MSA Safety Inc
Form 10-Q
April 24, 2018

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

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarter ended March 31, 2018
Commission File No. 1-15579

MSA SAFETY INCORPORATED
(Exact name of registrant as specified in its charter)

Pennsylvania	46-4914539
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
1000 Cranberry Woods Drive Cranberry Township, Pennsylvania	16066-5207
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (724) 776-8600

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 and (2) has been subject to such filing requirements for the past 90 days. Yes x 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 x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 x	Accelerated filer ¨	Non-accelerated filer ¨	Smaller reporting company ¨
		(Do not check if a 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 x

As of April 20, 2018, 38,314,185 shares of common stock, of the registrant were outstanding.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
MSA SAFETY INCORPORATED
CONDENSED CONSOLIDATED STATEMENT OF INCOME
Unaudited

	Three Months Ended March 31,	
(In thousands, except per share amounts)	2018	2017
Net sales	$325,894	$265,765
Cost of products sold	178,555	146,043
Gross profit	147,339	119,722
Selling, general and administrative	80,250	76,786
Research and development	12,548	10,998
Restructuring charges (Note 5)	5,274	12,739
Currency exchange losses, net	2,008	580
Other operating expense (Note 19)	2,824	—
Operating income	44,435	18,619
Interest expense	4,781	3,591
Other income, net	(2,340)	(1,458)
Total other expense, net	2,441	2,133
Income before income taxes	41,994	16,486
Provision for income taxes (Note 11)	9,505	1,796
Net income	32,489	14,690
Net income attributable to noncontrolling interests	(118)	(277)
Net income attributable to MSA Safety Incorporated	$32,371	$14,413
Earnings per share attributable to MSA Safety Incorporated common shareholders:		
Basic	$0.85	$0.38
Diluted	$0.83	$0.37
Dividends per common share	$0.35	$0.33

The accompanying notes are an integral part of the consolidated financial statements.

MSA SAFETY INCORPORATED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Unaudited

	Three Months Ended March 31,	
(In thousands)	2018	2017
Net income	$32,489	$14,690
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments (Note 7)	13,400	10,744
Pension and post-retirement plan actuarial gains, net of tax (Note 7)	2,329	1,984
Total other comprehensive income, net of tax	15,729	12,728
Comprehensive income	48,218	27,418
Comprehensive (income) loss attributable to noncontrolling interests	(288)	349
Comprehensive income attributable to MSA Safety Incorporated	$47,930	$27,767

The accompanying notes are an integral part of the consolidated financial statements.

MSA SAFETY INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEET
Unaudited

(In thousands)	March 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents	$124,883	$134,244
Trade receivables, less allowance for doubtful accounts of $5,816 and $5,540	254,068	244,198
Inventories (Note 4)	171,203	153,739
Prepaid income taxes	31,800	31,448
Notes receivable, insurance companies (Note 19)	3,463	17,333
Prepaid expenses and other current assets	46,878	41,335
Total current assets	632,295	622,297
Property, plant and equipment, net (Note 6)	154,848	157,014
Prepaid pension cost	85,941	83,060
Deferred tax assets (Note 11)	26,648	25,825
Goodwill (Note 14)	426,860	422,185
Intangible assets (Note 14)	182,390	183,088
Notes receivable, insurance companies, noncurrent (Note 19)	59,954	59,567
Insurance receivable (Note 19) and other noncurrent assets	126,832	131,790
Total assets	$1,695,768	$1,684,826
Liabilities		
Notes payable and current portion of long-term debt, net (Note 13)	$26,780	$26,680
Accounts payable	68,142	87,061
Employees’ compensation	27,584	39,377
Insurance and product liability (Note 19)	67,119	59,116
Income taxes payable (Note 11)	8,801	—
Warranty reserve (Note 19) and other current liabilities	74,978	77,045
Total current liabilities	273,404	289,279
Long-term debt, net (Note 13)	441,426	447,832
Pensions and other employee benefits	173,840	170,773
Deferred tax liabilities (Note 11)	10,249	9,341
Product liability (Note 19) and other noncurrent liabilities	155,663	165,023
Total liabilities	$1,054,582	$1,082,248
Commitments and contingencies (Note 19)		
Equity		
Preferred stock, 4 1/2% cumulative, $50 par value (Note 8)	3,569	3,569
Common stock, no par value (Note 8)	200,002	194,953
Treasury shares, at cost (Note 8)	(299,103)	(297,834)
Accumulated other comprehensive loss (Note 7)	(156,203)	(171,762)
Retained earnings	887,656	868,675
Total MSA Safety Incorporated shareholders' equity	635,921	597,601
Noncontrolling interests	5,265	4,977
Total shareholders’ equity	641,186	602,578
Total liabilities and shareholders’ equity	$1,695,768	$1,684,826

The accompanying notes are an integral part of the consolidated financial statements.

MSA SAFETY INCORPORATED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Unaudited

	Three Months Ended March 31,	
(In thousands)	2018	2017
Operating Activities		
Net income	$ 32,489	$ 14,690
Depreciation and amortization	9,671	8,752
Restructuring charges (Note 5)	—	11,384
Stock-based compensation (Note 12)	5,606	6,325
Pension expense (Note 16)	1,488	1,769
Deferred income tax (benefit) provision (Note 11)	(600)	171
Loss on asset dispositions, net	17	32
Pension contributions (Note 16)	(1,243)	(1,475)
Currency exchange losses, net	2,008	580
Other operating expense (Note 19)	2,824	—
Changes in:		
Trade receivables	(6,858)	3,998
Inventories (Note 4)	(14,513)	(12,537)
Prepaid expenses and other current assets	13,921	1,087
Accounts payable and accrued liabilities	(29,488)	(20,137)
Other noncurrent assets and liabilities	2,031	81,751
Cash Flow From Operating Activities	17,353	96,390
Investing Activities		
Capital expenditures	(3,241)	(1,442)
Property disposals and other investing	58	165
Cash Flow Used in Investing Activities	(3,183)	(1,277)
Financing Activities		
Proceeds from short-term debt, net	99	182

Proceeds from long-term debt (Note 13)	137,500	101,500
Payments on long-term debt (Note 13)	(147,000)	(198,119)
Cash dividends paid	(13,390)	(12,455)
Company stock purchases (Note 8)	(2,673)	(3,811)
Exercise of stock options (Note 8)	848	6,267
Cash Flow Used in Financing Activities	(24,616)	(106,436)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1,363	1,625
Decrease in cash, cash equivalents and restricted cash	(9,083)	(9,698)
Beginning cash, cash equivalents and restricted cash	137,889	114,962
Ending cash, cash equivalents and restricted cash	$ 128,806	$ 105,264
Supplemental cash flow information:		
Cash and cash equivalents	$ 124,883	$ 104,427
Restricted cash included in prepaid expenses and other current assets	3,923	837
Total cash, cash equivalents and restricted cash	$ 128,806	$ 105,264

The accompanying notes are an integral part of the consolidated financial statements.

MSA SAFETY INCORPORATED
CONSOLIDATED STATEMENT OF CHANGES IN RETAINED EARNINGS,
ACCUMULATED OTHER COMPREHENSIVE LOSS AND NONCONTROLLING INTERESTS
Unaudited

(In thousands)	Retained Earnings	Accumulated Other Comprehensive (Loss)
Balances December 31, 2016	$901,415	$ (230,246)
Net income	14,690	—
Foreign currency translation adjustments	—	10,744
Pension and post-retirement plan adjustments, net of tax of $1,108	—	1,984
(Income) loss attributable to noncontrolling interests	(277)	626
Common dividends	(12,445)	—
Preferred dividends	(10)	—
Cumulative effect of the adoption of ASU 2016-16 (Note 2)	(5,915)	—
Balances March 31, 2017	897,458	(216,892)
Balances December 31, 2017	868,675	(171,762)
Net income	32,489	—
Foreign currency translation adjustments	—	13,400
Pension and post-retirement plan adjustments, net of tax of $1,066	—	2,329
Income attributable to noncontrolling interests	(118)	(170)
Common dividends	(13,380)	—
Preferred dividends	(10)	—
Balances March 31, 2018	$887,656	$ (156,203)

The accompanying notes are an integral part of the consolidated financial statements.

MSA SAFETY INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Unaudited
Note 1—Basis of Presentation
The condensed consolidated financial statements of MSA Safety Incorporated and its subsidiaries ("MSA" or the "Company") are unaudited. These condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, considered necessary by management to fairly state the Company's results. Intercompany accounts and transactions have been eliminated. The results reported in these condensed consolidated financial statements are not necessarily indicative of the results that may be expected for the entire year. The December 31, 2017 condensed consolidated balance sheet data was derived from the audited consolidated balance sheet, but does not include all disclosures required by accounting principles generally accepted in the United States of America (U.S. GAAP). This Form 10-Q report should be read in conjunction with MSA's Form 10-K for the year ended December 31, 2017, which includes all disclosures required by U.S. GAAP.
Note 2— Recently Adopted and Recently Issued Accounting Standards
In May 2014, the FASB issued ASU 2014-09, Revenue with Contracts from Customers. This ASU establishes a single revenue recognition model for all contracts with customers based on recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, eliminates industry specific requirements, and expands disclosure requirements. We adopted ASU 2014-09 using the modified retrospective method as of January 1, 2018. The majority of our revenue transactions consist of a single performance obligation to transfer promised goods or services. Based on the evaluation of our current contracts and revenue streams, we determined they will be recorded consistently under both existing U.S. GAAP and the new standard. Therefore, the adoption of ASU 2014-09 did not have a material effect on our condensed consolidated financial statements. See Note 3 for further information on our updated revenue recognition policy.
In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory. This ASU was adopted on January 1, 2017. This ASU applies only to inventory measured using the first-in, first-out (FIFO) or average cost methods and requires inventory to be measured at the lower of cost and net realizable value (NRV). This ASU replaces market with NRV, defined as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This eliminates the need to determine and consider replacement cost or NRV less an approximately normal profit margin when measuring inventory. The adoption of this ASU did not have a material effect on our condensed consolidated financial statements.
In February 2016, the FASB issued ASU 2016-02, Leases. This ASU requires lessees to record a right of use asset and a liability for virtually all leases. This ASU will be effective beginning January 1, 2019. The Company has developed a transition plan and continues to evaluate the impact that the adoption of this ASU will have on the consolidated financial statements. During 2017, we conducted a survey to identify all leases across the organization and are currently working to obtain all lease contracts to accumulate the necessary information for adoption. We have identified that a majority of our leases fall into one of three categories: office equipment, real estate and vehicles. We identified that most office equipment and vehicle leases utilize standard master leasing contracts that have similar terms. In the first quarter of 2018, we selected a service provider to help us inventory and account for our leases. At a minimum, total assets and total liabilities will increase in the period the ASU is adopted. At March 31, 2018, the Company's undiscounted future minimum rent commitments under noncancellable operating leases were approximately $42.7 million. We will adopt the standard using the modified retrospective approach and are still evaluating whether we will elect the practical expedients allowed in the standard.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting. This ASU simplifies the accounting for many aspects associated with share-based payment accounting, including income taxes and the use of forfeiture rates. This ASU was adopted on January 1, 2017. The provisions of this ASU which impacted us included a requirement that all excess tax benefits and deficiencies that pertain to share-based payment arrangements be recognized as a component of income tax expense rather than as a component of shareholders' equity. The Company expects this to create volatility in its effective tax rate on a go-forward basis as the impact is treated as a discrete item within our quarterly tax provision. The extent of excess tax benefits/deficiencies is subject to variation in our stock price and timing/extent of stock-based compensation share vestings and employee stock option exercises. This ASU also removes the impact of the excess tax benefits and deficiencies from the calculation of diluted earnings per share and no longer requires a presentation of excess tax benefits and deficiencies related to the vesting and exercise of share-based compensation as both an operating outflow and financing inflow on the statement of cash flows. We have applied all of these changes on a prospective basis and therefore, prior years were not adjusted. Additionally, this ASU allows for an accounting policy election to estimate the number of awards that are expected to vest or account for forfeitures when they occur. We elected to maintain our current forfeitures policy and will continue to include an estimate of those forfeitures when recognizing stock-based compensation expense. This ASU also requires cash payments to tax authorities when an employer uses a net-settlement feature to withhold shares to meet statutory tax withholding provisions to be presented as a financing activity (eliminating previous diversity in practice). Adoption of this ASU resulted in an additional discrete tax benefit of approximately $1.0 million and $2.8 million during the three months ended March 31, 2018 and March 31, 2017, respectively.

In June 2016, the FASB issued ASU 2016-13, Allowance for Loan and Lease Losses. This ASU introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments including loans, held-to-maturity debt securities, loan commitments, financial guarantees and net investments in leases as well as reinsurance and trade receivables. This ASU will be effective beginning in 2020. The Company is currently evaluating the impact that the adoption of this ASU will have on the condensed consolidated financial statements and expects that adoption will result in increased disclosure.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Payments and Cash Receipts. This ASU clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The Company's adoption of this ASU on January 1, 2018 did not have a material impact on our presentation of the condensed consolidated statement of cash flows.

In October 2016, the FASB issued ASU 2016-16, Intra-entity Transfers of Assets Other than Inventory. This ASU states that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. This ASU was early adopted on January 1, 2017 using the modified retrospective approach which resulted in a $5.9 million cumulative-effect adjustment directly to retained earnings for any previously deferred income tax effects.

In November 2016, the FASB issued ASU 2016-18, Restricted Cash. This ASU requires that amounts generally described as restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. We adopted this ASU on January 1, 2018 using the retrospective method. The adoption of ASU 2016-18 had an impact on our financial statement presentation within the condensed consolidated statement of cash flows, as amounts generally described as restricted cash and restricted cash equivalents are now included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows and transfers of these amounts between balance sheet line items are no longer presented as an operating, investing or financing cash flow. For the three months ended March 31, 2017, cash flow used in financing activities increased by $0.4 million as a result of the adoption of this ASU. Furthermore, adoption of ASU 2016-18 resulted in additional disclosures.

In January 2017, the FASB issued ASU 2017-01, Business Combinations - Clarifying the Definition of a Business. This ASU provides further guidance for identifying whether a set of assets and activities is a business by providing a screen outlining that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This ASU was adopted beginning in 2018 and was applied prospectively. The adoption of this ASU may have a material effect on our condensed consolidated financial statements in the event that we have an acquisition or disposal that falls within this screen.

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment. This ASU simplifies the accounting for goodwill impairments under Step 2 by eliminating the requirement to perform procedures to determine the fair value of the assets and liabilities of the reporting unit, including previously unrecognized assets and liabilities, in order to determine the fair value of the goodwill and any impairment charge to be recognized. Under this ASU, the impairment charge to be recognized should be the amount by which the reporting unit's carrying value exceeds the reporting unit's fair value as calculated under Step 1 provided that the loss recognized should not exceed the total amount of goodwill allocated to the reporting unit. This ASU is effective beginning in 2019 and early adoption is permitted for interim or annual goodwill impairment tests performed after January 1, 2017. The adoption of this ASU may have a material effect on our condensed consolidated financial statements in the event that we determine that goodwill for any of our reporting units is impaired.

In March 2017, the FASB issued ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit Cost, to improve the presentation of net periodic pension and net periodic post-retirement benefit cost. This ASU requires companies to present the service cost component of net periodic benefit cost in the same income statement line item as other compensation costs arising from services rendered during the period. Only the service cost component will be eligible for capitalization in assets. Additionally, this ASU requires that companies present the other components of the net periodic benefit cost separately from the line item that includes the service cost and outside of any subtotal of income from operations, if one is presented. This ASU is effective for annual periods beginning after December 15, 2017 and early adoption is permitted. The amendments in this ASU are to be applied retrospectively for presentation in the condensed consolidated statement of income and prospectively for the capitalization of the service cost component of net periodic pension cost and net periodic post-retirement benefit in assets. A practical expedient allows the Company to use the amount disclosed in its pension and other post-retirement benefit plan note for the prior comparative periods as the estimation basis for applying the retrospective presentation requirements. The Company adopted ASU 2017-07 on January 1, 2018 using the retrospective method and elected to use the practical expedient. The adoption of this ASU resulted in a $1.4 million and $0.8 million decrease in operating income for the three months ended March 31, 2018 and 2017, respectively. The Company does not capitalize costs in assets so there is no impact from that provision of ASU 2017-07.

In May 2017, the FASB issued ASU 2017-09, Stock Compensation - Scope of Modification Accounting, which amends the scope of modification accounting for share-based payment arrangements. This ASU provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. This ASU is effective for periods beginning after December 31, 2017. The Company's adoption of ASU on January 1, 2018 did not have a material effect on our condensed consolidated financial statements.

In January 2018, the FASB issued ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which gives entities the option to reclassify to retained earnings the tax effects resulting from the new tax reform legislation commonly known as the Tax Cuts and Jobs Act ("the Act") related to items in AOCI that the FASB refers to as having been stranded in AOCI. The new guidance may be applied retrospectively to each period in which the effect of the Act is recognized in the period of adoption. The Company must adopt this guidance for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted for periods for which financial statements have not yet been issued or made available for issuance, including the period the Act was enacted. The guidance, when adopted, will require new disclosures regarding a company’s accounting policy for releasing the tax effects in AOCI and permit a company the option to reclassify to retained earnings the tax effects resulting from the Act that are stranded in AOCI. The Company has elected to not early adopt this ASU. Further, the Company is currently evaluating how to apply the new guidance and has not determined whether it will elect to reclassify stranded amounts, if any. As such, the Company is still evaluating the impact that the adoption of ASU 2018-02 will have on the consolidated financial statements.

Note 3—Significant Accounting Policies Update

Revenue Recognition—We generate revenue primarily from manufacturing and selling a comprehensive line of safety products to protect the health and safety of workers and facility infrastructures around the world in the oil, gas and petrochemical, fire service, construction, utilities, and mining industries. Our core safety products include fixed gas and flame detection instruments, breathing apparatus where SCBA is the principal product, portable gas detection instruments, industrial head protection products, firefighter helmets & protective apparel, and fall protection devices. Our customers generally fall into two categories: distributors and industrial or military end-users. In our Americas segment, approximately 75% - 85% of our sales are made through distributors. In our International segment, approximately 55% - 65% of our sales are made through distributors. The underlying principles of revenue recognition are identical for both categories of customers and revenue is generally recognized at a point in time as described below.

We account for revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers, which we adopted on January 1, 2018, using the modified retrospective method. Revenue from the sale of products is recognized when there is a persuasive evidence of an arrangement and control passes to the customer, which generally occurs either when product is shipped to the customer or, in the case of most U.S. distributor customers, when product is delivered to the distributor's delivery site. We establish our shipping terms according to local practice and market characteristics. We do not ship product unless we have an order or other documentation authorizing shipment to our customers. Our payment terms vary by the type and location of our customer and the products offered. The term between invoicing and when payment is due is not significant.

See Note 9 for disaggregation of revenue by segment and product group as we believe that best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. Amounts billed and due from our customers are classified as receivables on the consolidated balance sheet. We make appropriate provisions for uncollectible accounts receivable which have historically been insignificant in relation to our net sales. Certain contracts with customers, primarily distributor customers, have an element of variable consideration that is estimated when revenue is recognized under the contract to the extent that it is material to the individual contract. Variable consideration includes volume incentive rebates, performance guarantees, price concessions and returns. Rebates are based on achieving a certain level of purchases and other performance criteria that are documented in established distributor programs. These rebates are estimated based on projected sales to the customer and accrued as a reduction of net sales as they are earned by the customer. The rebate accrual is reviewed monthly and adjustments are made as the estimate of projected sales changes. Product returns, including an adjustment for restocking fees if it is material, are estimated based on historical return experience and revenue is adjusted. Sales, value add, and other taxes we collect concurrent with revenue-producing activities and remit to governmental authorities are excluded from revenue.

Depending on the terms of the arrangement, we may defer any revenue for which we have a future obligation, including training and extended warranty and technical services, until such time that the obligation has been satisfied. We use an observable price to determine the stand-alone selling price for separate performance obligations or a cost plus margin approach when one is not available. We have elected to recognize the cost for freight and shipping as an expense when control of the product has passed to the customer. These costs are included within the Cost of Products Sold line on the Condensed Consolidated Statement of Income.

We typically receive interim milestone payments under certain contracts, including our fixed gas and flame detection projects, as work progresses. For some of these contracts, we may be entitled to receive an advance payment. Revenue for these contracts is generally recognized as control passes to the customer which is a point in time upon shipment of the product and if applicable, acceptance by the customer. We recognize a liability for these advance payments in excess of revenue recognized and present it as contract liabilities on the condensed consolidated balance sheet. The advance payment typically is not considered a significant financing component because it is used to meet working capital demands that can be higher in the early stages of a contract and to protect us from the other party failing to adequately complete some or all of its obligations under the contract. In some cases, the customer retains a small portion of the contract price, typically 10%, until completion of the contract, which we present as contract assets on the condensed consolidated balance sheet. Accordingly, during the period of contract performance, billings and costs are accumulated on the condensed consolidated balance sheet as contract assets or contract liabilities, but no income is recognized until completion of the project and control has passed to the customer. As of March 31, 2018, there were no material contract assets and contract liabilities recorded on the Condensed Consolidated Balance Sheet.

Practical Expedients and Exemptions

We do not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

We do not assess whether a contract has a significant financing component if the expectation at contract inception is such that the period between payment by the customer and the transfer of the promised goods or services to the customer will be one year or less.

We generally expense sales commissions when incurred because the amortization period would have been one year or less. These costs are recorded within selling, general and administrative expenses in our Condensed Consolidated Statement of Incocme.

Note 4—Inventories

The following table sets forth the components of inventory:

(In thousands)	March 31, 2018	December 31, 2017
Finished products	$75,192	$66,064
Work in process	7,571	10,141
Raw materials and supplies	128,294	117,388
Inventories at current cost	211,057	193,593
Less: LIFO valuation	(39,854)	(39,854)
Total inventories	$171,203	$153,739

Note 5—Restructuring Charges

During the three months ended March 31, 2018, we recorded restructuring charges, net of adjustments, of $5.3 million. International segment restructuring charges of $3.3 million during the three months ended March 31, 2018 were primarily related to severance costs for staff reductions associated with our ongoing initiatives to drive profitable growth in Europe. Corporate segment restructuring charges of $2.0 million during the three months ended March 31, 2018 related primarily to our ongoing review of the Company's legal structure to evaluate potential realignments to better facilitate the execution of our corporate strategy.

During the three months ended March 31, 2017, we recorded restructuring charges, net of adjustments, of $12.7 million. Americas segment restructuring charges of $12.3 million during the three months ended March 31, 2017 related primarily to the voluntary retirement incentive package described below as well as severance from staff reductions in Brazil. International segment restructuring charges of $0.4 million during the three months ended March 31, 2017 were related to severance costs for staff reductions in Europe and Australia.

In September 2016, certain employees in the Americas segment were offered a voluntary retirement incentive package ("VRIP"). The election window for participation closed on October 17, 2016. The employees were required to render service through January 31, 2017 to receive the VRIP and had until February 6, 2017 to revoke their election. None of the 83 employees who accepted the VRIP revoked their election to retire under the terms of the plan. Non-cash special termination benefit expense of $11.4 million as incurred in the first quarter of 2017 related to these elections. All benefits were paid from our over funded North America pension plan.

Activity and reserve balances for restructuring charges by segment were as follows:

(In millions)	Americas	International	Corporate	Total
Reserve balances at December 31, 2016	$ 0.9	$ 2.8	$ 0.3	$4.0
Restructuring charges	13.0	4.9	—	17.9
Adjustments to estimates on restructuring reserves	(0.2)	(0.1)	—	(0.3)
Cash payments / utilization	(13.2)	(4.0)	(0.3)	(17.5)
Reserve balances at December 31, 2017	$ 0.5	$ 3.6	$ —	$4.1
Restructuring charges	—	3.3	2.0	5.3
Adjustments to estimates on restructuring reserves	—	—	—	—
Cash payments	(0.1)	(1.4)	(2.0)	(3.5)
Reserve balances at March 31, 2018	$ 0.4	$ 5.5	$ —	$5.9

Note 6—Property, Plant and Equipment

The following table sets forth the components of property, plant and equipment:

(In thousands)	March 31, 2018	December 31, 2017
Land	$3,367	$3,312
Buildings	120,901	119,970
Machinery and equipment	386,043	379,747
Construction in progress	11,807	12,036
Total	522,118	515,065
Less: accumulated depreciation	(367,270)	(358,051)
Net property, plant and equipment	$154,848	$157,014

Note 7—Reclassifications Out of Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss were as follows:

	MSA Safety Incorporated		Noncontrolling Interests	
	Three Months Ended March 31,		Three Months Ended March 31,	
(In thousands)	2018	2017	2018	2017
Pension and other post-retirement benefits [a]				
Balance at beginning of period	$(97,948)	$(118,068)	$—	$—
Amounts reclassified from Accumulated other comprehensive loss:				
Amortization of prior service cost	(83)	(109)	—	—
Recognized net actuarial losses	3,478	3,201	—	—
Tax benefit	(1,066)	(1,108)	—	—
Total amount reclassified from Accumulated other comprehensive loss, net of tax	2,329	1,984	—	—
Balance at end of period	$(95,619)	$(116,084)	$—	$—
Foreign Currency Translation				
Balance at beginning of period	$(73,814)	$(112,178)	$801	$(1,964)
Foreign currency translation adjustments	13,230	11,370	170	(626)
Balance at end of period	$(60,584)	$(100,808)	$971	$(2,590)

[a] Reclassifications out of accumulated other comprehensive loss and into net income are included in the computation of net periodic pension and other post-retirement benefit costs (see Note 16—Pensions and Other Post-Retirement Benefits).

Note 8—Capital Stock