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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018

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: 001-36307

Installed Building Products, Inc.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of** **incorporation or organization)**	**45-3707650** **(I.R.S. Employer** **Identification No.)**
495 South High Street, Suite 50 **Columbus, Ohio** **(Address of principal executive offices)**	**43215** **(Zip Code)**

(614) 221-3399

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by a 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 definition of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act. (Check one):

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

On October 26, 2018, the registrant had 31,224,974 shares of common stock, par value $0.01 per share, outstanding.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

INSTALLED BUILDING PRODUCTS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands, except share and per share amounts)

	September 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 139,089	$ 62,510
Investments	15,358	30,053
Accounts receivable (less allowance for doubtful accounts of $5,405 and $4,805 at September 30, 2018 and December 31, 2017, respectively)	219,444	180,725
Inventories	51,491	48,346
Other current assets	32,836	33,308
Total current assets	458,218	354,942
Property and equipment, net	85,505	81,075
Non-current assets		
Goodwill	167,738	155,466
Intangibles, net	139,709	137,991
Other non-current assets	11,936	9,272
Total non-current assets	319,383	302,729
Total assets	$ 863,106	$ 738,746
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Current maturities of long-term debt	$ 22,481	$ 16,650
Current maturities of capital lease obligations	4,954	5,666
Accounts payable	94,781	87,425
Accrued compensation	25,370	25,399
Other current liabilities	29,510	24,666
Total current liabilities	177,096	159,806
Long-term debt	433,752	330,927
Capital lease obligations, less current maturities	3,870	6,479
Deferred income taxes	7,758	6,444
Other long-term liabilities	26,279	24,562

Total liabilities	648,755	528,218
Commitments and contingencies (Note 13)		
Stockholders equity		
Preferred stock; $0.01 par value: 5,000,000 authorized and 0 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively		
Common stock; $0.01 par value: 100,000,000 authorized, 32,723,972 and 32,524,934 issued and 31,224,974 and 31,862,146 shares outstanding at September 30, 2018 and December 31, 2017, respectively	327	325
Additional paid in capital	180,106	174,043
Retained earnings	88,736	48,434
Treasury stock; at cost: 1,498,998 and 662,788 shares at September 30, 2018 and December 31, 2017, respectively	(57,890)	(12,781)
Accumulated other comprehensive income	3,072	507
Total stockholders equity	214,351	210,528
Total liabilities and stockholders equity	$ 863,106	$ 738,746

See accompanying notes to consolidated financial statements

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INSTALLED BUILDING PRODUCTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE

INCOME (UNAUDITED)

(in thousands, except share and per share amounts)

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Net revenue	$ 348,999	$ 295,193	$ 983,311	$ 833,058
Cost of sales	251,665	209,612	710,358	590,377
Gross profit	97,334	85,581	272,953	242,681
Operating expenses				
Selling	17,434	14,865	49,300	42,541
Administrative	48,337	41,657	137,511	122,679
Amortization	5,228	6,824	19,678	19,790
Operating income	26,335	22,235	66,464	57,671
Other expense				
Interest expense, net	5,282	4,421	15,013	11,456
Other	132	83	417	366
Income before income taxes	20,921	17,731	51,034	45,849
Income tax provision	5,358	5,721	12,762	15,502
Net income	$ 15,563	$ 12,010	$ 38,272	$ 30,347
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on cash flow hedge, net of tax (provision)/benefit of ($278) and ($21) for the three months ended September 30, 2018 and 2017, respectively, and ($822) and $30 for the nine months ended September 30, 2018 and 2017, respectively	818	32	2,453	(45)
Comprehensive income	$ 16,381	$ 12,042	$ 40,725	$ 30,302
Basic net income per share	$ 0.50	$ 0.38	$ 1.22	$ 0.96
Diluted net income per share	$ 0.50	$ 0.38	$ 1.21	$ 0.96
Weighted average shares outstanding:				
Basic	31,229,086	31,659,503	31,373,871	31,632,400

Diluted	31,312,756	31,766,881	31,512,104	31,712,515

See accompanying notes to consolidated financial statements

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INSTALLED BUILDING PRODUCTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (UNAUDITED)

(in thousands, except share amounts)

	Common Stock Shares	**Common Stock Amount**	**Additional Paid In Capital**	**Retained Earnings**	**Treasury Stock Shares**	**Treasury Stock Amount**	**Accumulated Other Comprehensive Loss**	**Stockholders Equity**
BALANCE - January 1, 2017	32,135,176	$ 321	$ 158,581	$ 7,294	(650,402)	$ (12,219)	$	$ 153,977
Net income				30,347				30,347
Purchase of remaining interest in subsidiary			(1,890)					(1,890)
Issuance of common stock for acquisition	282,577	3	10,856					10,859
Issuance of common stock awards to employees	101,241	1	(1)					
Surrender of common stock awards by employees					(11,971)	(550)		(550)
Share-based compensation expense			4,360					4,360
Share-based compensation issued to directors	5,940		300					300
Other comprehensive loss, net of tax							(45)	(45)
BALANCE - September 30, 2017	32,524,934	$ 325	$ 172,206	$ 37,641	(662,373)	$ (12,769)	$ (45)	$ 197,358

	Common Stock Shares	**Common Stock Amount**	**Additional Paid In Capital**	**Retained Earnings**	**Treasury Stock Shares**	**Treasury Stock Amount**	**Accumulated Other Comprehensive Income**	**Stockholders Equity**

BALANCE - January 1, 2018	32,524,934	$ 325	$ 174,043	$ 48,434	(662,788)	$ (12,781)	$ 507	$ 210,528
Net income				38,272				38,272
Cumulative effect of accounting changes, net of tax				2,030[1]			112	2,142
Issuance of common stock awards to employees	194,093	2	(2)					
Surrender of common stock awards by employees					(42,799)	(2,282)		(2,282)
Share-based compensation expense			5,965					5,965
Share-based compensation issued to directors	4,945		100					100
Common stock repurchase					(793,411)	(42,827)		(42,827)
Other comprehensive income, net of tax							2,453	2,453
BALANCE - September 30, 2018	32,723,972	$ 327	$ 180,106	$ 88,736	(1,498,998)	$ (57,890)	$ 3,072	$ 214,351

1 See Note 3, Revenue Recognition, regarding the change in balance.

See accompanying notes to consolidated financial statements

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INSTALLED BUILDING PRODUCTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

	Nine months ended September 30, 2018	2017
Cash flows from operating activities		
Net income	$ 38,272	$ 30,347
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of property and equipment	24,567	20,732
Amortization of intangibles	19,678	19,790
Amortization of deferred financing costs and debt discount	883	768
Provision for doubtful accounts	2,219	2,208
Write-off of debt issuance costs	1,164	1,201
Gain on sale of property and equipment	(551)	(329)
Noncash stock compensation	6,089	4,750
Changes in assets and liabilities, excluding effects of acquisitions		
Accounts receivable	(35,953)	(24,636)
Inventories	(6,799)	68
Other assets	(801)	695
Accounts payable	7,523	2,665
Income taxes receivable / payable	10,542	(10,167)
Other liabilities	2,016	5,249
Net cash provided by operating activities	68,849	53,341
Cash flows from investing activities		
Purchases of investments	(22,818)	(25,195)
Maturities of short term investments	37,500	
Purchases of property and equipment	(27,051)	(22,947)
Acquisitions of businesses, net of cash acquired of $0 and $247, respectively	(34,682)	(130,994)
Proceeds from sale of property and equipment	1,106	682
Other	(1,590)	(1,845)
Net cash used in investing activities	(47,535)	(180,299)
Cash flows from financing activities		
Proceeds from term loan under credit agreement applicable to respective period (Note 6)	100,000	300,000
Payments on term loan under credit agreement applicable to respective period (Note 6)	(750)	(97,000)
Proceeds from delayed draw term loan under credit agreement applicable to respective period (Note 6)		112,500
		(125,000)

Payments on delayed draw term loan under credit agreement applicable to respective period (Note 6)				
Proceeds from vehicle and equipment notes payable		20,657		15,817
Debt issuance costs		(1,992)		(8,175)
Principal payments on long-term debt		(10,324)		(7,201)
Principal payments on capital lease obligations		(4,316)		(5,583)
Acquisition-related obligations		(2,901)		(3,434)
Repurchase of common stock		(42,827)		
Surrender of common stock awards by employees		(2,282)		(550)
Purchase of remaining interest in subsidiary				(1,890)
Net cash provided by financing activities		55,265		179,484
Net change in cash and cash equivalents		76,579		52,526
Cash and cash equivalents at beginning of period		62,510		14,482
Cash and cash equivalents at end of period	$	139,089	$	67,008
Supplemental disclosures of cash flow information				
Net cash paid during the period for:				
Interest	$	14,110	$	9,733
Income taxes, net of refunds		1,902		26,292
Supplemental disclosure of noncash investing and financing activities				
Common stock issued for acquisition of business				10,859
Vehicles capitalized under capital leases and related lease obligations		1,034		4,073
Seller obligations in connection with acquisition of businesses		5,420		3,759
Unpaid purchases of property and equipment included in accounts payable		615		1,108

See accompanying notes to consolidated financial statements

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INSTALLED BUILDING PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 ORGANIZATION

Installed Building Products, Inc. (IBP), a Delaware corporation formed on October 28, 2011, and its wholly-owned subsidiaries (collectively referred to as the Company and we, us and our) primarily install insulation, waterproofing, fire-stopping, fireproofing, garage doors, rain gutters, shower doors, closet shelving and mirrors and other products for residential and commercial builders located in the continental United States. The Company operates in over 125 locations and its corporate office is located in Columbus, Ohio.

We have one operating segment and a single reportable segment. We offer our portfolio of services for new and existing single-family and multi-family residential and commercial building projects from our national network of branch locations. Each of our branches has the capacity to serve all of our end markets. See Note 3, Revenue Recognition, for information on our revenues by product and end market.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying Condensed Consolidated Financial Statements include all of our wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

The information furnished in the Condensed Consolidated Financial Statements includes normal recurring adjustments and reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of the results of operations and statements of financial position for the interim periods presented. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and the rules and regulations of the Securities and Exchange Commission (the SEC) have been omitted pursuant to such rules and regulations. We believe that the disclosures are adequate to prevent the information presented from being misleading when read in conjunction with our audited consolidated financial statements and the notes thereto included in Part II, Item 8, Financial Statements and Supplementary Data, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the 2017 Form 10-K), as filed with the SEC on February 28, 2018. The December 31, 2017 condensed consolidated balance sheet data herein was derived from the audited consolidated financial statements but does not include all disclosures required by U.S. GAAP.

Our interim operating results for the three and nine months ended September 30, 2018 are not necessarily indicative of the results to be expected in future operating quarters. See Item 1A, Risk Factors, in our 2017 Form 10-K for additional information regarding risk factors that may impact our results.

Note 2 to the audited consolidated financial statements in our 2017 Form 10-K describes the significant accounting policies and estimates used in preparation of the audited consolidated financial statements. During the nine months ended September 30, 2018, we changed certain of our critical accounting policies and estimates from those previously disclosed in our 2017 Form 10-K, in relation to our revenue recognition and our hedge accounting policies as a result of the adoption of new accounting standards on January 1, 2018. Our revenue recognition accounting policy is described in Note 3, Revenue Recognition, and our hedge accounting policy is described in Note 8, Derivatives and Hedging Activities.

INSTALLED BUILDING PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Recently Adopted Accounting Pronouncements

Standard	Adoption
ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*	ASC 606 sets forth a new revenue recognition model that requires identifying the contract(s) with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations and recognizing the revenue upon satisfaction of performance obligations. We adopted the provisions of ASU 2014-09 and related subsequently-issued amendments beginning on January 1, 2018 using the modified retrospective approach and, as such, recognized a $2.1 million cumulative effect, net of tax, of initially applying the standard as an increase to the opening balance of retained earnings on January 1, 2018. See Note 3, Revenue Recognition, for further information regarding our revenue recognition policies and the revisions to correct certain immaterial misstatements.
ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to accounting for Hedging Activities*	ASU 2017-12 better aligns a company s risk management activities and financial reporting for hedging relationships and makes certain improvements to simplify the application of hedge accounting guidance. For public business entities, this update is effective for financial statements issued for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years, with early adoption permitted. We elected to early adopt this ASU effective January 1, 2018 and, as such, recognized a $0.1 million adjustment to our opening retained earnings and accumulated other comprehensive income as of January 1, 2018 to reclassify the cash flow hedge ineffectiveness previously recorded in net income in the fourth quarter of 2017 to accumulated other comprehensive income.
ASU 2018-05, *Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118*	In March 2018, the Financial Accounting Standards Board issued ASU 2018-05, which became effective immediately. ASU 2018-05 adds various SEC paragraphs pursuant to the issuance of the December 2017 SEC Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118). See Note 11, Income Taxes, for additional information regarding the adoption of ASU 2018-05.
ASU 2018-15, *Intangibles Goodwill and Other Internal-Use Software (Subtopic 350-40): Customer s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service*	ASU 2018-15 amends the existing accounting standards for capitalizing implementation costs of internal-use software by including service contracts in a cloud computing arrangement. For public business entities, this update is effective for financial statements issued for fiscal years beginning after December 15, 2019 and interim periods therein, with early adoption permitted. We elected to early adopt this ASU using the prospective approach effective July 1, 2018 and, as such, have capitalized certain implementation costs associated with service contracts in a cloud computing arrangement. The effects of adoption were not significant.

Contract (a consensus of the FASB Emerging Issues Task Force)

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INSTALLED BUILDING PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Recently Issued Accounting Pronouncements Not Yet Adopted

We are currently evaluating the impact of certain ASUs on our Condensed Consolidated Financial Statements or Notes to Consolidated Financial Statements, which are described below:

Standard	Description	Effective Date	Effect on the financial statements or other significant matters
ASU 2016-02, *Leases (Topic 842)*	This pronouncement and related subsequently-issued amendments change the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASC 842 requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief.	Annual periods beginning after December 15, 2018, including interim periods therein. Early adoption is permitted.	This ASU requires substantially all leases, with the exception of leases with a term of one year or less, to be recorded on the balance sheet as a lease liability measured as the present value of the future lease payments with a corresponding right-of-use asset. This ASU also requires disclosures designed to give financial statement users information on the amount, timing and uncertainty of cash flows. We anticipate taking advantage of the practical expedient options which allow an entity to not reassess whether any existing or expired contracts contain leases, not reassess lease classifications for existing or expired leases and not reassess initial direct costs for an existing lease. We are also evaluating other optional practical expedients and policy elections. The cumulative effect of adoption will be recorded to retained earnings in the period of adoption. We have completed the design phase of our implementation of this standard

and are in the process of implementing changes to our systems and processes in conjunction with a review of existing lease agreements. Based on a preliminary assessment, we expect that substantially all of our operating lease commitments will be subject to the new guidance and recognized as operating lease liabilities and right-of-use assets upon adoption. We will adopt these standards effective January 1, 2019.

INSTALLED BUILDING PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326)*	This pronouncement amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. In addition, these amendments require the measurement of all expected credit losses for financial assets, including trade accounts receivable, held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts.	Annual periods beginning after December 15, 2019, including interim periods therein. Early adoption is permitted.	We are currently evaluating whether this ASU will have a material impact on our consolidated financial statements.
ASU 2017-04, *Intangibles Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*	To address concerns over the cost and complexity of the two-step goodwill impairment test, this pronouncement removes the second step of the goodwill impairment test. Going forward, an entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit s carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit.	Annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019, including interim periods therein. Early adoption is permitted.	We are currently evaluating the provisions of this ASU and the impact it will have on our disclosures.
ASU 2018-13, *Fair Value Measurement (Topic 820):Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement*	This pronouncement amends Topic 820 to eliminate, add and modify certain disclosure requirements for fair value measurements.	Annual periods beginning after December 15, 2019, including interim periods therein. Early adoption is permitted.	We are currently evaluating the provisions of this ASU and the impact it will have on our disclosures.

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INSTALLED BUILDING PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 3 REVENUE RECOGNITION

Adoption of ASC Topic 606, Revenue from Contracts with Customers

On January 1, 2018, we adopted the new accounting standard ASC 606, Revenue from Contracts with Customers using the modified retrospective method applied to those contracts that were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605.

We recorded a $2.1 million cumulative effect adjustment as an increase to opening retained earnings, a $2.8 million increase to other current assets and a $0.7 million increase to deferred income taxes, respectively, on January 1, 2018 due to the impact of adopting Topic 606, with the impact primarily related to the change in accounting for certain of our short-term contracts that were previously accounted for on a completed contract basis, whereas, under ASC 606, we now recognize revenue associated with these contracts over time as service is performed and the transfer of control occurs, based on a percentage-of-completion method using cost-to-cost input methods as a measure of progress. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The cumulative effect adjustment has been revised from the amount previously disclosed in our interim financial statements filed on Form 10-Q for the quarterly periods ended March 31, 2018 and June 30, 2018 to correct certain immaterial misstatements. The result of correcting these misstatements was an $0.8 million decrease to opening retained earnings, a $1.0 million decrease to other current assets and a $0.2 million decrease to deferred income taxes recorded in the three months ended September 30, 2018.

Impact of New Revenue Recognition Standard on Financial Statement Line Items

The following table summarizes the impact of the new revenue standard on the Condensed Consolidated Balance Sheet as of September 30, 2018, including the cumulative effect of applying the new standard to all contracts upon adoption (in thousands):

	Impact of Change in Accounting Policy		
	As reported	Adjustments	Without adoption
Inventories	$ 51,491	$ 7,003	$ 58,494
Other current assets	32,836	(10,689)	22,147
Total assets	863,106	(3,686)	859,420
Deferred income taxes	7,758	(921)	6,837
Retained earnings	88,736	(2,765)	85,971
Total liabilities and stockholders equity	863,106	(3,686)	859,420

INSTALLED BUILDING PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The following table summarizes the impact of the new revenue standard on the Condensed Consolidated Statements of Operations and Comprehensive Income (in thousands):

	Three months ended September 30, 2018			Nine months ended September 30, 2018		
	As reported	Adjustments	Without adoption	As reported	Adjustments	Without adoption
Net revenue	$ 348,999	$ 60	$ 349,059	$ 983,311	$ (2,612)	$ 980,699
Cost of sales	251,665	(207)	251,458	710,358	(1,781)	708,577
Income before income taxes	$ 20,921	$ 267	$ 21,188	$ 51,034	$ (831)	$ 50,203
Income tax provision	5,358	68	5,426	12,762	(208)	12,554
Net income	$ 15,563	$ 199	$ 15,762	$ 38,272	$ (623)	$ 37,649

Revenue Recognition

Our revenues are derived primarily through contracts with customers whereby we install insulation and other complementary building products and are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. We account for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. We recognize revenue using the percentage-of-completion method of accounting, utilizing a cost-to-cost input approach as we believe this represents the best measure of when goods and services are transferred to the customer. An insignificant portion of our sales, primarily retail sales, is accounted for on a point-in-time basis when the sale occurs, adjusted accordingly for any return provisions. We do offer assurance-type warranties on certain of our installed products and services that do not represent a separate performance obligation and, as such, do not impact the timing or extent of revenue recognition.

When the percentage-of-completion method is used, we estimate the costs to complete individual contracts and record as revenue that portion of the total contract price that is considered complete based on the relationship of costs incurred to date to total anticipated costs (the cost-to-cost approach). Under the cost-to-cost approach, the use of estimated costs to complete each contract is a significant variable in the process of determining recognized revenue, requires significant judgment and can change throughout the duration of a contract due to contract modifications and other factors impacting job completion. The costs of earned revenue include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools and repairs. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

Our long-term contracts can be subject to modification to account for changes in contract specifications and requirements. We consider contract modifications to exist when the modification either creates new, or changes the existing, enforceable rights and obligations. Most of our contract modifications are for goods or services that are not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as if they were part of that existing contract. The effect of a contract modification on the transaction price and our measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis.

Billing on our long-term contracts occurs primarily on a monthly basis throughout the contract period whereby we submit invoices for customer payment based on actual or estimated costs incurred during the billing period. On certain of our long-term contracts the customer may withhold payment on an invoice equal to a percentage of the invoice amount, which will be subsequently paid after satisfactory completion of each installation project. This amount is referred to as retainage and is common practice in the construction industry, as it allows for customers to ensure the quality of the service performed prior to full payment. Retainage receivables are classified as current or long-term assets based on the expected time to project completion.

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INSTALLED BUILDING PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

We disaggregate our revenue from contracts with customers by end market and product, as we believe it best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors. The following tables present our revenues disaggregated by end market and product (in thousands):

	Three months ended September 30,				Nine months ended September 30,			
	2018		2017[1]		2018		2017[1]	
Residential new construction	$ 268,254	77%	$ 228,526	77%	$ 755,800	77%	$ 637,915	77%
Repair and remodel	23,107	7%	18,722	6%	65,453	7%	53,597	6%
Commercial	57,638	16%	47,945	17%	162,058	16%	141,546	17%
Net revenues	$ 348,999	100%	$ 295,193	100%	$ 983,311	100%	$ 833,058	100%

	Three months ended September 30,				Nine months ended September 30,			
	2018		2017[1]		2018		2017[1]	
Insulation	$ 225,503	65%	$ 195,872	66%	$ 646,270	66%	$ 561,462	67%
Waterproofing	25,980	7%	21,571	7%	73,477	7%	64,695	8%
Shower doors, shelving and mirrors	23,190	7%	21,849	7%	66,222	7%	53,107	6%
Garage doors	21,781	6%	15,874	6%	56,574	6%	45,338	5%
Rain gutters	12,163	4%	10,863	4%	31,429	3%	29,493	4%
Blinds	7,811	2%	2,634	1%	21,196	2%	5,909	1%
Other building products	32,571	9%	26,530	9%	88,143	9%	73,054	9%
Net revenues	$ 348,999	100%	$ 295,193	100%	$ 983,311	100%	$ 833,058	100%

(1) As noted above, prior period amounts have not been adjusted under the modified retrospective method.

Contract Assets and Liabilities

Our contract assets consist of unbilled amounts typically resulting from sales under contracts when the cost-to-cost method of revenue recognition is utilized and revenue recognized, based on costs incurred, exceeds the amount billed to the customer. Our contract assets are recorded in other current assets in our Consolidated Balance Sheets. Our contract liabilities consist of customer deposits and billings in excess of revenue recognized, based on costs incurred and is included in other current liabilities in our Consolidated Balance Sheets. For presentation purposes, uncompleted contracts as of December 31, 2017 have been restated to reflect the adoption of ASC 606 on January 1, 2018.

Contract assets and liabilities related to our uncompleted contracts and customer deposits were as follows (in thousands):

	September 30, 2018	December 31, 2017
Contract assets	$ 17,229	$ 14,476
Contract liabilities	(8,039)	(7,519)

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INSTALLED BUILDING PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Uncompleted contracts were as follows (in thousands):

	September 30, 2018	December 31, 2017
Costs incurred on uncompleted contracts	$ 112,444	$ 84,563
Estimated earnings	57,834	