

DXP ENTERPRISES INC
 Form 10-Q
 November 07, 2012

UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 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 September 30, 2012

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 0-21513
 DXP Enterprises, Inc.
 (Exact name of registrant as specified in its charter)

Texas	76-0509661
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
7272 Pinemont, Houston, Texas 77040	(713) 996-4700
(Address of principal executive offices)	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 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

No

Number of shares of registrant’s Common Stock outstanding as of November 7, 2012: 14,180,792.

PART I: FINANCIAL INFORMATION
ITEM 1: FINANCIAL STATEMENTS

DXP ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE
SHEETS
(in thousands, except share and per share data)
(unaudited)

	September 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash	\$ 12,180	\$ 1,507
Trade accounts receivable, net of allowances for doubtful accounts of \$7,615 in 2012 and \$6,202 in 2011	188,698	137,024
Inventories, net	98,969	93,901
Prepaid expenses and other current assets	2,106	2,230
Deferred income taxes	6,252	4,539
Total current assets	308,205	239,201
Property and equipment, net	52,867	16,911
Goodwill	141,927	101,764
Other intangible assets, net of accumulated amortization of \$34,439 in 2012 and \$26,175 in 2011	76,184	43,194
Non-current deferred income taxes	-	1,588
Other long-term assets	5,331	2,680
Total assets	\$ 584,514	\$ 405,338
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
	\$ 18,098	\$ 694

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Current maturities of long-term debt		
Trade accounts payable	73,496	62,123
Outstanding checks related to acquisition	-	36,697
Accrued wages and benefits	15,196	12,713
Federal income taxes payable	3,387	2,409
Customer advances	9,232	3,767
Other current liabilities	11,895	16,055
Total current liabilities	131,304	134,458
Long-term debt, less current maturities	240,933	114,205
Non-current deferred income taxes	15,901	-
Stockholders' equity:		
Series A preferred stock, 1/10th vote per share; \$1.00 par value; liquidation preference of \$100 per share (\$122 at September 30, 2012); 1,000,000 shares authorized; 1,122 shares issued and outstanding	1	1
Series B convertible preferred stock, 1/10th vote per share; \$1.00 par value; \$100 stated value; liquidation preference of \$100 per share (\$1,500 at September 30, 2012); 1,000,000 shares authorized;	15	15

15,000 shares issued and outstanding		
Common stock, \$0.01 par value, 100,000,000 shares authorized;		
14,168,792 in 2012 and 14,118,220 in 2011		
shares issued	143	141
Additional paid-in capital	78,025	75,204
Retained earnings	119,542	82,695
Accumulated other comprehensive income	1,141	64
Treasury stock, at cost (91,471 shares at September 30, 2012 and 65,171 shares at December 31, 2011)	(2,491)	(1,445)
Total stockholders' equity	196,376	156,675
Total liabilities and stockholders' equity \$	584,514	\$ 405,338

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

DXP ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME

(in thousands, except per share amounts) (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Sales	\$ 289,923	\$ 207,855	\$ 804,104	\$ 588,617
Cost of sales	206,414	148,384	572,492	419,454
Gross profit	83,509	59,471	231,612	169,163
Selling, general and administrative expense	58,995	45,035	166,346	129,554
Operating income	24,514	14,436	65,266	39,609
Other expense (income)	(21)	(4)	(33)	(40)
Interest expense	2,287	760	3,878	2,805
Income before income taxes	22,248	13,680	61,421	36,844
Provision for income taxes	9,156	5,406	24,506	14,617
Net income	13,092	8,274	36,915	22,227
Preferred stock dividend	23	23	68	68
Net income attributable to common shareholders	\$ 13,069	\$ 8,251	\$ 36,847	\$ 22,159
Net income	\$ 13,092	\$ 8,274	\$ 36,915	\$ 22,227
Loss on long-term investment, net of income taxes	(5)	-	(286)	-
Cumulative translation adjustment	1,480	-	1,363	-
Comprehensive income	\$ 14,567	\$ 8,274	\$ 37,992	\$ 22,227
Basic earnings per share	\$ 0.91	\$ 0.58	\$ 2.56	\$ 1.55

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W e i g h t e d a v e r a g e common shares outstanding	14,411		14,315		14,375		14,307
Diluted earnings \$ per share	0.86	\$	0.55	\$	2.43	\$	1.47

Weighted average common shares and common equivalent shares outstanding	15,251		15,155		15,215		15,147
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The accompanying notes are an integral part of these condensed consolidated financial statements.

DXP ENTERPRISES, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (in thousands) (unaudited)

	Nine Months Ended	
	September 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 36,915	\$ 22,227
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	4,844	2,715
Amortization of intangible assets	8,264	4,805
Write-off of debt issuance costs	654	-
Compensation expense for restricted stock	1,491	928
Tax benefit related to vesting of restricted stock	(512)	(194)
Deferred income taxes	1,974	2,259
Changes in operating assets and liabilities, net of		
assets and liabilities acquired in business acquisitions:		
Trade accounts receivable	(16,539)	(21,466)
Inventories	(2,789)	(3,225)

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Prepaid expenses and other assets	(1,788)	(1,314)
Accounts payable and accrued expenses	(11,251)	11,659
Net cash provided by operating activities	21,263	18,394

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	(13,076)	(3,476)
Acquisitions of businesses, net of cash acquired	(137,847)	-
Net cash used in investing activities	(150,923)	(3,476)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from debt	343,031	147,695
Principal payments on revolving line of credit and other long-term debt	(202,464)	(160,650)
Dividends paid	(68)	(68)
Purchase of treasury stock	(1,046)	(1,174)
Tax benefit related to vesting of restricted stock	512	194
Net cash provided by (used in) financing activities	139,965	(14,003)

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EFFECT OF FOREIGN CURRENCY ON CASH	368	-
INCREASE IN CASH AND CASH	10,673	915
CASH AT BEGINNING OF PERIOD	1,507	770
CASH AT END OF PERIOD		