

LAWSON PRODUCTS INC/NEW/DE/
Form 10-Q
April 20, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

Quarterly Report under Section 13 OR 15(d) of the Securities Exchange Act of 1934
For quarterly period ended March 31, 2017

or

Transition Report under Section 13 OR 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission file Number: 0-10546

LAWSON PRODUCTS, INC.
(Exact name of registrant as specified in its charter)

Delaware 36-2229304
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

8770 W. Bryn Mawr Avenue, Suite 900, Chicago, Illinois 60631
(Address of principal executive offices) (Zip Code)
(773) 304-5050
(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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the registrant's common stock, \$1 par value, as of April 14, 2017 was 8,835,810.

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“Safe Harbor” Statement under the Securities Litigation Reform Act of 1995:

This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. The terms “may,” “should,” “could,” “anticipate,” “believe,” “continues,” “estimate,” “expect,” “intend,” “objective,” “plan,” “potential,” “project” and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. These statements are based on management’s current expectations, intentions or beliefs and are subject to a number of factors, assumptions and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Factors that could cause or contribute to such differences or that might otherwise impact the business include:

- the effect of general economic and market conditions;
- the ability to generate sufficient cash to fund our operating requirements;
- the ability to meet the covenant requirements of our line of credit;
- the market price of our common stock may decline;
- inventory obsolescence;
- work stoppages and other disruptions at transportation centers or shipping ports;
- changing customer demand and product mixes;
- increases in energy and commodity prices;
- decreases in demand from oil and gas customers due to lower oil prices;
- disruptions of our information and communication systems;
- cyber attacks or other information security breaches;
- failure to recruit, integrate and retain a talented workforce including productive sales representatives;
- the inability to successfully integrate acquisitions into the organization;
- failure to manage change within the organization;
- highly competitive market;
- changes that affect governmental and other tax-supported entities;
- violations of environmental protection or other governmental regulations;
- negative changes related to tax matters; and
- all other factors discussed in the Company’s “Risk Factors” set forth in its Annual Report on Form 10-K for the year ended December 31, 2016.

The Company undertakes no obligation to update any such factors or to publicly announce the results of any revisions to any forward-looking statements contained herein whether as a result of new information, future events or otherwise.

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PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

Lawson Products, Inc.

Condensed Consolidated Balance Sheets

(Dollars in thousands, except share data)

	March 31, 2017	December 31, 2016
ASSETS	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 7,973	\$ 10,421
Restricted cash	800	800
Accounts receivable, less allowance for doubtful accounts	34,016	30,200
Inventories, net	43,231	42,561
Property held for sale	707	—
Miscellaneous receivables and prepaid expenses	3,854	3,788
Total current assets	90,581	87,770
Property, plant and equipment, net	28,784	30,907
Cash value of life insurance	10,277	10,051
Goodwill	5,560	5,520
Deferred income taxes	20	20
Other assets	996	1,039
Total assets	\$ 136,218	\$ 135,307
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Revolving line of credit	\$ 1,798	\$ 841
Accounts payable	13,452	11,307
Accrued expenses and other liabilities	24,754	27,289
Total current liabilities	40,004	39,437
Security bonus plan	13,790	14,216
Financing lease obligation	7,271	7,543
Deferred compensation	4,937	4,830
Deferred rent liability	3,689	3,676
Other liabilities	4,214	4,472
Total liabilities	73,905	74,174
Stockholders' equity:		
Preferred stock, \$1 par value:		
Authorized - 500,000 shares, Issued and outstanding — None—		—
Common stock, \$1 par value:		
Authorized - 35,000,000 shares		
Issued - 8,868,116 and 8,864,929 shares, respectively	8,868	8,865
Outstanding - 8,835,810 and 8,832,623 shares, respectively		
Capital in excess of par value	11,480	11,055
Retained earnings	42,622	41,943

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Treasury stock – 32,306 shares	(691)	(691)
Accumulated other comprehensive income (loss)	34		(39)
Total stockholders' equity	62,313		61,133	
Total liabilities and stockholders' equity	\$ 136,218		\$ 135,307	

See notes to condensed consolidated financial statements.

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Lawson Products, Inc.

Condensed Consolidated Statements of Income and Comprehensive Income

(Dollars in thousands, except per share data)

(Unaudited)

	Three months ended March 31,	
	2017	2016
Net sales	\$74,617	\$69,711
Cost of goods sold	29,738	27,252
Gross profit	44,879	42,459
Operating expenses:		
Selling expenses	24,804	22,753
General and administrative expenses	19,363	18,537
Operating expenses	44,167	