

P&F INDUSTRIES INC
Form 10-Q
August 14, 2006

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 ACT OF 1934

For the Quarterly Period Ended June 30, 2006

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)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer (see definition of accelerated filer and large accelerated filer in rule 12b-2 of the Exchange Act).

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

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As of August 11, 2006, there were 3,577,760 shares of the registrant's Class A Common Stock outstanding.

P&F INDUSTRIES, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2006

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

	June 30, 2006 (unaudited)	December 31, 2005 (derived from audited financial statements)
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 1,501,879	\$ 1,771,624
Accounts receivable net	13,784,822	12,567,256
Notes and other receivables	1,430,926	2,727,393
Inventories net	25,825,584	26,173,990
Deferred income taxes net	1,496,000	1,496,000
Assets held for sale	575,519	623,519
Assets of discontinued operations	304,087	76,538
Prepaid expenses and other current assets	1,118,393	1,111,164
TOTAL CURRENT ASSETS	46,037,210	46,547,484
PROPERTY AND EQUIPMENT		
Land	1,174,773	1,174,773
Buildings and improvements	5,464,971	5,219,993
Machinery and equipment	9,000,615	8,087,469
	15,640,359	14,482,235
Less accumulated depreciation and amortization	8,073,759	7,620,626
NET PROPERTY AND EQUIPMENT	7,566,600	6,861,609
GOODWILL	24,763,793	23,821,240
OTHER INTANGIBLE ASSETS net	11,496,083	8,794,833
OTHER ASSETS net	447,164	808,381
TOTAL ASSETS	\$ 90,310,850	\$ 86,833,547

See accompanying notes to consolidated condensed financial statements (unaudited).

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	June 30, 2006 (unaudited)	December 31, 2005 (derived from audited financial statements)
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	\$ 6,500,000	\$ 3,000,000
Accounts payable	4,496,486	2,927,133
Income taxes payable	145,081	1,366,146
Accrued compensation	1,506,248	2,518,196
Other accrued liabilities	3,393,642	2,338,909
Current maturities of long-term debt	7,536,247	4,058,729
Liabilities of discontinued operations	1,870,046	2,357,573
TOTAL CURRENT LIABILITIES	25,447,750	18,566,686
LONG-TERM DEBT, less current maturities	14,079,618	19,572,651
DEFERRED INCOME TAXES net	978,000	978,000
TOTAL LIABILITIES	40,505,368	39,117,337
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS EQUITY		
Preferred stock - \$10 par; authorized - 2,000,000 shares; no shares outstanding		
Common stock		
Class A - \$1 par; authorized - 7,000,000 shares; issued - 3,850,367 and 3,814,367 shares at June 30, 2006 and December 31, 2005, respectively	3,850,367	3,814,367
Class B - \$1 par; authorized - 2,000,000 shares; no shares issued		
Additional paid-in capital	9,156,017	8,947,855
Retained earnings	39,170,275	36,969,119
Treasury stock, at cost (272,607 and 244,576 shares at June 30, 2006 and December 31, 2005, respectively)	(2,371,177)	(2,015,131)
TOTAL SHAREHOLDERS EQUITY	49,805,482	47,716,210
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 90,310,850	\$ 86,833,547

See accompanying notes to consolidated condensed financial statements (unaudited).

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS (unaudited)

	Three months ended June 30, 2006		Six months ended June 30, 2006	
	2005	2005	2005	2005
Net revenues	\$ 28,860,361	\$ 28,130,059	\$ 55,709,864	\$ 52,454,323
Cost of sales	19,452,109	18,998,228	38,054,312	35,606,787
Gross profit	9,408,252	9,131,831	17,655,552	16,847,536
Selling, general and administrative expenses	6,748,455	6,120,451	13,047,845	11,537,067
Operating income	2,659,797	3,011,380	4,607,707	5,310,469
Interest expense net	522,058	485,974	1,014,012	901,103
Earnings from continuing operations before income taxes	2,137,739	2,525,406	3,593,695	4,409,366
Income taxes	854,000	1,082,000	1,438,000	1,854,000
Earnings from continuing operations before discontinued operations	1,283,739	1,443,406	2,155,695	2,555,366
Discontinued operations (net of taxes):				
Earnings (loss) from operation of discontinued operations (net of tax expense (benefit) of \$30,000 and \$31,000 for 2006 and \$22,000 and \$(90,000) for 2005, respectively)	43,416	41,518	45,461	(178,270)
Gain on sale of discontinued operations (net of tax expense of \$36,000 for 2005)				71,232
Earnings (loss) from discontinued operations	43,416	41,518	45,461	(107,038)
Net earnings	\$ 1,327,155	\$ 1,484,924	\$ 2,201,156	\$ 2,448,328
Basic earnings (loss) per common share:				
Continuing operations	\$.36	\$.41	\$.60	\$.72
Discontinued operations	.01	.01	.01	(.03)
	\$.37	\$.42	\$.61	\$.69
Diluted earnings (loss) per common share:				
Continuing operations	\$.34	\$.37	\$.56	\$.66
Discontinued operations	.01	.01	.01	(.03)
	\$.35	\$.38	\$.57	\$.63
Weighted average common shares outstanding:				
Basic	3,577,760	3,568,209	3,580,834	3,564,088
Diluted	3,825,317	3,879,657	3,828,773	3,877,791

See accompanying notes to consolidated condensed financial statements (unaudited).

P&F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENT OF SHAREHOLDERS EQUITY (unaudited)

	Total	Class A Common Stock, \$1 Par Shares	Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock Shares	Amount
Balance, January 1, 2006	\$ 47,716,210	3,814,367	\$ 3,814,367	\$ 8,947,855	\$ 36,969,119	(244,576)	\$ (2,015,131)
Net earnings	2,201,156				2,201,156		
Issuance of Class A common stock upon exercise of stock options	208,580	36,000	36,000	172,580			

