

P&F INDUSTRIES INC  
Form 10-Q  
November 14, 2007

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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

For the Quarterly Period Ended September 30, 2007

**o 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**  
(Address of principal executive offices)

**11747**  
(Zip Code)

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

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

As of November 12, 2007, there were 3,956,431 shares of the registrant's Class A Common Stock outstanding.

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**P&F INDUSTRIES, INC.**

**FORM 10-Q**

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007**

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**Signature**

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

	<b>September 30, 2007 (unaudited)</b>	<b>December 31, 2006 (derived from audited financial statements)</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 1,018,653	\$ 1,339,882
Accounts receivable net	18,776,711	12,685,388
Notes and other receivables	381,982	1,206,600
Inventories net	35,071,747	26,692,615
Deferred income taxes net	980,000	980,000
Assets held for sale		576,535
Assets of discontinued operations	32,266	300,339
Income tax refund receivable	457,463	1,356,310
Prepaid expenses and other current assets	1,036,024	1,369,403
<b>TOTAL CURRENT ASSETS</b>	<b>57,754,846</b>	<b>46,507,072</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land	1,549,773	1,174,773
Buildings and improvements	7,552,467	5,716,144
Machinery and equipment	15,435,092	9,249,720
	24,537,332	16,140,637
Less accumulated depreciation and amortization	9,549,934	8,411,447
<b>NET PROPERTY AND EQUIPMENT</b>	<b>14,987,398</b>	<b>7,729,190</b>
<b>GOODWILL</b>	<b>25,186,199</b>	<b>24,921,473</b>
<b>OTHER INTANGIBLE ASSETS net</b>	<b>13,573,399</b>	<b>10,897,333</b>
<b>ASSETS OF DISCONTINUED OPERATIONS</b>	<b>17,345</b>	<b>40,436</b>
<b>OTHER ASSETS net</b>	<b>192,765</b>	<b>311,721</b>
<b>TOTAL ASSETS</b>	<b>\$ 111,711,952</b>	<b>\$ 90,407,225</b>

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



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	September 30, 2007 (unaudited)	December 31, 2006 (derived from audited financial statements)
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Short-term borrowings	\$ 10,000,000	\$ 3,000,000
Accounts payable	10,865,199	7,691,869
Income taxes payable	1,184,067	435,237
Accrued compensation	2,087,738	2,158,279
Other accrued liabilities	2,968,569	3,068,036
Current maturities of long-term debt	5,742,334	7,559,681
Liabilities of discontinued operations	174,329	1,426,222
<b>TOTAL CURRENT LIABILITIES</b>	<b>33,022,236</b>	<b>25,339,324</b>
<b>LONG-TERM DEBT, less current maturities</b>	<b>21,332,851</b>	<b>12,059,758</b>
<b>LIABILITIES OF DISCONTINUED OPERATIONS</b>	<b>345,081</b>	<b>352,971</b>
<b>DEFERRED INCOME TAXES net</b>	<b>1,134,000</b>	<b>1,134,000</b>
<b>TOTAL LIABILITIES</b>	<b>55,834,168</b>	<b>38,886,053</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS EQUITY</b>		
Preferred stock - \$10 par; authorized - 2,000,000 shares; no shares outstanding		
Common stock		
Class A - \$1 par; authorized - 7,000,000 shares; issued - 3,956,431 and 3,850,367 shares at September 30, 2007 and December 31, 2006, respectively	3,956,431	3,850,367
Class B - \$1 par; authorized - 2,000,000 shares; no shares issued		
Additional paid-in capital	10,116,070	9,191,598
Retained earnings	44,699,071	40,850,384
Treasury stock, at cost 318,969 and 272,607 shares at September 30, 2007 and December 31, 2006, respectively	(2,893,788)	(2,371,177)
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>55,877,784</b>	<b>51,521,172</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>\$ 111,711,952</b>	<b>\$ 90,407,225</b>

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

## P&amp;F INDUSTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS (unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Net revenues	\$ 30,353,224	\$ 32,318,961	\$ 85,919,975	\$ 88,028,825
Cost of sales	21,985,036	22,617,245	60,727,299	60,671,557
Gross profit	8,368,188	9,701,716	25,192,676	27,357,268
Selling, general and administrative expenses	6,945,008	6,715,792	21,612,654	19,763,637
Operating income	1,423,180	2,985,924	3,580,022	7,593,631
Interest expense net	739,475	493,495	2,222,214	1,507,507
Earnings from continuing operations before income taxes	683,705	2,492,429	1,357,808	6,086,124
Income taxes	341,000	997,000	638,000	2,435,000
Earnings from continuing operations	342,705	1,495,429	719,808	3,651,124
Earnings (loss) from operation of discontinued operations (net of tax expense (benefit) of \$(46,000) and \$(58,000) for 2007 and \$34,000 and \$3,000 for 2006, respectively)	120,620	(51,491)	102,319	(6,030)
Gain on sale of assets of discontinued operations (net of tax expense of \$2,093,000 for 2007)			3,026,560	
Earnings (loss) from discontinued operations	120,620	(51,491)	3,128,879	(6,030)
Net earnings	\$ 463,325	\$ 1,443,938	\$ 3,848,687	\$ 3,645,094
Basic earnings per common share:				
Continuing operations	\$ 0.10	\$ 0.42	\$ 0.20	\$ 1.02
Discontinued operations	0.03	(0.02)	0.87	
	\$ 0.13	\$ 0.40	\$ 1.07	\$ 1.02
Diluted earnings per common share:				
Continuing operations	\$ 0.09	\$ 0.40	\$ 0.19	\$ 0.96
Discontinued operations	0.03	(0.01)	0.82	
	\$ 0.12	\$ 0.39	\$ 1.01	\$ 0.96
Weighted average common shares outstanding:				
Basic	3,635,075	3,577,760	3,604,630	3,579,798
Diluted	3,789,357	3,741,052	3,796,363	3,799,522

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



## P&amp;F INDUSTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED CONDENSED STATEMENT OF SHAREHOLDERS EQUITY (unaudited)

	Total	Class A Common Stock, \$1 Par		Additional paid-in capital	Retained earnings	Treasury stock	
		Shares	Amount			Shares	Amount
<b>Balance, January 1, 2007</b>	\$ 51,521,172	3,850,367	\$ 3,850,367	\$ 9,191,598	\$ 40,850,384	(272,607)	\$ (2,371,177)
Net earnings	3,848,687				3,848,687		
Stock-based compensation	301,569			301,569			
Tax benefits from exercise of stock options	84,000			84,000			
Shares surrendered as payment for exercise of stock options	(522,611)					(46,362)	(522,611)
Issuance of Class A common stock upon exercise of stock options	644,967	106,064	106,064	538,903			
<b>Balance, September 30, 2007</b>	\$ 55,877,784	3,956,431	\$ 3,956,431	\$ 10,116,070	\$ 44,699,071	(318,969)	\$ (2,893,788)

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

## P&amp;F INDUSTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (unaudited)

	Nine months ended September 30,	
	2007	2006
Cash Flows from Operating Activities of Continuing Operations:		
Net earnings	\$ 3,848,687	\$ 3,645,094
(Earnings) loss from discontinued operations net of taxes	(3,128,879)	6,030
Adjustments to reconcile net earnings to net cash provided by operating activities of continuing operations:		
Non-cash charges		
Depreciation and amortization	1,138,487	680,375
Amortization of other intangible assets	982,934	898,124
Amortization of other assets	12,417	3,000
Provision for losses on accounts receivable - net	90,017	3,051
Stock-based compensation	301,569	53,372
Changes in operating assets and liabilities, net of assets and liabilities acquired:		
Accounts receivable	(3,039,924)	(5,568,735)
Notes and other receivables	824,618	1,890,137
Inventories	(1,164,439)	(837,541)
Income tax refund receivable	898,847	
Prepaid expenses and other current assets	387,714	(398,417)
Other assets	201,539	298,428
Accounts payable	3,173,330	6,327,559
Accruals and other	(466,423)	733,776
Total adjustments	211,807	4,089,159
Net cash provided by operating activities of continuing operations	\$ 4,060,494	\$ 7,734,253

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

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	<b>Nine months ended September 30,</b>	
	<b>2007</b>	<b>2006</b>
<b>Cash Flows from Investing Activities of Continuing Operations:</b>		
Capital expenditures	\$ (1,027,724)	\$ (1,257,153)
Purchase of certain assets, net of certain liabilities, of Hy-Tech Machine, Inc.	(20,752,896)	
Purchase of certain assets, net of certain liabilities, of Pacific Stair Products, Inc.		(5,402,218)
Net cash used in investing activities of continuing operations	(21,780,620)	(6,659,371)
<b>Cash Flows from Financing Activities of Continuing Operations:</b>		