STAR GROUP, L.P.
Form 10-Q
May 01, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 001-14129

STAR GROUP, L.P.

(Exact name of registrants as specified in its charters)

Delaware	06-1437793
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
9 West Broad Street	
Stamford, Connecticut	06902
(Address of principal executive office)	

(203) 328-7310

(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. 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 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, accelerated filer, 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	Accelerated filer
Non- accelerated filer	Smaller reporting company

Emerging growth company

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

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

At April 30, 2019, the registrant had 50,080,375 Common Units outstanding.

STAR GROUP, L.P. AND SUBSIDIARIES

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Part I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements
STAR GROUP, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)	March 31, 2019 (unaudited)	September 30, 2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 16,372	$ 14,531
Receivables, net of allowance of $9,804 and $8,002, respectively	286,997	132,668
Inventories	60,119	56,377
Fair asset value of derivative instruments	-	17,710
Prepaid expenses and other current assets	32,288	35,451
Total current assets	395,776	256,737
Property and equipment, net	89,346	87,618
Goodwill	239,294	228,436
Intangibles, net	89,489	98,444
Restricted cash	250	250
Captive insurance collateral (1)	54,148	45,419
Deferred charges and other assets, net	18,539	13,067
Total assets	$ 886,842	$ 729,971
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities		
Accounts payable	$ 33,459	$ 35,796
Revolving credit facility borrowings	115,000	1,500
Fair liability value of derivative instruments	1,518	-
Current maturities of long-term debt	10,000	7,500
Accrued expenses and other current liabilities	157,524	116,436
Unearned service contract revenue	63,718	60,700
Customer credit balances	22,781	61,256
Total current liabilities	404,000	283,188
Long-term debt	86,857	91,780
Deferred tax liabilities, net	15,872	21,206
Other long-term liabilities	24,692	24,012
Partners' capital		
Common unitholders	373,748	329,129
General partner	(1,146)	(1,303)
Accumulated other comprehensive loss, net of taxes	(17,181)	(18,041)
Total partners' capital	355,421	309,785
Total liabilities and partners' capital	$ 886,842	$ 729,971

(1) See Note 2 – Significant Accounting Policies – Captive Insurance Collateral.

See accompanying notes to condensed consolidated financial statements.

STAR GROUP, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per unit data - unaudited)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018	Six Months Ended March 31, 2019	Six Months Ended March 31, 2018
Sales:				
Product	$637,400	$622,962	$1,096,107	$989,696
Installations and services	62,182	61,069	138,502	131,169
Total sales	699,582	684,031	1,234,609	1,120,865
Cost and expenses:				
Cost of product	415,639	403,293	721,865	646,073
Cost of installations and services	65,394	64,659	139,711	134,214
(Increase) decrease in the fair value of derivative instruments	(13,401)	11,609	17,638	209
Delivery and branch expenses	110,684	106,605	213,357	197,809
Depreciation and amortization expenses	7,858	7,703	15,603	15,444
General and administrative expenses	9,849	6,221	17,664	12,872
Finance charge income	(1,443)	(1,532)	(2,294)	(2,295)
Operating income	105,002	85,473	111,065	116,539
Interest expense, net	(3,194)	(2,383)	(5,710)	(4,470)
Amortization of debt issuance costs	(244)	(307)	(503)	(616)
Income before income taxes	101,564	82,783	104,852	111,453
Income tax expense	29,239	28,005	30,212	26,493
Net income	$72,325	$54,778	$74,640	$84,960
General Partner’s interest in net income	454	319	469	494
Limited Partners’ interest in net income	$71,871	$54,459	$74,171	$84,466
Basic and diluted income per Limited Partner Unit (1):	$1.15	$0.81	$1.19	$1.26
Weighted average number of Limited Partner units outstanding:				
Basic and Diluted	51,427	55,642	52,174	55,766

(1) See Note 15 - Earnings Per Limited Partner Unit.
See accompanying notes to condensed consolidated financial statements.

STAR GROUP, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands - unaudited)	Three Months Ended March 31, 2019	2018	Six Months Ended March 31, 2019	2018
Net income	$72,325	$54,778	$74,640	$84,960
Other comprehensive income:				
Unrealized gain on pension plan obligation (1)	457	448	911	896
Tax effect of unrealized gain on pension plan obligation	(125)	(167)	(249)	(302)
Unrealized gain (loss) on captive insurance collateral	905	(931)	1,294	(931)
Tax effect of unrealized gain (loss) on captive insurance collateral	(194)	196	(276)	196
Unrealized loss on interest rate hedges	(367)	—	(1,112)	—
Tax effect of unrealized loss on interest rate hedges	95	—	292	—
Total other comprehensive income (loss)	771	(454)	860	(141)
Total comprehensive income	$73,096	$54,324	$75,500	$84,819

(1) This item is included in the computation of net periodic pension cost.

See accompanying notes to condensed consolidated financial statements.

STAR GROUP, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL

	Number of Units				Accum. Other	Total
		General		General	Comprehensive	Partners'
(in thousands - unaudited)	Common	Partner	Common	Partner	Income (Loss)	Capital
Balance as of September 30, 2018	53,088	326	$329,129	$(1,303)	$ (18,041)	$309,785
Impact from adoption of ASU No. 2014-09	—	—	9,164	60	—	9,224
Net income	—	—	2,300	15	—	2,315
Unrealized gain on pension plan obligation	—	—	—	—	454	454
Tax effect of unrealized gain on pension plan	—	—	—	—	(124)	(124)
Unrealized gain (loss) on captive insurance collateral	—	—	—	—	389	389
Tax effect of unrealized gain (loss) on captive insurance collateral	—	—	—	—	(82)	(82)
Unrealized loss on interest rate hedges	—	—	—	—	(745)	(745)
Tax effect of unrealized loss on interest rate hedges	—	—	—	—	197	197
Distributions	—	—	(6,225)	(188)	—	(6,413)
Retirement of units (1)	(599)	—	(5,735)	—	—	(5,735)
Balance as of December 31, 2018 (unaudited)	52,489	326	$328,633	$(1,416)	$ (17,952)	$309,265
Net income	—	—	71,871	454	—	72,325
Unrealized gain on pension plan obligation	—	—	—	—	457	457
Tax effect of unrealized gain on pension plan	—	—	—	—	(125)	(125)
Unrealized gain (loss) on captive insurance collateral	—	—	—	—	905	905
Tax effect of unrealized gain (loss) on captive insurance collateral	—	—	—	—	(194)	(194)
Unrealized loss on interest rate hedges	—	—	—	—	(367)	(367)
Tax effect of unrealized loss on interest rate hedges	—	—	—	—	95	95
Distributions	—	—	(6,120)	(184)	—	(6,304)
Retirement of units (1)	(2,187)	—	(20,636)	—	—	(20,636)
Balance as of March 31, 2019 (unaudited)	50,302	326	$373,748	$(1,146)	$ (17,181)	$355,421

	Number of Units				Accum. Other	Total
		General		General	Comprehensive	Partners'
(in thousands - unaudited)	Common	Partner	Common	Partner	Income (Loss)	Capital
Balance as of September 30, 2017	55,888	326	$325,762	$(929)	$ (18,765)	$306,068
Net income	—	—	30,007	175	—	30,182
Unrealized gain on pension plan obligation	—	—	—	—	448	448
Tax effect of unrealized gain on pension plan	—	—	—	—	(135)	(135)
Distributions	—	—	(6,148)	(154)	—	(6,302)
Balance as of December 31, 2017 (unaudited)	55,888	326	$349,621	$(908)	$ (18,452)	$330,261
Net income	—	—	54,459	319	—	54,778
Unrealized gain on pension plan obligation	—	—	—	—	448	448

Tax effect of unrealized gain on pension plan	—	—	—	—	(167)	(167)
Unrealized gain (loss) on captive insurance collateral	—	—	—	—	(931)	(931)
Tax effect of unrealized gain (loss) on captive insurance collateral	—	—	—	—	196	196
Distributions	—	—	(6,148)	(154)	—	(6,302)
Retirement of units (1)	(1,281)	—	(12,023)	—	—	(12,023)
Balance as of March 31, 2018 (unaudited)	54,607	326	$385,909	$(743)	$ (18,906)	$366,260

(1) See Note 4 – Common Unit Repurchase and Retirement.

See accompanying notes to condensed consolidated financial statements.

STAR GROUP, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended March 31,	
(in thousands - unaudited)	2019	2018
Cash flows provided by (used in) operating activities:		
Net income	$74,640	$84,960
Adjustment to reconcile net income to net cash provided by (used in) operating activities:		
(Increase) decrease in fair value of derivative instruments	17,638	209
Depreciation and amortization	16,106	16,060
Provision for losses on accounts receivable	4,968	3,465
Change in deferred taxes	(9,335)	27,254
Changes in operating assets and liabilities:		
Increase in receivables	(159,249)	(170,530)
Increase in inventories	(3,741)	(108)
(Increase) decrease in other assets	12,778	(4,486)
Increase (decrease) in accounts payable	(2,364)	8,118
Decrease in customer credit balances	(38,476)	(42,184)
Increase in other current and long-term liabilities	44,674	16,967
Net cash used in operating activities	(42,361)	(60,275)
Cash flows provided by (used in) investing activities:		
Capital expenditures	(6,814)	(6,583)
Proceeds from sales of fixed assets	746	132
Purchase of investments (1)	(7,571)	(34,542)
Acquisitions	(13,671)	(224)
Net cash used in investing activities	(27,310)	(41,217)
Cash flows provided by (used in) financing activities:		
Revolving credit facility borrowings	139,331	160,104
Revolving credit facility repayments	(25,831)	(45,102)
Term loan repayments	(2,500)	(5,000)
Distributions	(12,717)	(12,604)
Unit repurchases	(26,371)	(12,023)
Customer retainage payments	(357)	(912)
Payments of debt issue costs	(43)	-
Net cash provided by financing activities	71,512	84,463
Net increase (decrease) in cash, cash equivalents, and restricted cash	1,841	(17,029)
Cash, cash equivalents, and restricted cash at beginning of period	14,781	52,708
Cash, cash equivalents, and restricted cash at end of period	$16,622	$35,679

(1) See Note 2 – Significant Accounting Policies – Captive Insurance Collateral.

See accompanying notes to condensed consolidated financial statements.

STAR GROUP, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1) Organization

Star Group, L.P. (“Star,” the “Company,” “we,” “us,” or “our”) is a full service provider specializing in the sale of home heatin and air conditioning products and services to residential and commercial home heating oil and propane customers. The Company has one reportable segment for accounting purposes. We also sell diesel fuel, gasoline and home heating oil on a delivery only basis, and in certain of our marketing areas, we provide plumbing services primarily to our home heating oil and propane customer base. We believe we are the nation’s largest retail distributor of home heating oil based upon sales volume. Including our propane locations, we serve customers in the more northern and eastern states within the Northeast, Central and Southeast U.S. regions.

The Company is organized as follows:

- Star is a limited partnership, which at March 31, 2019, had outstanding 50.3 million Common Units (NYSE: “SGU”), representing a 99.4% limited partner interest in Star, and 0.3 million general partner units, representing a 0.6% general partner interest in Star. Our general partner is Kestrel Heat, LLC, a Delaware limited liability company (“Kestrel Heat” or the “general partner”). The Board of Directors of Kestrel Heat (the “Board”) is appointed by its sole member, Kestrel Energy Partners, LLC, a Delaware limited liability company (“Kestrel”). Since November 1, 2017, Star elected to be treated as a corporation for Federal income tax purposes, so Star and its subsidiaries are subject to Federal and state corporate income taxes.
- Star owns 100% of Star Acquisitions, Inc., a Minnesota corporation that owns 100% of Petro Holdings, Inc. (“Petro”). Star’s operations are conducted through Petro and its subsidiaries. At March 31, 2019 Petro served approximately 448,000 residential and commercial home heating oil and propane customers. Petro also sells diesel, gasoline and home heating oil to approximately 81,000 customers on a delivery only basis. We installed, maintained, and repaired heating and air conditioning equipment and to a lesser extent provided these services outside our heating oil and propane customer base including approximately 17,000 service contracts for natural gas and other heating systems.
- Petroleum Heat and Power Co., Inc. (“PH&P”) is a 100% owned subsidiary of Star. PH&P is the borrower and Star is the guarantor of the fourth amended and restated credit agreement’s $100 million five-year senior secured term loan and the $300 million ($450 million during the heating season of December through April of each year) revolving credit facility, both due July 2, 2023. (See Note 11—Long-Term Debt and Bank Facility Borrowings)

2) Summary of Significant Accounting Policies

Basis of Presentation

The Consolidated Financial Statements include the accounts of Star Group, L.P. and its subsidiaries. All material intercompany items and transactions have been eliminated in consolidation.

The financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for the fair statement of financial condition and results for the interim periods. Due to the seasonal nature of the Company’s business, the results of operations and cash flows for the six month period ended March 31, 2019 are not necessarily indicative of the results to be expected for the full year.

These interim financial statements of the Company have been prepared in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”) for interim financial information and Rule 10-01 of Regulation S-X of the U.S. Securities and Exchange Commission and should be read in conjunction with the financial statements included in the

Company's Annual Report on Form 10-K for the year ended September 30, 2018.

Comprehensive Income

Comprehensive income is comprised of Net income and Other comprehensive income (loss). Other comprehensive income (loss) consists of the unrealized gain amortization on the Company's pension plan obligation for its two frozen defined benefit pension plans, unrealized gain (loss) on available-for-sale investments, unrealized gain (loss) on interest rate hedge and the corresponding tax effects.

Cash, Cash Equivalents, and Restricted Cash

The Company considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents. At March 31, 2019, the $16.6 million of cash, cash equivalents, and restricted cash on the condensed consolidated statement of cash flows is composed of $16.4 million of cash and cash equivalents and $0.3 million of restricted cash. At September 30, 2018, the $14.8 million of cash, cash equivalents, and restricted cash on the condensed consolidated statements of cash flow is composed of $14.5 million of cash and cash equivalents and $0.3 million of restricted cash. Restricted cash represents deposits held by our captive insurance company that are required by state insurance regulations to remain in the captive insurance company as cash.

Captive Insurance Collateral

At March 31, 2019, Captive insurance collateral is comprised of $52.7 million of Level 1 debt securities measured at fair value and $1.5 million of mutual funds measured at net asset value. At September 30, 2018, the balance was comprised of $44.8 million of Level 1 debt securities measured at fair value and $0.6 million of mutual funds measured at net asset value. Unrealized gains and losses, net of related income taxes, are reported as accumulated other comprehensive gain (loss), except for losses from impairments which are determined to be other-than-temporary. Realized gains and losses, and declines in value judged to be other-than-temporary on available-for-sale securities are included in the determination of net income and are included in Interest expense, net, at which time the average cost basis of these securities are adjusted to fair value.

The captive insurance collateral is held by our captive insurance company in an irrevocable trust as collateral for certain workers' compensation, general and automobile liability claims. The collateral is required by a third party insurance carrier that insures per claim amounts above a set deductible. Due to the expected timing of claim payments, the nature of the collateral agreement with the carrier, and our captive insurance company's source of other operating cash, the collateral is not expected to be used to pay obligations within the next twelve months.

Weather Hedge Contract

To partially mitigate the adverse effect of warm weather on cash flows, the Company has used weather hedge contracts for a number of years. Weather hedge contracts are recorded in accordance with the intrinsic value method defined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 815-45-15 Derivatives and Hedging, Weather Derivatives (EITF 99-2). The premium paid is included in the caption "Prepaid expenses and other current assets" in the accompanying balance sheets and amortized over the life of the contract, with the intrinsic value method applied at each interim period.

The Company entered into weather hedge contracts for fiscal years 2018, 2019, 2020 and 2021. Under these contracts, we are entitled to receive a payment if the total number of degree days within the hedge period is less than the prior ten year average. The "Payment Thresholds," or strikes, are set at various levels. In addition, we will be obligated to make a payment capped at $5.0 million if degree days exceed the prior ten year average. The hedge period runs from November 1 through March 31, taken as a whole, for each respective fiscal year. For fiscal 2019, 2020 and 2021 the maximum that the Company can receive annually is $12.5 million and the maximum that the Company would be obligated to pay annually is $5.0 million. As of March 31, 2019, the Company recorded a charge of $2.1 million under this contract that increased delivery and branch expenses. As of March 31, 2018, the Company recorded a charge of $1.9 million under its contract. The Company ultimately paid $2.1 million and $1.9 million in April 2019 and 2018, respectively.

New England Teamsters and Trucking Industry Pension Fund ("the NETTI Fund") Liability

As of March 31, 2019, we had $0.2 million and $17.0 million balances included in the captions "Accrued expenses and other current liabilities" and "Other long-term liabilities," respectively, on our condensed consolidated balance sheet representing the remaining balance of the NETTI Fund withdrawal liability. Based on the borrowing rates currently available to the Company for long-term financing of a similar maturity, the fair value of the NETTI Fund withdrawal liability as of March 31, 2019 was $21.3 million. We utilized Level 2 inputs in the fair value hierarchy of valuation techniques to determine the fair value of this liability.

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The FASB has also issued several updates to ASU No. 2014-09. The Company adopted ASU No. 2014-09 effective October 1, 2018 by using the modified retrospective method and recognized the cumulative effect of initially applying ASU No. 2014-09 as an adjustment to the opening balance of Partners' Capital at October 1, 2018. The historical periods have not been adjusted and continue to be reported under ASC No. 605, Revenue Recognition. We have applied the guidance in ASU No. 2014-09 retrospectively to all contracts and have elected not to account for significant financing components if the period between revenue recognition and when the customer pays for product, service, or equipment installation will be one year or less. See further detail on the impact of the adoption on our condensed consolidated statement of operations and the balance sheet as of and for the six months ended March 31, 2019 at Note 3 – Revenue Recognition.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flow (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The update addresses the issues of debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. The Company adopted ASU No. 2016-15 effective October 1, 2018. The adoption of ASU No. 2016-15 did not have an impact on the Company’s consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the definition of a business. The update clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This new guidance is effective for our annual reporting period beginning in the first quarter of fiscal 2019, with early adoption permitted. The Company adopted ASU No. 2017-01 effective October 1, 2018. The adoption of ASU No. 2017-01 did not have an impact on the Company’s consolidated financial statements and related disclosures.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases. The update requires all leases with a term greater than twelve months to be recognized on the balance sheet by calculating the discounted present value of such leases and accounting for them through a right-of-use asset and an offsetting lease liability, and the disclosure of key information pertaining to leasing arrangements. This new guidance is effective for our annual reporting period beginning in the first quarter of fiscal 2020, with early adoption permitted. The Company does not intend to early adopt. The Company is continuing to evaluate the effect that ASU No. 2016-02 could have on its consolidated financial statements and related disclosures, but has not yet selected a transition method. The new guidance will materially change how we account for operating leases for office space, trucks and other equipment. Upon adoption, we expect to recognize discounted right-of-use assets and offsetting lease liabilities related to our operating leases of office space, trucks and other equipment. As of March 31, 2019, the undiscounted future minimum lease payments through 2033 for such operating leases are approximately $126.5 million, but the amount of leasing activity expected between March 31, 2019, and the date of adoption, is currently unknown. For this reason we are unable to estimate the discounted right-of-use assets and lease liabilities as of the date of adoption.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses. The update broadens the information that an entity should consider in developing expected credit loss estimates, eliminates the probable initial recognition threshold, and allows for the immediate recognition of the full amount of expected credit losses. This new guidance is effective for our annual reporting period beginning in the first quarter of fiscal 2021, with early adoption permitted in the first quarter of fiscal 2020. The Company is evaluating the effect that ASU No. 2016-13 will have on its consolidated financial statements and related disclosures, but has not yet determined the timing of adoption.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles – Goodwill and Other (Topic 230): Simplifying the test for goodwill impairment. The update simplifies how an entity is required to test goodwill for impairment. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value, but not exceed the total amount of goodwill allocated to the reporting unit. This new guidance is effective for our annual reporting period beginning in the first quarter of fiscal 2021, with early adoption permitted.

The Company has not determined the timing of adoption, but does not expect ASU 2017-04 to have a material impact on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-14, Compensation - Retirement Benefits - Defined Benefit Plans - General: Changes to the Disclosure Requirements for Defined Benefit Plans, which modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans by removing and adding certain disclosures for these plans. The new guidance is effective for our annual reporting period beginning in the first quarter of fiscal 2021, with early adoption permitted. The Company is evaluating the effect that ASU No. 2018-14 will have on its consolidated financial statements and related disclosures, but has not determined the timing of adoption.

In August 2018, the FASB issued ASU No. 2018-15, Intangibles—Goodwill and Other—Internal-Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract, which will align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The new guidance is effective for our annual reporting period beginning in the first quarter of fiscal 2022, with early adoption permitted. The Company is evaluating the effect that

ASU No. 2018-15 will have on its consolidated financial statements and related disclosures, but has not determined the timing of adoption.

3) Revenue Recognition

Effective October 1, 2018 we adopted the requirements of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The adoption was not material to the financial statements presented. In accordance with the new revenue standard requirements, our condensed consolidated statement of operations and the consolidated balance sheet were impacted due to: i) the deferment of commissions provided to Company employees that were previously expensed as incurred, ii) the deferment of certain upfront credits provided to customers upon entering into a new annual product or service contract as contra-revenue that were previously expensed as incurred and recorded as delivery and branch expense, and iii) the allocation of transaction price of certain combination of contracts that were previously accounted for as separate contracts that impacts the classification of revenue and timing of revenue recognition. The impact of adoption on our condensed consolidated statement of operations and balance sheet, as of and for the three and six months ended March 31, 2019 was as follows (in thousands):

	For the Three Months Ended March 31, 2019			For the Six Months Ended March 31, 2019		
Statement of Operations	As Reported	Balances without Adoption of ASC 606	Effect of Change Higher/(Lower)	As Reported	Balances without Adoption of ASC 606	Effect of Change Higher/(Lower)
Sales:						
Product	$637,400	$643,407	$ (6,007)	$1,096,107	$1,105,560	$ (9,453)
Installations and services	62,182	60,475	1,707	138,502	135,269	3,233
Total Sales	699,582	703,882	(4,300)	1,234,609	1,240,829	(6,220)
Cost and Expenses:						
Delivery and branch expenses	110,684	111,163	(479)	213,357	216,372	