

DXP ENTERPRISES INC
Form 8-K
March 19, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

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

Date of Report (date of earliest event reported): December 31, 2006

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

(Address of principal executive offices)

Registrant's telephone number, including area code:

(713) 996-4700

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02. REGULATION FD DISCLOSURE

The following information is furnished pursuant to Regulation FD.

On March 15, 2007, DXP Enterprises, Inc., issued a press release announcing financial results for the quarterly and year period ended December 31, 2006, a copy of which is furnished as Exhibit 99.1 hereto, which is incorporated herein by reference. Such exhibit (i) is furnished pursuant to Item 2.02 of Form 8-K, (ii) is not to be considered "filed" under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and (iii) shall not be incorporated by reference into any previous or future filings made by or to be made by the Company with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

(c) *Exhibits.*

99.1 Press Release dated March 15, 2006

SIGNATURE

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

DXP ENTERPRISES, INC.

March 19, 2006 By: /s/Mac McConnell

Mac McConnell

Senior Vice President and

Chief Financial Officer

INDEX TO EXHIBITS

Introductory Note:

The following exhibit is furnished pursuant to Item 2.02 of Form 8-K and is not to be considered "filed" under the Exchange Act and shall not be incorporated by reference into any of the Company's previous or future filings under the Securities Act or the Exchange Act.

Exhibit No.

Description

99.1 Press Release dated March 15, 2006 regarding financial results for the quarterly period ended December 31, 2006

Exhibit 99.1

NEWS RELEASE

CONTACT: Mac McConnell

Senior Vice President, Finance

O13-996-4700

www.dxpe.com

DXP ENTERPRISES ANNOUNCES FOURTH QUARTER AND YEAR END RESULTS

FOURTH QUARTER NET INCOME INCREASES 68.1%

FULL YEAR NET INCOME INCREASES 118.1%

Houston, TX, -- March 15, 2007 - DXP Enterprises, Inc. (NASDAQ: DXPE)

today announced net income of \$3.5 million for the fourth quarter ended December 31, 2006, with diluted earnings per share of \$.61 compared to net income of \$2.1 million and diluted earnings per share of \$.36 for the fourth quarter of 2005. Sales increased 45% to \$79.3 million from \$54.7 million for the fourth quarter of last year. Sales by the four businesses acquired in 2006 accounted for \$9.2 million of the sales increase. Excluding sales of the four acquired businesses, sales for the 2006 fourth quarter increased 28.2% from the 2005 fourth quarter.

For the year ended December 31, 2006, DXP reported net income of \$11.9 million, with diluted earnings per share of \$2.08 compared to net income of \$5.5 million, with diluted earnings per share of \$.94 for 2005. Sales increased 51.0% to \$279.8 million for 2006 from \$185.4 million for 2005. Sales by the four businesses acquired in 2006 accounted for \$11.8 million of the 2006 sales increase. Excluding sales of the acquired businesses, sales increased 44.6%.

David R. Little, Chairman and Chief Executive Officer remarked, "Our Company enjoyed a very successful 2006. Our DXP Service Centers, B2B Solutions and Innovative Pumping solutions had higher year-over-year sales and profits for the year, and we enter 2007 with confidence that our strategic sales and operational plans will continue to be successful at gaining market share and increasing profits."

"I am very proud of all the contributions made by our employees in helping us deliver excellent customer service. We remain optimistic about our market conditions and our opportunities for this year. We expect 2007 to be another successful year for our Company as we expand our revenues with existing customers and expand our geographic presence for new customers."

Mac McConnell, Senior Vice President and CFO, added, "I am pleased with DXP's financial success in 2006 and specifically pleased with our ability to integrate, grow and increase profits on the acquisitions we have made over the last several years."

DXP Enterprises, Inc. is a leading products and service distributor that adds value and total cost savings solutions to MRO and OEM customers in virtually every industry since 1908. DXP provides innovative pumping solutions, integrated supply and MROP (maintenance, repair, operating and production) services that emphasize and utilize DXP's vast product knowledge and technical expertise in pumps, bearings, power transmission, seals, hose, safety, fluid power, electrical and industrial supplies. DXP's breadth of MROP products and service solutions allows DXP to be flexible and customer driven creating competitive advantages for our customers.

DXP's innovative pumping solutions provide engineering, fabrication and technical design to meet the capital equipment needs of its global customer base. DXP provides solutions by utilizing manufacturer authorized equipment and certified personnel. Pump packages require MRO and OEM equipment such as pumps, motors and valves, and consumable products. DXP leverages its MROP inventories and technical knowledge to lower the total cost and maintain the quality of the pump package.

SmartSource, a DXP integrated supply program, allows a more efficient way to manage the customer's supply chain needs for MROP products. The program allows the customer to transfer all or part of their supply chain needs to DXP, so the customer can focus on his core business. SmartSource effectively lowers costs by outsourcing purchasing, accounting, and on-site supply management to DXP, which reduces the duplication of effort by the customer and supplier. DXP's broad range of first-tier products provides an efficient measurable solution to reduce cost and streamline procurement and sourcing operations.

The Private Securities Litigation Reform Act of 1995 provides a "safe-harbor" for forward-looking statements. Certain information included in this press release (as well as information included in oral statements or other written statements made by or to be made by the Company) contains statements that are forward-looking. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future; and accordingly, such results may differ from those expressed in any forward-looking statement made by or on behalf of the Company. These risks and uncertainties include, but are not limited to; ability to obtain needed capital, dependence on existing management, leverage and debt service, domestic or global economic conditions, and changes in customer preferences and attitudes. For more information, review the Company's filings with the Securities and Exchange Commission.

| |
|-------------------------------------------------------|
| UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME |
|-------------------------------------------------------|

| |
|----------------------------------------------|
| (IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS) |
|----------------------------------------------|

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| | Three Months Ended | | | Twelve Months Ended | | |
|----------------------------------------------|--------------------|--|----------|---------------------|--|-----------|
| | December 31, | | | December 31, | | |
| | 2006 | | 2005 | 2006 | | 2005 |
| Sales | \$79,351 | | \$54,734 | \$279,820 | | \$185,364 |
| Cost of sales | 56,923 | | 39,684 | 201,198 | | 135,650 |
| Gross profit | 22,428 | | 15,050 | 78,622 | | 49,714 |
| Selling, general and administrative expense | 16,596 | | 11,497 | 57,944 | | 40,310 |
| Operating income | 5,832 | | 3,553 | 20,678 | | 9,404 |
| Other income | 413 | | 20 | 651 | | 56 |
| Interest expense | (599) | | (267) | (1,943) | | (1,000) |
| Minority interest | (2) | | 29 | 18 | | 155 |
| Income before income taxes | 5,644 | | 3,335 | 19,404 | | 8,615 |
| Provision for income taxes | 2,155 | | 1,260 | 7,482 | | 3,148 |
| Net income | \$ 3,489 | | \$ 2,075 | \$ 11,922 | | \$ 5,467 |
| Per share amounts | | | | | | |
| Basic earnings per share | \$ 0.68 | | \$ 0.43 | \$ 2.34 | | \$ 1.24 |
| Diluted earnings per share | \$ 0.61 | | \$ 0.36 | \$ 2.08 | | \$ 0.94 |
| | | | | | | |
| | | | | | | |
| UNAUDITED CALCULATION OF EBITDA* | | | | | | |
| (IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS) | | | | | | |
| | Three Months Ended | | | Twelve Months Ended | | |
| | December 31, | | | December 31, | | |
| | 2006 | | 2005 | 2006 | | 2005 |
| | \$ 5,644 | | \$ 3,335 | \$ 19,404 | | \$ 8,615 |

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| | | | | | |
|--------------------------------------------------------------------------|----------|--|----------|--|-----------|
| Income before income taxes | | | | | |
| Plus interest expense | 599 | | 267 | | 1,000 |
| Plus depreciation and amortization | 894 | | 273 | | 990 |
| EBITDA | \$ 7,137 | | \$ 3,875 | | \$ 10,605 |
| *EBITDA - earnings before interest, taxes, depreciation and amortization | | | | | |

DXP ENTERPRISES, INC., AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
 (In Thousands, Except Share and Per Share Amounts)

| | December 31, | | |
|--------------------------------------------------------------------|--------------|--|----------|
| | 2005 | | 2006 |
| ASSETS | | | |
| Current assets: | | | |
| Cash | \$ 570 | | \$ 2,544 |
| Trade accounts receivable, net of allowances for doubtful accounts | | | |
| of \$1,835 in 2005 and \$1,482 in 2006 | 29,279 | | 40,495 |
| Inventories, net | 22,811 | | 37,310 |
| Prepaid expenses and other current assets | 541 | | 652 |
| Federal income taxes recoverable | 2,033 | | 1,042 |
| Deferred income taxes | 968 | | 1,087 |

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| | | | |
|-------------------------------------------------------------------------------------|-----------|--|------------|
| Total current assets | 56,202 | | 83,130 |
| Property and equipment, net | 8,752 | | 9,944 |
| Goodwill and other intangibles, net of accumulated amortization of \$538 in 2006 | 7,436 | | 23,428 |
| Other assets | 530 | | 305 |
| Total assets | \$ 72,920 | | \$ 116,807 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Current portion of long-term debt | \$ 1,358 | | \$ 2,771 |
| Trade accounts payable | 15,919 | | 25,706 |
| Accrued wages and benefits | 5,012 | | 6,490 |
| Customer advances | 2,209 | | 3,924 |
| Federal income taxes payable | 214 | | - |
| Other accrued liabilities | 3,365 | | 4,770 |
| Total current liabilities | 28,077 | | 43,661 |
| Long-term debt, less current portion | 25,109 | | 35,174 |
| Deferred income taxes | 115 | | 2,242 |
| Minority interest in consolidated subsidiary | 30 | | 12 |
| Shareholders' equity: | | | |
| Series A preferred stock | 1 | | 1 |
| Series B convertible preferred stock | 15 | | 15 |
| Common stock | 48 | | 51 |
| Paid-in capital | 1,894 | | 6,147 |
| Retained earnings | 18,471 | | 30,303 |
| Note receivable from David R. Little, CEO | (840) | | (799) |

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| | | | |
|--------------------------------------------|-----------|--|------------|
| Total shareholders' equity | 19,589 | | 35,718 |
| Total liabilities and shareholders' equity | \$ 72,920 | | \$ 116,807 |