

Houston Wire & Cable CO
Form 10-Q/A
August 04, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
(Amendment No. 2)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2009

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: 000-52046

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

36-4151663
(I.R.S. Employer Identification No.)

10201 North Loop East
Houston, Texas
(Address of principal executive offices)

77029
(Zip Code)

(713) 609-2100
(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 definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act

Edgar Filing: Houston Wire & Cable CO - Form 10-Q/A

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer 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

At May 1, 2009 there were 17,646,677 outstanding shares of the registrant's common stock, \$0.001 par value per share.

HOUSTON WIRE & CABLE COMPANY
Form 10-Q
For the Quarter Ended March 31, 2009

EXPLANATORY NOTE

This Amendment No. 2 on Form 10-Q/A amends our quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2009 as filed with the Securities and Exchange Commission (the "SEC") on May 11, 2009, as amended by Amendment No. 1 on Form 10-Q/A filed with the SEC on May 19, 2009, and is being filed solely to file Exhibits 31.1, 31.2 and 32.1, which were inadvertently omitted from Amendment No.1. The financial statements included under Part I, Item 1 of this Amendment No. 2 are identical to those included in Amendment No. 1.

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

Consolidated Balance Sheets	2
Consolidated Statements of Income	3
Consolidated Statements of Cash Flows	4
Notes to Consolidated Financial Statements	5

PART II. OTHER INFORMATION

Item 6. Exhibits	7
Signature Page	8

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HOUSTON WIRE & CABLE COMPANY

Consolidated Balance Sheets
(In thousands, except share data)

	March 31, 2009 (unaudited)	December 31, 2008
Assets		
Current assets:		
Accounts receivable, net	\$ 41,838	\$ 50,798
Inventories, net	67,505	73,459
Deferred income taxes	1,559	1,384
Prepaid expenses	1,011	829
Total current assets	111,913	126,470
Property and equipment, net	3,179	3,274
Goodwill	2,996	2,996
Deferred income taxes	2,092	1,926
Other assets	63	87
Total assets	\$ 120,243	\$ 134,753
Liabilities and stockholders' equity		
Current liabilities:		
Book overdraft	\$ 887	\$ 4,933
Trade accounts payable	7,167	10,091
Accrued and other current liabilities	10,171	11,682
Income taxes payable	1,688	1,644
Total current liabilities	19,913	28,350
Long term obligations	22,567	29,808
Stockholders' equity:		
Common stock, \$0.001 par value; 100,000,000 shares authorized: 20,988,952 shares issued: 17,644,802 outstanding at March 31, 2009 and 17,642,552 outstanding at December 31, 2008, respectively	21	21
Additional paid-in-capital	56,468	55,901
Retained earnings	76,104	75,540
Treasury stock	(54,830)	(54,867)
Total stockholders' equity	77,763	76,595
Total liabilities and stockholders' equity	\$ 120,243	\$ 134,753

The accompanying Notes are an integral part of these Consolidated Financial Statements

HOUSTON WIRE & CABLE COMPANY
Consolidated Statements of Income
(Unaudited)
(In thousands, except share and per share data)

	Three Months Ended March 31,	
	2009	2008
Sales	\$ 65,832	\$ 89,441
Cost of sales	52,019	66,774
Gross profit	13,813	22,667
Operating Expenses:		
Salaries and commissions	5,538	6,076
Other operating expenses	4,620	4,984
Depreciation and amortization	142	127
Total operating expenses	10,300	11,187
Operating income	3,513	11,480
Interest expense	155	541
Income before income taxes	3,358	10,939
Income taxes	1,294	4,202
Net income	\$ 2,064	\$ 6,737
Earnings per share:		
Basic	\$ 0.12	\$ 0.37
Diluted	\$ 0.12	\$ 0.37
Weighted average common shares outstanding:		
Basic	17,642,856	18,081,809
Diluted	17,649,340	18,121,280
Dividends declared per share	\$ 0.085	\$ 0.085

The accompanying Notes are an integral part of these Consolidated Financial Statements

HOUSTON WIRE& CABLE COMPANY
Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2009	2008
Operating activities		
Net income	\$ 2,064	\$ 6,737
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	142	127
Amortization of capitalized loan costs	20	20
Amortization of unearned stock compensation	599	519
Provision for returns and allowances	(45)	(11)
Provision for inventory obsolescence	147	(6)
Deferred income taxes	(341)	(447)
Changes in operating assets and liabilities:		
Accounts receivable	9,005	2,382
Inventories	5,807	(249)
Prepaid expenses	(182)	(193)
Other assets	4	(18)
Book overdraft	(4,046)	(1,965)
Trade accounts payable	(2,924)	1,379
Accrued and other current liabilities	(1,511)	(5,086)
Income taxes payable	44	4,533
Net cash provided by operating activities	8,783	7,722
Investing activities		
Expenditures for property and equipment	(48)	(116)
Net cash used in investing activities	(48)	(116)
Financing activities		
Borrowings on revolver	67,124	91,157
Payments on revolver	(74,365)	(86,387)
Proceeds from exercise of stock options	6	18
Payment of dividends	(1,500)	(1,527)
Excess tax benefit for options	—	41
Purchase of treasury stock	—	(10,908)
Net cash used in financing activities	(8,735)	(7,606)
Net change in cash	—	—
Cash at beginning of period	—	—
Cash at end of period	\$ —	\$ —

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

HOUSTON WIRE & CABLE COMPANY
Notes to Consolidated Financial Statements
(Unaudited)
(in thousands, except share and per share data)

1. Basis of Presentation

Houston Wire & Cable Company (“HWC” or the “Company”) through its wholly owned subsidiaries, HWC Wire & Cable Company, Advantage Wire & Cable and Cable Management Services Inc., distributes specialty electrical wire and cable to the U.S. electrical distribution market through eleven locations in ten states throughout the United States. The Company has no other business activity.

The consolidated financial statements as of March 31, 2009 and for the three months ended March 31, 2009 and 2008 have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and Article 10 of Regulation S-X. Accordingly they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring accruals, considered necessary for a fair presentation of the results of these interim periods have been included. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year.

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The most significant estimates are those relating to the allowance for doubtful accounts, the reserve for returns and allowances, the inventory obsolescence reserve and the accrual for vendor rebates. These estimates are continually reviewed and adjusted as necessary, but actual results could differ from those estimates.

For further information, refer to the consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed with the Securities and Exchange Commission (the “SEC”).

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation.

Adoption of New Accounting Policy

In December 2007, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 141 (revised 2007), Business Combinations (“SFAS 141(R”). SFAS 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. SFAS 141(R) also requires transaction costs related to the business combination to be expensed as incurred and establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company adopted SFAS 141 (R) on January 1, 2009. The adoption did not have an impact on the financial statements.

2. Earnings per Share

Edgar Filing: Houston Wire & Cable CO - Form 10-Q/A

In accordance with SFAS No. 128, Earnings per Share, basic earnings per share is calculated by dividing the net income by the weighted average number of common shares outstanding. Diluted earnings per share include the dilutive effects of stock option awards. The denominator for each period presented was determined as follows:

	Three Months Ended March 31,	
	2009	2008
Denominator:		
Weighted average common shares for basic earning per share	17,642,856	18,081,809
Effect of dilutive securities	6,484	39,471
Weighted average common shares for diluted earnings per share	17,649,340	18,121,280

The weighted average common shares for diluted earnings per share for the periods ended March 31, 2009 and March 31, 2008 exclude stock options to purchase 1,163,501 and 847,500 shares, respectively. Since these options have exercise prices that are higher than the average market price of the Company's common stock, including them in the calculation would have an anti-dilutive effect on earnings per share for the respective periods.

3. Long Term Obligations

The Company's current loan and security agreement provides for a \$75,000 revolving loan, bears interest at the agent bank's base interest rate and matures on May 21, 2010. The lender has a security interest in all of the assets of the Company and availability is calculated as a percentage of qualifying accounts receivable and inventory. The Company is in compliance with the financial covenants governing its indebtedness.

4. Stockholders' Equity

The Board of Directors approved a stock repurchase program to be completed on or before December 31, 2009, where the Company is authorized to purchase from time to time up to \$75,000 of its outstanding shares of common stock, depending on market conditions, trading activity, business conditions and other factors. Shares of stock purchased under the program are currently being held as treasury shares and may be used to satisfy the exercise of options, to fund acquisitions, or for other uses as authorized by the Board of Directors. During the quarter ended March 31, 2009, the Company did not repurchase any of its outstanding shares. During the quarter ended March 31, 2008, the Company repurchased 727,802 shares for a total cost of \$10,188.

On February 4, 2009, the Board of Directors approved a quarterly dividend of \$0.085 per share payable to stockholders of record on February 17, 2009. Dividends paid were \$1,500 and \$1,527 during the three months ended March 31, 2009 and 2008, respectively.

5. Stock Based Compensation

On December 17, 2008, the Company granted options to purchase 65,000 shares of its common stock to the Company's chief executive officer with the exercise price equal to the fair market value of the Company's stock at the close of trading on December 17, 2008. These options have a contractual life of ten years and vest 50% on March 9, 2011 and the remaining 50% on March 9, 2012, provided that in the event of the chief executive officer's death or permanent disability, such options would vest ratably based on the days served from the date of grant.

On May 8, 2008, at the Annual Meeting of Stockholders, the Company issued options to purchase 5,000 shares of its common stock to each non-employee director who was re-elected (other than the Chairman of the Board, who received an option to purchase 10,000 shares of the Company's common stock) and 15,000 shares of common stock to the newly-elected non-employee director, for an aggregate of 45,000 shares. Each option has an exercise price equal to the fair market value of the Company's common stock at the close of trading on May 8, 2008, has a contractual life of ten years and vests one year after the date of grant.

On January 9, 2008, the Company granted options to purchase 65,000 shares of its common stock to the Company's chief executive officer with an exercise price equal to the fair market value of the Company's stock at the close of trading on January 9, 2008. These options have a contractual life of ten years and vest 50% on March 9, 2011 and the remaining 50% on March 9, 2012, provided that in the event of the chief executive officer's death or permanent disability, such options would vest ratably based on the days served from the date of grant.

There were no options granted during the first quarter of 2009. The following assumptions were used to calculate the fair value of the Company's options on the date of grant during the three months ended March 31, 2008:

	2008
Expected volatility	68%
Expected life in years	5.5 years
Risk-free interest rate	3.82%
Dividend yield	2.50%

Total stock-based compensation cost was \$599 and \$519 for the three months ended March 31, 2009 and 2008, respectively. Total income tax benefit recognized for stock-based compensation arrangements was \$232 and \$200 for the three months ended March 31, 2009 and 2008, respectively.

As of March 31, 2009, there was \$6,025 of total unrecognized stock compensation cost related to nonvested share-based compensation arrangements. The cost is expected to be recognized over a weighted average period of approximately 38 months.

6. Contingencies

HWC, along with many other defendants, has been named in a number of lawsuits in the state courts of Minnesota, North Dakota and South Dakota alleging that certain wire and cable which may have contained asbestos caused injury to the plaintiffs who were exposed to this wire and cable. These lawsuits are individual personal injury suits that seek unspecified amounts of money damages as the sole remedy. It is not clear whether the alleged injuries occurred as a result of the wire and cable in question or whether HWC, in fact, distributed the wire and cable alleged to have caused any injuries. The Company maintains general liability insurance that has applied to these claims. To date, all costs associated with these claims have been covered by the applicable insurance policies and all defense of these claims has been handled by the applicable insurance companies. In addition, HWC did not manufacture any of the wire and cable at issue, and HWC would rely on any warranties from the manufacturers of such wire and cable if it were determined that any of the wire or cable that HWC distributed contained asbestos which caused injury to any of these plaintiffs. In connection with ALLTEL's sale of the Company in 1997, ALLTEL provided indemnities with respect to costs and damages associated with these claims that HWC believes it could enforce if its insurance coverage proves inadequate.

Other than the foregoing cases, there are no legal proceedings pending against or involving the Company that, in management's opinion, based on the current known facts and circumstances, are expected to have a material adverse effect on the Company's consolidated financial position, cash flows, or results from operations.

7. Subsequent Events

On May 8, 2009, the Board of Directors approved a dividend on the shares of common stock of the Company in the amount of \$0.085 per share, payable on May 29, 2009, to stockholders of record at the close of business on May 18, 2009.

Following the Annual Meeting of Stockholders on May 8, 2009, the Company issued options to purchase 5,000 shares of its common stock to each non-employee director who was re-elected (other than the Chairman of the Board, who received an option to purchase 10,000 shares of the Company's common stock), for an aggregate of 35,000 shares. Each option has an exercise price equal to the fair market value of the Company's common stock at the close of trading on May 8, 2009, has a contractual life of ten years and vests one year after the date of grant.

PART II. OTHER INFORMATION

Item 6. Exhibits

(a) Exhibits required by Item 601 of Regulation S-K.

Exhibit Number	Document Description
31.1	Certification by Charles A. Sorrentino pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Nicol G. Graham pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by Charles A. Sorrentino and Nicol G. Graham pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 4, 2009

HOUSTON WIRE & CABLE COMPANY

BY: /s/ Nicol G. Graham
Nicol G. Graham, Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Document Description
31.1	Certification by Charles A. Sorrentino pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Nicol G. Graham pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by Charles A. Sorrentino and Nicol G. Graham pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.