

DYNAMIC MATERIALS CORP
Form 10-Q
August 04, 2006

**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, 2006

OR

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

For the transition period from _____ to _____ .

Commission file number 0-8328

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, or a non-accelerated filer.

Large accelerated filer

Accelerated filer

Non-accelerated filer

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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 11,844,235 as of August 3, 2006.

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. 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 phrases of 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; competitive factors; the timely completion of contracts; the timing and size of expenditures; the timely receipt of government approvals and permits; 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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Part I - FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements

DYNAMIC MATERIALS CORPORATION & SUBSIDIARYCONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

	June 30, 2006 (unaudited)	December 31, 2005
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 14,010	\$ 5,763
Marketable securities		1,950
Accounts receivable, net of allowance for doubtful accounts of \$369 and \$301, respectively	16,328	15,576
Inventories	13,947	11,869
Prepaid expenses and other	1,442	822
Current portion of other receivables related to discontinued operations	678	
Current deferred tax assets	619	572
Total current assets	47,024	36,552
PROPERTY, PLANT AND EQUIPMENT		
Less - Accumulated depreciation	(10,833) (10,063)
Property, plant and equipment, net	14,694	12,572
GOODWILL, net		
	847	847
DEFERRED TAX ASSETS		
	249	819
OTHER ASSETS, net		
	68	101
OTHER RECEIVABLES RELATED TO DISCONTINUED OPERATIONS		
		681
ASSETS OF DISCONTINUED OPERATIONS		
	720	3,739
TOTAL ASSETS	\$ 63,602	\$ 55,311

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

DYNAMIC MATERIALS CORPORATION & SUBSIDIARYCONSOLIDATED BALANCE SHEETS

(Dollars in Thousands, Except Share Data)

	June 30, 2006 (unaudited)	December 31, 2005
<u>LIABILITIES AND STOCKHOLDERS EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 8,977	\$ 7,278
Accrued expenses	1,490	1,615
Accrued income taxes	2,117	979
Accrued employee compensation and benefits	2,034	2,508
Customer advances	1,219	1,885
Related party debt		45
Current maturities on long-term debt	559	528
Total current liabilities	16,396	14,838
LONG-TERM DEBT	1,799	2,221
DEFERRED TAX LIABILITIES	298	195
OTHER LONG-TERM LIABILITIES	246	222
LIABILITIES OF DISCONTINUED OPERATIONS		2,880
COMMITMENTS AND CONTINGENT LIABILITIES		
Total liabilities	18,739	20,356
STOCKHOLDERS EQUITY:		
Preferred stock, \$.05 par value; 4,000,000 shares authorized; no issued and outstanding shares		
Common stock, \$.05 par value; 15,000,000 shares authorized; 11,844,235 and 11,758,920 shares issued and outstanding, respectively	592	588
Additional paid-in capital	20,428	19,778
Retained earnings	22,837	14,104
Other cumulative comprehensive income	1,006	485
Total stockholders equity	44,863	34,955
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 63,602	\$ 55,311

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

DYNAMIC MATERIALS CORPORATION & SUBSIDIARYCONSOLIDATED STATEMENTS OF OPERATIONSFOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005(Dollars in Thousands, Except Share Data)(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
NET SALES	\$ 27,754	\$ 18,376	\$ 52,928	\$ 35,886
COST OF PRODUCTS SOLD	17,833	13,161	33,727	26,020
Gross profit	9,921	5,215	19,201	9,866
COSTS AND EXPENSES:				
General and administrative expenses	1,153	898	2,681	1,707
Selling expenses	946	870	2,270	1,995
Total costs and expenses	2,099	1,768	4,951	3,702
INCOME FROM OPERATIONS OF CONTINUING OPERATIONS	7,822	3,447	14,250	6,164
OTHER INCOME (EXPENSE):				
Other income (expense), net	(11)	13	(16)	16
Interest expense	(37)	(82)	(67)	(168)
Interest income	169	16	292	20
INCOME BEFORE INCOME TAXES AND DISCONTINUED OPERATIONS	7,943	3,394	14,459	6,032
INCOME TAX PROVISION	2,938	1,279	5,317	2,269
INCOME FROM CONTINUING OPERATIONS BEFORE DISCONTINUED OPERATIONS	5,005	2,115	9,142	3,763
DISCONTINUED OPERATIONS:				
Income from discontinued operations, net of tax			1,357	
Income from discontinued operations			1,357	
NET INCOME	\$ 5,005	\$ 2,115	\$ 10,499	\$ 3,763
INCOME PER SHARE - BASIC:				
Continuing operations	\$ 0.42	\$ 0.19	\$ 0.78	\$ 0.35
Discontinued operations			0.11	
Net income	\$ 0.42	\$ 0.19	\$ 0.89	\$ 0.35
INCOME PER SHARE - DILUTED:				
Continuing operations	\$ 0.41	\$ 0.18	\$ 0.75	\$ 0.32
Discontinued operations			0.11	
Net income	\$ 0.41	\$ 0.18	\$ 0.86	\$ 0.32
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING -				
Basic	11,805,610	11,070,932	11,786,957	10,883,636

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Diluted	12,229,189	12,053,338	12,223,268	11,958,696
ANNUAL DIVIDENDS DECLARED PER COMMON SHARE	\$	\$ 0.10	\$ 0.15	\$ 0.10

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

DYNAMIC MATERIALS CORPORATION & SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2006

(Amounts in Thousands)

(unaudited)