flow methodology. The Company’s reporting units are determined based upon whether discrete financial information is available and reviewed regularly, whether those units constitute a business, and the extent of economic similarities between those reporting units for purposes of aggregation. The Company’s reporting units identified under ASC Topic 350-20-35-33 are at the component level, or one level below the operating segment level as defined under ASC Topic 280-10-50-10 “Segment Reporting - Disclosure.” The Company has four reporting units as of September 30, 2017 and March 31, 2017. Only two of the four reporting units carried goodwill at September 30, 2017 and March 31, 2017. The Duff-Norton reporting unit (which designs, manufactures and sources mechanical and electromechanical actuators and rotary unions) had goodwill of $9,671,000 and $9,555,000 at September 30, 2017 and March 31, 2017, respectively, and the Rest of Products reporting unit (representing the hoist, chain, forgings design, digital power, motion control, manufacturing, and distribution businesses) had goodwill of $328,567,000 and $309,744,000 at September 30, 2017 and March 31, 2017, respectively. STAHL has been determined to be a part of the Rest of Products reporting unit.

Refer to the 2017 10-K for information regarding our annual goodwill and indefinite lived trademark impairment evaluation. Future impairment indicators, such as declines in forecasted cash flows, may cause impairment charges. Impairment charges could be based on such factors as the Company's stock price, forecasted cash flows, assumptions used, control premiums or other variables. There were no such indicators during the quarter ended September 30, 2017.

Identifiable intangible assets acquired in a business combination are amortized over their estimated useful lives. A summary of changes in goodwill during the three months ended September 30, 2017 is as follows (in thousands):

Balance at April 1, 2017	$319,299
STAHL purchase accounting adjustment - See Note 2	(483)
Currency translation	19,422
Balance at September 30, 2017	$338,238

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Goodwill is recognized net of accumulated impairment losses of $107,000,000 as of September 30, 2017 and March 31, 2017, respectively. There were no goodwill or indefinite lived trademark impairment losses recorded in the three and six month periods ended September 30, 2017 and 2016.

Identifiable intangible assets are summarized as follows (in thousands):

	September 30, 2017			March 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Trademark	$5,654	$ (3,017)	$2,637	$5,151	$ (2,616)	$2,535
Indefinite lived trademark	48,002	—	48,002	46,018	—	46,018
Customer relationships						