

DXP ENTERPRISES INC
Form 8-K
November 02, 2006

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): November 1, 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 November 1, 2006, DXP Enterprises, Inc., issued a press release announcing financial results for the quarterly period ended September 30, 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

(d) *Exhibits.*

99.1 Press Release dated November 1, 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.

November 2, 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 November 1, 2006 regarding financial results for the quarterly period ended September 30, 2006

Exhibit 99.1

News Release

Contact: Mac McConnell

Senior Vice President, Finance

713-996-4700

www.dxpe.com

DXP ENTERPRISES ANNOUNCES THIRD QUARTER RESULTS

NET INCOME INCREASES 181% - SALES INCREASE 57%

Houston, TX, -- November 1, 2006 - DXP Enterprises, Inc. (NASDAQ: DXPE)

today announced a 181% increase in net income to \$2,981,000 for the third quarter ending September 30, 2006 with diluted earnings per share of \$0.52 compared to net income of \$1,061,000 and diluted earnings per share of \$0.18 for the third quarter of 2005. Sales increased 57.2% to \$68.2 million from \$43.4 million for the third quarter of 2005. Sales by the businesses acquired in 2005 and 2006 accounted for \$9.3 million of the sales increase. Excluding sales by the acquired businesses, sales for the third quarter of 2006 increased 36.2% from the third quarter of 2005.

Year-to-date net income as of September 30, 2006 increased 148.6% to \$8.4 million, or \$1.47 per diluted share, compared to \$3.4 million, or \$0.59 per diluted share for the first nine months of 2005. Sales increased 53.5% to \$200.5 million from \$130.6 million for the first nine months of 2005. Sales by the businesses acquired in 2005 and 2006 accounted for \$26.9 million of the sales increase. Excluding sales of the acquired businesses, sales for the first nine months of 2006 increased 33.0% from the same period in 2005.

David R. Little, Chairman and Chief Executive Officer said, "Our industrial customer base continues to indicate a strong outlook in the upstream and downstream energy sectors of oil, gas and coal. The outlook for the remainder of 2006 and for 2007 is especially strong for our SmartSource and innovative pumping solutions units."

Mac McConnell, Senior Vice President & CFO said, "Debt declined \$8.8 million, to \$29.6 million, during the third quarter of 2006. The debt to equity ratio declined to 0.93 at September 30, 2006 from 1.33 at June 30, 2006."

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

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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 PER SHARE AMOUNTS)

	Three Months Ended			Nine Months Ended		
	September 30			September 30		
	2006		2005	2006		2005
Sales	\$ 68,189		\$ 43,378	\$ 200,469		\$ 130,630
Cost of sales	48,468		31,927	144,275		95,966
Gross profit	19,721		11,451	56,194		34,664
Selling, general and administrative expense	14,578		9,618	41,348		28,813
Operating income	5,143		1,833	14,846		5,851
Other income	220		9	238		36

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Interest expense	(501)		(216)		(1,344)		(733)
Minority interest in (income) loss of consolidated subsidiary	-		29		20		126
Income before taxes	4,862		1,655		13,760		5,280
Provision for income taxes	1,881		594		5,327		1,888
Net income	2,981		1,061		8,433		3,392
Preferred stock dividend	23		23		68		68
Net income attributable to common shareholders	\$ 2,958		\$ 1,038		8,365		\$ 3,324
Basic income per share	\$ 0.58		\$ 0.24		\$ 1.66		\$ 0.79
Weighted average common shares outstanding	5,124		4,406		5,043		4,213
Diluted income per share	\$ 0.52		\$ 0.18		\$ 1.47		\$ 0.59
Weighted average common and common equivalent shares outstanding	5,749		5,895		5,733		5,792

Unaudited Reconciliation of Non-GAAP Financial Information

The following table is a reconciliation of EBITDA*; a non-GAAP financial measure, to income before income taxes, calculated and reported in accordance with U. S. GAAP:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005

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Income before income taxes	\$4,862		\$1,655		\$ 13,760	\$5,280
Plus interest expense	501		216		1,344	733
Plus depreciation and amortization	307		243		860	717
EBITDA	\$5,670		\$2,114		\$15,964	\$6,730

*EBITDA - earnings before interest, income taxes, depreciation and amortization