

DYNAMIC MATERIALS CORP
Form 10-Q
August 01, 2008
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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 AND EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2008

OR

- TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO .

Commission file number 001-14775

DYNAMIC MATERIALS CORPORATION

(Exact name of Registrant as Specified in its Charter)

Delaware
(State of Incorporation or Organization)

84-0608431
(I.R.S. Employer Identification No.)

5405 Spine Road, Boulder, Colorado 80301

(Address of principal executive offices, including zip code)

(303) 665-5700

(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 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 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 under the Act). Yes No

The number of shares of Common Stock outstanding was 12,640,027 as of July 31, 2008.

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CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934. In particular, we direct your attention to Part I, Item 1- Financial Statements, Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 3 - Quantitative and Qualitative Disclosures About Market Risk and Part II, Item 1A Risk Factors. We intend the forward-looking statements throughout this quarterly report on Form 10-Q and the information incorporated by reference herein to be covered by the safe harbor provisions for forward-looking statements. Statements contained in this report which are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from projected results. All projections and statements regarding our expected financial position and operating results, our business strategy, our financing plans and the outcome of any contingencies are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as may, believe, plan, anticipate, estimate, expect, intend and other similar meaning. The forward-looking information is based on information available as of the date of this quarterly report and on numerous assumptions and developments that are not within our control. Although we believe that our expectations as expressed in these forward-looking statements are reasonable, we cannot assure you that our expectations will turn out to be correct. Factors that could cause actual results to differ materially include, but are not limited to, the following: the ability to obtain new contracts at attractive prices; the size and timing of customer orders and shipment; fluctuations in customer demand; fluctuations in foreign currencies; competitive factors; the timely completion of contracts; the timing and size of expenditures; the timely receipt of government approvals and permits; the price and availability of metal and other raw material; the adequacy of local labor supplies at our facilities; current or future limits on manufacturing capacity at our various operations; the availability and cost of funds; and general economic conditions, both domestic and foreign, impacting our business and the business of the end-market users we serve. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. We undertake no obligation to publicly release the results of any revision to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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(Dollars in Thousands)

	June 30, 2008 (unaudited)	December 31, 2007
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 28,384	\$ 9,045
Restricted cash		371
Accounts receivable, net of allowance for doubtful accounts of \$662 and \$534, respectively	38,634	39,833
Inventories	38,864	41,628
Prepaid expenses and other	2,973	2,022
Related party receivable and loan	882	1,103
Current deferred tax assets	1,103	728
Total current assets	110,840	94,730
PROPERTY, PLANT AND EQUIPMENT	55,130	49,590
Less - Accumulated depreciation	(16,799)	(14,144)
Property, plant and equipment, net	38,331	35,446
GOODWILL, net	49,092	45,862
PURCHASED INTANGIBLE ASSETS, net	61,431	61,914
DEFERRED TAX ASSETS	182	42
OTHER ASSETS, net	1,563	1,544
INVESTMENT IN JOINT VENTURES	1,645	1,361
TOTAL ASSETS	\$ 263,084	\$ 240,899

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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(Dollars in Thousands, Except Share Data)

	June 30, 2008 (unaudited)	December 31, 2007
<u>LIABILITIES AND STOCKHOLDERS EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 18,352	\$ 22,590
Accrued expenses	3,851	8,566
Dividend payable	1,894	
Accrued income taxes	4,019	1,212
Accrued employee compensation and benefits	4,381	5,521
Customer advances	1,836	4,593
Related party accounts payable and loans	529	325
Lines of credit - current	8,602	7,587
Current maturities on long-term debt	7,792	8,035
Current portion of capital lease obligations	417	389
Total current liabilities	51,673	58,818
LINES OF CREDIT	10,427	
LONG-TERM DEBT	62,540	61,530
CAPITAL LEASE OBLIGATIONS	336	521
DEFERRED TAX LIABILITIES	20,075	20,604
OTHER LONG-TERM LIABILITIES	1,256	1,147
COMMITMENTS AND CONTINGENT LIABILITIES		
Total liabilities	146,307	142,620
STOCKHOLDERS EQUITY:		
Preferred stock, \$.05 par value; 4,000,000 shares authorized; no issued and outstanding shares		
Common stock, \$.05 par value; 25,000,000 shares authorized; 12,640,027 and 12,433,768 shares issued and outstanding, respectively	632	622
Additional paid-in capital	40,151	38,246
Retained earnings	65,432	55,868
Other cumulative comprehensive income	10,562	3,543
Total stockholders equity	116,777	98,279
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 263,084	\$ 240,899

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Table of ContentsDYNAMIC MATERIALS CORPORATION & SUBSIDIARIESCONSOLIDATED STATEMENTS OF OPERATIONSFOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2008 AND 2007(Dollars in Thousands, Except Share Data)(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
NET SALES	\$ 63,183	\$ 34,454	\$ 121,576	\$ 67,548
COST OF PRODUCTS SOLD	44,134	22,375	84,816	44,618
Gross profit	19,049	12,079	36,760	22,930
COSTS AND EXPENSES:				
General and administrative expenses	3,815	1,854	6,933	3,516
Selling expenses	2,633	1,455	5,474	3,101
Amortization expense of purchased intangible assets	2,464		4,825	
Total costs and expenses	8,912	3,309	17,232	6,617
INCOME FROM OPERATIONS	10,137	8,770	19,528	16,313
OTHER INCOME (EXPENSE):				
Other income (expense)	189	(13)	41	(20)
Interest expense	(1,471)		(2,734)	
Interest income	99	177	323	365
Equity in earnings of joint ventures	273		289	
INCOME BEFORE INCOME TAXES	9,227	8,934	17,447	16,658
INCOME TAX PROVISION	3,017	3,275	5,989	6,116
NET INCOME	\$ 6,210	\$ 5,659	\$ 11,458	\$ 10,542
INCOME PER SHARE:				
Basic	\$ 0.50	\$ 0.47	\$ 0.92	\$ 0.88
Diluted	\$ 0.49	\$ 0.46	\$ 0.91	\$ 0.86
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
Basic	12,416,900	12,048,969	12,406,210	12,029,382
Diluted	12,566,726	12,239,256	12,569,983	