

P&F INDUSTRIES INC
Form 10-Q
August 13, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2014

**..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 1 - 5332

P&F INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

22-1657413
(I.R.S. Employer Identification Number)

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445 Broadhollow Road, Suite 100, Melville, New York 11747
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(631) 694-9800**

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, 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 to its corporate Website, 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 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 company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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

As of August 12, 2014 there were 3,792,695 shares of the registrant's Class A Common Stock outstanding.

P&F INDUSTRIES, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2014

TABLE OF CONTENTS

	PAGE
<u>PART I — FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	1
<u>Consolidated Balance Sheets as of June 30, 2014 (unaudited) and December 31, 2013</u>	1
<u>Consolidated Statements of Income for the three and six-month periods ended June 30, 2014 and 2013 (unaudited)</u>	3
<u>Consolidated Statement of Shareholders' Equity for the six months ended June 30, 2014 (unaudited)</u>	4
<u>Consolidated Statements of Cash Flows for the six months ended June 30, 2014 and 2013 (unaudited)</u>	5
<u>Notes to Consolidated Financial Statements (unaudited)</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	25
Item 4. <u>Controls and Procedures</u>	25
<u>PART II — OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	26
Item 1A. <u>Risk Factors</u>	26

Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	26
Item 3. <u>Defaults Upon Senior Securities</u>	26
Item 4. <u>Mine Safety Disclosures</u>	26
Item 5. <u>Other Information</u>	26
Item 6. <u>Exhibits</u>	26
<u>Signature</u>	27
<u>Exhibit Index</u>	28

PART I - FINANCIAL INFORMATION**Item 1. Financial Statements****P&F INDUSTRIES, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	June 30, 2014 (unaudited)	December 31, 2013 (See Note 1)
ASSETS		
CURRENT ASSETS		
Cash	\$ 10,909,000	\$ 413,000
Accounts receivable - net	9,995,000	8,739,000
Inventories - net	20,957,000	22,974,000
Deferred income taxes - net	1,168,000	1,168,000
Prepaid expenses and other current assets	755,000	829,000
TOTAL CURRENT ASSETS	43,784,000	34,123,000
PROPERTY AND EQUIPMENT		
Land	1,550,000	1,550,000
Buildings and improvements	7,638,000	7,626,000
Machinery and equipment	19,040,000	18,606,000
	28,228,000	27,782,000
Less accumulated depreciation and amortization	18,293,000	17,553,000
NET PROPERTY AND EQUIPMENT	9,935,000	10,229,000
GOODWILL	5,150,000	5,150,000
OTHER INTANGIBLE ASSETS - net	1,386,000	1,502,000
DEFERRED INCOME TAXES - net	982,000	1,594,000
OTHER ASSETS - net	571,000	643,000
TOTAL ASSETS	\$ 61,808,000	\$ 53,241,000

See accompanying notes to consolidated financial statements (unaudited).

P&F INDUSTRIES, INC. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS**

	June 30, 2014 (unaudited)	December 31, 2013 (See Note 1)
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	\$ 8,419,000	\$ 360,000
Accounts payable	2,356,000	3,006,000
Accrued liabilities	3,014,000	3,520,000
Current maturities of long-term debt	460,000	460,000
TOTAL CURRENT LIABILITIES	14,249,000	7,346,000
Long-term debt, less current maturities	6,673,000	6,903,000
Other liabilities	254,000	262,000
TOTAL LIABILITIES	21,176,000	14,511,000
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Preferred stock - \$10 par; authorized - 2,000,000 shares; no shares issued	—	—
Common stock		
Class A - \$1 par; authorized - 7,000,000 shares; issued —4,134,000 at June 30, 2014 and 4,038,000 at December 31, 2013	4,134,000	4,038,000
Class B - \$1 par; authorized - 2,000,000 shares; no shares issued	—	—
Additional paid-in capital	12,576,000	11,798,000
Retained earnings	26,905,000	25,871,000
Treasury stock, at cost – 345,000 shares at June 30, 2014 and 344,000 shares at December 31, 2013	(2,983,000)	(2,977,000)
TOTAL SHAREHOLDERS' EQUITY	40,632,000	38,730,000
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 61,808,000	\$ 53,241,000

See accompanying notes to consolidated financial statements (unaudited).

P&F INDUSTRIES, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME (unaudited)**

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Net revenue	\$ 18,268,000	\$ 19,476,000	\$ 34,200,000	\$ 40,185,000
Cost of sales	11,665,000	12,374,000	21,562,000	25,349,000
Gross profit	6,603,000	7,102,000	12,638,000	14,836,000
Selling, general and administrative expenses	5,556,000	5,559,000	10,783,000	12,169,000
Operating income	1,047,000	1,543,000	1,855,000	2,667,000
Interest expense	88,000	139,000	177,000	270,000
Income before income taxes	959,000	1,404,000	1,678,000	2,397,000
Income tax expense	387,000	529,000	644,000	901,000
Net income	\$ 572,000	\$ 875,000	\$ 1,034,000	\$ 1,496,000
Basic earnings per share	\$ 0.15	\$ 0.24	\$ 0.28	\$ 0.41
Diluted earnings per share	\$ 0.15	\$ 0.23	\$ 0.27	\$ 0.39
Weighted average common shares outstanding:				
Basic	3,724,000	3,683,000	3,709,000	3,678,000
Diluted	3,905,000	3,889,000	3,891,000	3,875,000

See accompanying notes to consolidated financial statements (unaudited).

P&F INDUSTRIES, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (unaudited)**

	Total	Class A Common Stock, \$1 Par		Additional paid-in capital	Retained earnings	Treasury stock	
		Shares	Amount			Shares	Amount
Balance, January 1, 2014	\$38,730,000	4,038,000	\$4,038,000	\$11,798,000	\$25,871,000	(344,000)	\$(2,977,000)
Net income	1,034,000	—	—	—	1,034,000	—	—
Exercise of stock options	710,000	93,000	93,000	623,000	—	(1,000)	(6,000)
Restricted stock issuance	14,000	3,000	3,000	11,000	—	—	—
Stock-based compensation	144,000	—	—	144,000	—	—	—
Balance, June 30, 2014	\$40,632,000	4,134,000	\$4,134,000	\$12,576,000	\$26,905,000	(345,000)	\$(2,983,000)

See accompanying notes to consolidated financial statements (unaudited).

P&F INDUSTRIES, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)**

	Six months ended June 30,	
	2014	2013
Cash Flows from Operating Activities:		
Net income	\$1,034,000	\$1,496,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Non-cash charges:		
Depreciation and amortization	740,000	789,000
Amortization of debt issue costs	43,000	48,000
Amortization of other intangible assets	116,000	134,000
(Adjustment to) provision for losses on accounts receivable	(124,000)	35,000
Stock-based compensation	144,000	151,000
Restricted stock-based compensation	14,000	17,000
Deferred income taxes-net	612,000	784,000
Changes in operating assets and liabilities:		
Accounts receivable	(1,132,000)	(5,288,000)
Inventories	2,017,000	781,000
Prepaid expenses and other current assets	74,000	(306,000)
Other assets	29,000	20,000
Accounts payable	(650,000)	(1,092,000)
Accrued liabilities	(506,000)	(700,000)
Other liabilities	(8,000)	(8,000)
Total adjustments	1,369,000	(4,635,000)
Net cash provided by (used in) operating activities	2,403,000	(3,139,000)

See accompanying notes to consolidated financial statements (unaudited).

P&F INDUSTRIES, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)**

	Six months ended June 30,	
	2014	2013
Cash Flows from Investing Activities:		
Capital expenditures	\$(446,000)	\$(303,000)
Net cash used in investing activities	(446,000)	(303,000)
Cash Flows from Financing Activities:		
Proceeds from exercise of stock options	710,000	62,000
Proceeds from short-term borrowings	38,274,000	35,140,000
Repayments of short-term borrowings	(30,215,000)	(31,320,000)
Repayments of term loan	(230,000)	(230,000)
Net cash provided by financing activities	8,539,000	3,652,000
Net increase in cash	10,496,000	210,000
Cash at beginning of period	413,000	695,000
Cash at end of period	\$10,909,000	\$905,000
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest	\$139,000	\$225,000
Income taxes	\$41,000	\$33,000

See accompanying notes to consolidated financial statements (unaudited).

P&F INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Basis of Financial Statement Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information, and with the rules and regulations of the Securities and Exchange Commission regarding interim financial reporting. Accordingly, these interim financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of the Company, as defined below, these unaudited consolidated financial statements include all adjustments necessary to present fairly the information set forth therein. All such adjustments are of a normal recurring nature. Results for interim periods are not necessarily indicative of results to be expected for a full year.

The audited consolidated balance sheet information as of December 31, 2013 was derived from the audited consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013. The interim financial statements contained herein should be read in conjunction with that Report.

Principles of Consolidation

The unaudited consolidated financial statements contained herein include the accounts of P&F Industries, Inc. and its subsidiaries, (“P&F” or the “Company”). All significant intercompany balances and transactions have been eliminated in consolidation. Certain amounts in the financial statements and related footnotes have been reclassified to conform to classifications used in the current year.

The Company

The Company operates in two prim