

DXP ENTERPRISES INC
Form 10-Q
May 12, 2014

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 EXCHANGE ACT OF 1934. For the quarterly period ended March 31, 2014

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 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	(713) 996-4700
(Address of principal executive offices)	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 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 (Do not check if a smaller reporting company) 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

Number of shares of registrant's Common Stock outstanding as of May 12, 2014: 14,543,711.

PART I: FINANCIAL INFORMATION
ITEM 1: FINANCIAL STATEMENTS

DXP ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)(unaudited)

	March 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash	\$ 12,131	\$ 5,469
Trade accounts receivable, net of allowance for doubtful accounts of \$9,306 in 2014 and \$8,798 in 2013	250,319	192,003
Inventories, net	110,703	105,271
Prepaid expenses and other current assets	5,178	2,693
Deferred income taxes	11,760	7,713
Total current assets	390,091	313,149
Property and equipment, net	70,657	58,253
Goodwill	374,089	188,110
Other intangible assets, net of accumulated amortization of \$48,836 in 2014 and \$44,410 in 2013	145,317	69,722
Other long-term assets	5,376	6,043
Total assets	\$ 985,530	\$ 635,277
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 39,142	\$ 26,213
Trade accounts payable	101,807	78,853
Accrued wages and benefits	24,952	20,473
Federal income taxes payable	4,917	853
Customer advances	4,682	3,720
Other current liabilities	23,336	18,605
Total current liabilities	198,836	148,717
Long-term debt, less current maturities	431,356	168,372
Non-current deferred income taxes	44,043	21,938
Commitments and Contingencies (Note 13)		
Shareholders' equity:		
Series A preferred stock, 1/10th vote per share; \$1.00 par value; liquidation preference of \$100 per share (\$112 at March 31, 2014); 1,000,000 shares authorized; 1,122 shares issued and outstanding	1	1
Series B convertible preferred stock, 1/10th vote per share; \$1.00 par value; \$100 stated value; liquidation preference of \$100 per share (\$1,500 at March 31, 2014); 1,000,000 shares authorized; 15,000 shares issued and outstanding	15	15
Common stock, \$0.01 par value, 100,000,000 shares authorized; 14,536,632 in 2014 and 14,468,485 in 2013 shares issued	146	144

Edgar Filing: DXP ENTERPRISES INC - Form 10-Q

Additional paid-in capital	114,685	109,892
Retained earnings	205,332	193,737
Accumulated other comprehensive income	(3,713)	(2,368)
Treasury stock, at cost (146,871 shares in 2014 and 2013)	(5,171)	(5,171)
Total shareholders' equity	311,295	296,250
Total liabilities and shareholders' equity	\$ 985,530	\$ 635,277

The accompanying notes are an integral part of these condensed consolidated financial statements.

DXP ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
(in thousands, except per share amounts) (unaudited)

	Three Months Ended March 31,	
	2014	2013
Sales	\$ 348,504	\$ 290,097
Cost of sales	246,797	200,990
Gross profit	101,707	89,107
Selling, general and administrative expense	79,546	66,403
Operating income	22,161	22,704
Other expense (income), net	(150)	1
Interest expense	3,397	1,627
Income before income taxes	18,914	21,076
Provision for income taxes	7,296	7,844
Net income	11,618	13,232
Preferred stock dividend	23	23
Net income attributable to common shareholders	\$ 11,595	\$ 13,209
Net income	\$ 11,618	\$ 13,232
Loss on long-term investment, net of income taxes	(55)	(724)
Cumulative translation adjustment	(1,290)	(316)
Comprehensive income	\$ 10,273	\$ 12,192
Basic earnings per share	\$ 0.79	\$ 0.92
Weighted average common shares outstanding	14,724	14,395
Diluted earnings per share	\$ 0.75	\$ 0.87
Weighted average common shares and common equivalent shares outstanding	15,564	15,235

The accompanying notes are an integral part of these condensed consolidated financial statements.

DXP ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands) (unaudited)

	Three Months Ended	
	March 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 11,618	\$ 13,232
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,984	2,248
Amortization of intangible assets	4,570	2,642
Compensation expense for restricted stock	685	724
Tax benefit related to vesting of restricted stock	(637)	(373)
Deferred income taxes	(2,804)	(2,820)
Changes in operating assets and liabilities, net of assets and liabilities acquired in business acquisitions:		
Trade accounts receivable	(8,181)	(14,424)
Inventories	1,041	1,703
Prepaid expenses and other assets	925	1,948
Accounts payable and accrued expenses	10,449	12,052
Net cash provided by operating activities	20,650	16,932
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,684)	(2,360)
Sale of long-term investment	(1,688)	-
Acquisitions of businesses, net of cash acquired	(287,043)	-
Net cash used in investing activities	(290,415)	(2,360)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from debt	380,439	94,727
Principal payments on revolving line of credit and other long-term debt	(104,454)	(112,833)
Dividends paid	(23)	(23)
Tax benefit related to vesting of restricted stock	637	373
Net cash (used in) provided by financing activities	276,599	(17,756)
EFFECT OF FOREIGN CURRENCY ON CASH	(172)	(36)
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,662	(3,220)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,469	10,455
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 12,131	\$ 7,235

The accompanying notes are an integral part of these condensed consolidated financial statements.

DXP ENTERPRISES INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - THE COMPANY

DXP Enterprises, Inc. together with its subsidiaries (collectively “DXP,” “Company,” “us,” “we,” or “our”) was incorporated in Texas on July 26, 1996, to be the successor to SEPCO Industries, Inc. DXP Enterprises, Inc. and its subsidiaries are primarily engaged in the business of distributing maintenance, repair and operating (MRO) products, equipment and service to industrial customers. The Company is organized into three business segments: Service Centers, Supply Chain Services (SCS) and Innovative Pumping Solutions (IPS). See Note 12 for discussion of the business segments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING AND BUSINESS POLICIES

Basis of Presentation

The Company’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“USGAAP”). The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The accompanying unaudited condensed consolidated financial statements have been prepared on substantially the same basis as our annual consolidated financial statements and should be read in conjunction with our annual report on Form 10-K for the year ended December 31, 2013. For a more complete discussion of our significant accounting policies and business practices, refer to the consolidated annual report on Form 10-K filed with the Securities and Exchange Commission on March 11, 2014.

All significant intercompany accounts and transactions have been eliminated upon consolidation.

NOTE 3 - RECENT ACCOUNTING PRONOUNCEMENTS

In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740), which requires entities to present unrecognized tax benefits as a liability and not combine it with deferred tax assets to the extent a net operating loss carry-forward, a similar tax loss, or a tax credit carry-forward is not available at the reporting date. ASU 2013-11 will become effective for fiscal years beginning after December 15, 2013. DXP adopted this guidance in the first quarter of 2014. There was no material effect on our financial statements.

NOTE 4 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Authoritative guidance for financial assets and liabilities measured on a recurring basis applies to all financial assets and financial liabilities that are being measured and reported on a fair value basis. Fair value, as defined in the authoritative guidance, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The authoritative guidance affects the fair value measurement of an investment with quoted market prices in an active market for identical instruments, which must be classified in one of the following categories:

Level 1 Inputs

Level 1 inputs come from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs

Level 2 inputs are other than quoted prices that are observable for an asset or liability. These inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in

markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

5

Level 3 Inputs

Level 3 inputs are unobservable inputs for the asset or liability which require the Company's own assumptions.

Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

The following table presents the changes in Level 1 assets for the period indicated (in thousands):

	Three Months Ended March 31,	
	2014	2013
Fair value at beginning of period	\$ 1,837	\$ 2,413
Realized and unrealized gains (losses) included in other comprehensive income	(149)	(1,206)
Proceeds on sale of investment	(1,688)	-
Fair value at end of period	\$ -	\$ 1,207

The Company paid a total of \$1.7 million for an investment with quoted market prices in an active market. At December 31, 2013, the market value of this investment was \$1.8 million. During the three months ended March 31, 2014, the Company sold this investment for \$1.7 million. The Company recognized a \$0.1 million loss in 2014 on the sale of this investment, which is included in other income within our condensed consolidated statements of income.

NOTE 5 - INVENTORY

The carrying values of inventories are as follows (in thousands):

	March 31, 2014	December 31, 2013
Finished goods	\$ 104,203	\$ 102,608
Work in process	10,358	6,657
Inventory reserve	(3,858)	(3,994)
Inventories, net	\$ 110,703	\$ 105,271

NOTE 6 - PROPERTY AND EQUIPMENT

The carrying values of property and equipment are as follows (in thousands):

	March 31, 2014	December 31, 2013
Land	\$ 2,342	\$ 2,137
Buildings and leasehold improvements	13,655	9,565
Furniture, fixtures and equipment	90,302	79,633
Less – Accumulated depreciation	(35,642)	(33,082)

Total Property and Equipment, net	\$ 70,657	\$ 58,253
-----------------------------------	-----------	-----------

6

NOTE 7 - GOODWILL AND OTHER INTANGIBLE ASSETS

The following table presents the changes in the carrying amount of goodwill and other intangible assets during the three months ended March 31, 2014 (in thousands):

	Goodwill	Other Intangible Assets	Total
Balance as of December 31, 2013	\$ 188,110	\$ 69,722	\$ 257,832
Acquired during the period	185,979	81,130	267,109
Translation adjustment	-	(965)	(965)
Amortization	-	(4,570)	(4,570)
Balance as of March 31, 2014	\$374,089	145,317	\$519,406

The following table presents goodwill balance by reportable segment as of March 31, 2014 and December 31, 2013 (in thousands):

	2014	2013
Service Centers	\$ 189,209	\$ 142,714
Innovative Pumping Solutions	167,742	28,258
Supply Chain Services	17,138	17,138
Total	\$ 374,089	\$ 188,110

The following table presents a summary of amortizable other intangible assets (in thousands):

	As of March 31, 2014			As of December 31, 2013		
	Gross Carrying Amount	Accumulated Amortization	Carrying Amount, net	Gross Carrying Amount	Accumulated Amortization	Carrying Amount, net
V e n d o r agreements	\$2,496	\$ (1,237)	\$ 1,259	\$ 2,496	\$ (1,205)	\$ 1,291
C u s t o m e r relationships	189,932	(46,769)	143,163	109,897	(42,468)	67,429
Non-compete agreements	1,725	(830)	895	1,739	(737)	1,002
Total	\$194,153	\$(48,836)	\$ 145,317	\$ 114,132	\$ (44,410)	\$ 69,722

Other intangible assets are generally amortized on a straight-line basis over their estimated useful lives.

NOTE 8 – LONG-TERM DEBT

Long-term debt consisted of the following at March 31, 2014 and December 31, 2013 (in thousands):

	2014	2013
Line of credit	\$ 223,000	\$ 76,849
Term loan	240,625	109,375
Promissory note payable in monthly installments at 2.9% through January 2021, collateralized by equipment	5,808	6,000
Unsecured subordinated notes payable in quarterly installments at 5% through November 2015	1,065	2,361
	470,498	194,585
Less: Current portion	(39,142)	(26,213)
Total Long-term Debt	\$ 431,356	\$ 168,372

On July 11, 2012, DXP entered into a credit facility with Wells Fargo Bank National Association, as Issuing Lender, Swingline Lender and Administrative Agent for the lenders (as amended, the “Original Facility”). On December 31, 2012, the Company amended the Original Facility which increased the Credit Facility by \$75 million. On January 2, 2014, the Company entered into an Amended and Restated Credit Agreement with Wells Fargo Bank, National Association, as Issuing Lender and Administrative Agent for other lenders (the “Facility”), amending the Company’s Original Facility.

The Facility provides a term loan and a \$350 million revolving line of credit to the Company. At March 31, 2014 the term loan component of the facility was \$240.6 million.

The Facility provides the option of interest at LIBOR (or CDOR for Canadian dollar loans) plus an applicable margin ranging from 1.25% to 2.50% or prime plus an applicable margin from 0.25% to 1.50% where the applicable margin is determined by the Company’s leverage ratio as defined by the Facility as of the last day of the fiscal quarter most recently ended prior to the date of borrowing. Commitment fees of 0.20% to 0.45% per annum are payable on the portion of the Facility capacity not in use at any given time on the line of credit. Commitment fees are included as interest in the consolidated statements of income.

On March 31, 2014, the LIBOR based rate of the Facility was LIBOR plus 2.0%, the prime based rate of the Facility was prime plus 1.0%, and the commitment fee was 0.35%. At March 31, 2014, \$463.6 million was borrowed under the Facility at a weighted average interest rate of approximately 2.16% under the LIBOR options. At March 31, 2014, the Company had approximately \$113.4 million available for borrowing under the Facility.

The Facility expires on January 2, 2019. The Facility contains financial covenants defining various financial measures and levels of these measures with which the Company must comply. Covenant compliance is assessed as of each quarter end. Substantially all of the Company’s assets are pledged as collateral to secure the credit facility.

NOTE 9 - STOCK-BASED COMPENSATION

Restricted Stock

Under the restricted stock plan approved by our shareholders (the “Restricted Stock Plan”), directors, consultants and employees may be awarded shares of DXP’s common stock. The shares of restricted stock granted to employees and that are outstanding as of March 31, 2014 vest in accordance with one of the following vesting schedules: 100% one year after date of grant; 33.3% each year for three years after date of grant; 20% each year for five years after the grant date; or 10% each year for ten years after the grant date. The Restricted Stock Plan provides that on each July 1 during the term of the plan each non-employee director of DXP will be granted the number of whole shares calculated by dividing \$75 thousand by the closing price of the common stock on such July 1. The shares of restricted stock granted to non-employee directors of DXP vest one year after the grant date. The fair value of restricted stock awards is measured based upon the closing prices of DXP’s common stock on the grant dates and is recognized as compensation expense over the vesting period of the awards. Once restricted stock vests, new shares of the Company’s stock are issued.

The following table provides certain information regarding the shares authorized and outstanding under the Restricted Stock Plan at March 31, 2014:

Number of shares authorized for grants	800,000
Number of shares granted	(829,459)
Number of shares forfeited	120,067
Number of shares available for future grants	90,608
Weighted-average grant price of granted shares	\$ 27.43

Changes in restricted stock for the three months ended March 31, 2014 were as follows:

	Number of Shares	Weighted Average Grant Price
Non-vested at December 31, 2013	211,510	\$ 36.17
Granted	44,300	\$ 97.17
Forfeited	(11,158)	\$ 35.72
Vested	(31,147)	\$ 38.14
Non-vested at March 31, 2014	213,505	\$ 48.48

Compensation expense, associated with restricted stock, recognized in the three months ended March 31, 2014 and 2013 was \$0.7 million and \$0.7 million, respectively. Related income tax benefits recognized in earnings for the three months ended March 31, 2014 and 2013 were approximately \$0.3 million and \$0.3 million, respectively. Unrecognized compensation expense under the Restricted Stock Plan at March 31, 2014 and December 31, 2013 was \$9.3 million and \$5.7 million, respectively. As of March 31, 2014, the weighted average period over which the unrecognized compensation expense is expected to be recognized is 30.2 months.

NOTE 10 - EARNINGS PER SHARE DATA

Basic earnings per share is computed based on weighted average shares outstanding and excludes dilutive securities. Diluted earnings per share is computed including the impacts of all potentially dilutive securities.

The following table sets forth the computation of basic and diluted earnings per share for the periods indicated (in thousands, except per share data):

	Three Months Ended March 31,	
	2014	2013
Basic:		
Weighted average shares outstanding	14,724	14,395
Net income	\$ 11,618	\$ 13,232
Convertible preferred stock dividend	23	23
Net income attributable to common shareholders	\$ 11,595	\$ 13,209
Per share amount	\$ 0.79	\$ 0.92
Diluted:		
Weighted average shares outstanding	14,724	14,395
Assumed conversion of convertible preferred stock	840	840
Total dilutive shares	15,564	15,235
Net income attributable to common shareholders	\$ 11,595	\$ 13,209
Convertible preferred stock dividend	23	23
Net income for diluted earnings per share	\$ 11,618	\$ 13,232
Per share amount	\$ 0.75	\$ 0.87

NOTE 11 - BUSINESS ACQUISITIONS

All of the Company's acquisitions have been accounted for using the purchase method of accounting. Revenues and expenses of the acquired businesses have been included in the accompanying consolidated financial statements beginning on their respective dates of acquisition. The allocation of purchase price to the acquired assets and liabilities is based on estimates of fair market value and may be prospectively revised if and when additional information the Company is awaiting concerning certain asset and liability valuations is obtained, provided that such information is received no later than one year after the date of acquisition. Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. It specifically includes the expected synergies and other benefits that we believe will result from combining the operations of our acquisitions with the operations of DXP and any intangible assets that do not qualify for separate recognition such as the assembled workforce.

On April 16, 2013, DXP acquired all of the stock of National Process Equipment Inc. (“NatPro”) through its wholly owned subsidiary, DXP Canada Enterprises Ltd. DXP acquired this business to expand DXP’s geographic presence in Canada and strengthen DXP’s pump, integrated system packaging, compressor, and related equipment offering. The \$40.0 million purchase price was financed with \$36.6 million of borrowings under DXP’s existing credit facility and 52,542 shares of DXP common stock. Additionally, the purchase agreement included an earn-out provision, which stated that former owners of NatPro may earn \$6.0 million based on achievement of an earnings target during the first year of DXP’s ownership. The fair value of the earn-out recorded at the acquisition date was \$2.8 million. As of December 31, 2013, the Company’s earn-out liability was estimated to be zero and \$2.8 million was recorded as a reduction of selling, general and administrative expense in the fourth quarter of 2013. No earn-out was earned. Estimated goodwill of \$24.6 million and intangible assets of \$14.8 million were recognized for this acquisition. None of the estimated goodwill or intangible assets are expected to be tax deductible. The goodwill associated with this acquisition is included in both the Service Centers segment and IPS segment.

On May 17, 2013, DXP acquired substantially all of the assets of Tucker Tool Company, Inc. (“Tucker Tool”). DXP acquired this business to expand DXP’s geographic presence in the northern U.S. and strengthen DXP’s industrial cutting tools offering. DXP paid approximately \$5.0 million for Tucker Tool which was borrowed under our existing credit facility. Estimated goodwill of \$3.2 and intangible assets of \$1.5 million were recognized for this acquisition. All of the goodwill is included in the Service Centers segment.

On July 1, 2013, DXP acquired all of the stock of Alaska Pump & Supply, Inc. (APS). DXP acquired this business to expand DXP’s geographic presence in Alaska. DXP paid approximately \$13.0 million for APS which was borrowed under our existing credit facility. Estimated goodwill of \$8.1 million and intangible assets of \$4.1 million were recognized for this acquisition. None of the estimated goodwill or intangible assets are expected to be tax deductible. All of the goodwill is included in the Service Centers segment.

On July 31, 2013, DXP acquired substantially all of the assets of Tool-Tech Industrial Machine & Supply, Inc. (“Tool-Tech”). DXP acquired this business to enhance our metal working product offering in the southwest region of the United States. DXP paid approximately \$7.6 million for Tool-Tech which was borrowed under our existing credit facility. Estimated goodwill of \$4.9 million and intangible assets of \$2.4 million were recognized for this acquisition. All of the estimated goodwill is included in the Service Centers segment.

On January 2, 2014, the Company completed the acquisition of all of the equity securities and units of B27, LLC (“B27”) by way of a Securities Purchase Agreement to expand DXP’s pump packaging offering. The total transaction value was approximately \$293.6 million, excluding approximately \$1.0 million in transaction costs recognized within SG&A in the 2013 statement of income. The purchase price was financed with borrowings under DXP’s amended credit facility and approximately \$4.0 million (36,000 shares) of DXP common stock. DXP has not completed appraisals of intangibles for B27, and therefore, has made preliminary estimates for purposes of this disclosure. Estimated goodwill of \$186.0 million and intangible assets of \$81.1 million were recognized for this acquisition. Approximately \$213.7 million of the estimated goodwill or intangible assets are expected not to be tax deductible. The estimated goodwill associated with this acquisition will be included in the IPS segment.

The value assigned to the non-compete agreements and customer relationships for business acquisitions were determined by discounting the estimated cash flows associated with non-compete agreements and customer relationships as of the date the acquisition was consummated. The estimated cash flows were based on estimated revenues net of operating expenses and net of capital charges for assets that contribute to the projected cash flow from these assets. The projected revenues and operating expenses were estimated based on management estimates. Net capital charges for assets that contribute to projected cash flow were based on the estimated fair value of those assets. For the acquisitions discussed above, discount rates of 13.5% to 15.9% were deemed appropriate for valuing these assets and were based on the risks associated with the respective cash flows taking into consideration the acquired company’s weighted average cost of capital.

For the three months ended March 31, 2014, businesses acquired during 2013 and 2014 contributed sales of \$23.0 million and \$30.4 million, respectively, and earnings (loss) before taxes of approximately \$(0.8) million and \$(1.5) million, respectively.

Edgar Filing: DXP ENTERPRISES INC - Form 10-Q

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed during 2013 and 2014 in connection with the acquisitions described above (in thousands):

	NatPro	Tucker Tool	APS	Tool-Tech	B27	Total
Cash	\$ -	\$ -	\$ -	\$ 430	\$ 2,538	\$ 2,968
Accounts Receivable, net	14,549	505	1,424	1,505	51,448	69,431
Inventory	6,883	209	1,332	409	6,472	15,305
Property and equipment	3,317	-	172	19	14,573	18,081
Goodwill and intangibles	39,345	4,678	12,148	7,254	267,109	330,534
Other assets	698	-	389	2	1,163	2,252
Assets acquired	64,792	5,392	15,465	9,619	343,303	438,571
Current liabilities assumed	19,175	391	1,079	1,987	27,069	49,701
Non-current liabilities assumed	5,649	-	1,419	-	22,682	29,750
Net assets acquired	\$ 39,968	\$ 5,001	\$ 12,967	\$ 7,632	\$ 293,552	\$ 359,120

The pro forma unaudited results of operations for the Company on a consolidated basis for the three months ended March 31, 2014 and 2013, assuming the acquisition of businesses completed in 2014 and 2013 were consummated as of January 1, 2013 are as follows (in thousands, except per share data):

	Three Months Ended March 31,	
	2014	2013
Net sales	\$ 348,504	\$ 351,537
Net income	\$ 11,595	\$ 13,796
Per share data		
Basic earnings	\$ 0.79	\$ 0.95
Diluted earnings	\$ 0.75	