



Houston Wire & Cable Company Reports Results for the Quarter Ended June 30, 2016

HOUSTON, TX -- (Marketwired) -- 08/09/16 -- Houston Wire & Cable Company (NASDAQ: HWCC) (the "Company") announced operating results for the second quarter ended June 30, 2016.

Selected quarterly results were:

- | Sales of \$62.5 million
- | Net loss from operations of \$2.6 million
- | Adjusted net loss (non-GAAP) of \$0.7 million, excluding the impairment charge
- | Cash flow from operations of \$5.5 million
- | Declared a dividend of \$0.03 per share on August 9, 2016

Second Quarter Summary

Jim Pokluda, President and Chief Executive Officer commented, "The weak levels of industrial demand and the depressed oil and gas market experienced in the first quarter continued into the second quarter. While transactional activity increased in the early part of the quarter, indicative of a possible sales rebound, we closed the period with a return to more sluggish demand levels. Overall transactional activity, as measured by invoice count, increased by only 0.5% over the prior year period. While activity was slightly up over the first quarter, the sales shortfall was particularly impacted by the decrease in project activity. Sales decreased 19.9% or approximately 11% on a metals adjusted basis from the second quarter of 2015. We estimate that Maintenance, Repair and Operations (MRO) sales decreased 14% or approximately 5% on a metals adjusted basis, while project sales decreased 35% or approximately 26% on a metals adjusted basis."

Gross margin at 19.9% decreased 180 basis points from the second quarter of 2015, as lower industrial demand and extremely competitive market conditions collectively drove prices down. Operating expenses decreased \$1.7 million or 9.8% to \$15.5 million from \$17.2 million in 2015. Excluding the impairments in both periods, operating expenses fell \$1.1 million or 7.5% to \$13.1 million in 2016 from \$14.2 million in 2015. As market conditions remain depressed, cost reductions and judicious expense management are the primary areas of emphasis to ensure maximum operating leverage and efficiency.

Interest expense of \$0.1 million was down 31.3% from \$0.2 million in the prior year period. Average debt levels decreased by 28.9% from \$45.1 million in 2015 to \$32.0 million in 2016, while the effective interest rate decreased from 2.0% in 2015 to 1.7% in 2016.

The results of operations produced a net loss of \$2.6 million, as compared to a net loss of \$0.6 million in 2015. Excluding the impairments in both periods, the second quarter of 2016 produced a net loss of \$0.7 million, compared to net income of \$1.5 million in the prior year period.

Mr. Pokluda further commented "The sales reduction continues to heavily impact our operating results. While we have continued to cut our operating expenses, we cannot make up for the current lower sales operating margin contribution. We are experiencing sales successes through our commercial product line expansions; however, these sales channels, while a helpful revenue addition, cannot compensate for the reduced level of industrial demand, including project, oil and gas and MRO activity."

Pokluda continued, "Although our operating results were disappointing, I was pleased with our ability to efficiently manage our working capital investment and the resulting \$5.5 million in operating cash flow that was generated. This allowed us to reduce our debt and purchase an additional 104,000 shares of stock. The Company considers its performance, stock price, dividend yield and financial position in deciding the best way to return value to our shareholders. In order to allow the Company to continue to invest in its business, including through its stock repurchase program, given the recent financial performance and the continuing difficult industrial market, the upcoming dividend will be paid at the rate of \$0.03 per share."

Six month summary

Sales for the six month period were down 20.3% versus the prior year period and down approximately 12% on a metals

adjusted basis. We estimate that MRO sales decreased 7%, and project sales decreased 22%, in each case on a metals adjusted basis.

Gross margin at 20.3% was down from the 21.7% level of the 2015 period. "Heavy market pricing pressure continued in light of the depressed level of industrial demand including the overall lackluster level of activity in the oil and gas arena," said Mr. Pokluda. Gross profit dollars decreased \$8.8 million or 25.5%, primarily due to the decrease in sales.

Operating expenses decreased \$2.2 million or 7.2% to \$28.9 million from \$31.2 million. Excluding the impairment charges from both periods, operating expenses decreased \$1.6 million or 5.8%.

Interest expense of \$0.3 million decreased 32.8% from \$0.5 million. Average debt levels decreased 27.0% to \$34.4 million in 2016, from \$47.1 million in 2015, while interest rates fell to 1.7% from 2.0% in 2015.

The results of operations produced a net loss of \$2.7 million, as compared to net income of \$1.6 million in 2015. Excluding the impairments in both periods, the net loss for 2016 was \$0.9 million, compared to a net income of \$3.7 million in the prior year period.

Conference Call

The Company will host a conference call to discuss second quarter results on Tuesday, August 9, 2016 at 10:00 a.m., C.T. Hosting the call will be James Pokluda, President and Chief Executive Officer, and Nicol Graham, Vice President and Chief Financial Officer.

A live audio web cast of the call will be available on the Investor Relations section of the Company's website www.houwire.com.

Approximately two hours after the completion of the live call, a telephone replay will be available until August 16, 2016.

Replay, Toll-Free #: 855-859-2056

Replay, Toll #: 404-537-3406

Conference ID # 52903287

About the Company

With over 40 years' experience in the industry, Houston Wire & Cable Company is one of the largest providers of wire and cable in the U.S. market. Headquartered in Houston, Texas, the Company has sales and distribution facilities strategically located throughout the nation.

Standard stock items available for immediate delivery include continuous and interlocked armor cable; instrumentation cable; medium voltage cable; high temperature wire; portable cord; power cables; primary and secondary aluminum distribution cables; private branded products, including LifeGuard™, a low-smoke, zero-halogen cable; mechanical wire and cable and related hardware, including wire rope, lifting products and synthetic rope and slings.

Comprehensive value-added services include same-day shipping, knowledgeable sales staff, inventory management programs, just-in-time delivery, logistics support, customized online ordering capabilities and 24/7/365 service.

Forward-Looking Statements

This release contains comments concerning management's view of the Company's future expectations, plans and prospects that constitute forward-looking statements for purposes of the safe harbor provisions under the Private Securities Litigation Reform Act of 1995. Investors are cautioned that forward-looking statements are inherently uncertain and projections about future events may, and often do, vary materially from actual results.

Other risk factors that may cause actual results to differ materially from statements made in this press release can be found in the Company's Annual Report on Form 10-K and other documents filed with the SEC. These documents are available under the Investor Relations section of the Company's website at www.houwire.com.

Any forward-looking statements speak only as of the date of this press release and the Company undertakes no obligation to publicly update such statements

Non-GAAP Financial Disclosures and Reconciliations

While the Company reports financial results in accordance with U.S. GAAP, this press release includes non-GAAP measures. We use the non-GAAP measures to evaluate and manage our operations and provide the information to assist investors in performing financial analysis that is consistent with financial models developed by research analysts. Investors

should consider non-GAAP measures in addition to, not as a substitute for, or as superior to, measures of financial performance prepared in accordance with GAAP.

HOUSTON WIRE & CABLE COMPANY
Reconciliation of Non-GAAP Measures

(Unaudited)

(In thousands, except per share data)

<u>Adjusted net income (loss) and adjusted diluted EPS</u>	Three Months Ended June 30, 2016		Three Months Ended June 30, 2015	
	Net Income	Diluted EPS	Net Income	Diluted EPS
	Net income (loss), as reported under GAAP	\$ (2,557)	\$ (0.16)	\$ (619)
Impairment charge	2,384	0.15	2,994	0.18
Tax effect of impairment charge	(498)	(0.03)	(838)	(0.05)
Adjusted net income (loss)	\$ (671)	\$ (0.04)	\$ 1,537	\$ 0.09

<u>Adjusted net income (loss) and adjusted diluted EPS</u>	Six Months Ended June 30, 2016		Six Months Ended June 30, 2015	
	Net Income	Diluted EPS	Net Income	Diluted EPS
	Net income (loss), as reported under GAAP	\$ (2,741)	\$ (0.17)	\$ 1,567
Impairment charge	2,384	0.15	2,994	0.18
Tax effect of impairment charge	(498)	(0.03)	(838)	(0.05)
Adjusted net income (loss)	\$ (855)	\$ (0.05)	\$ 3,723	\$ 0.22

HOUSTON WIRE & CABLE COMPANY

Consolidated Balance Sheets

(In thousands, except share data)

	June 30, 2016	December 31, 2015
	(unaudited)	
Assets		
Current assets:		
Accounts receivable, net	\$ 41,505	\$ 46,250
Inventories, net	64,580	75,777
Deferred income taxes	3,591	3,074
Income taxes	1,139	932
Prepays	1,384	648
Total current assets	112,199	126,681
Property and equipment, net	10,814	10,899
Intangible assets, net	5,138	5,984
Goodwill	12,504	14,866
Deferred income taxes	442	264
Other assets	424	419
Total assets	\$ 141,521	\$ 159,113
Liabilities and stockholders' equity		
Current liabilities:		
Book overdraft	\$ 491	\$ 3,701
Trade accounts payable	8,352	6,380
Accrued and other current liabilities	7,800	9,568
Total current liabilities	16,643	19,649
Debt	30,092	39,188
Other long term obligations	511	275

Total liabilities	47,246	59,112
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized, none issued and outstanding	--	--
Common stock, \$0.001 par value; 100,000,000 shares authorized: 20,988,952 shares issued: 16,490,559 and 16,712,626 outstanding at June 30, 2016 and December 31, 2015, respectively	21	21
Additional paid-in-capital	54,847	54,621
Retained earnings	101,308	106,048
Treasury stock	(61,901)	(60,689)
Total stockholders' equity	94,275	100,001
Total liabilities and stockholders' equity	<u>\$ 141,521</u>	<u>\$ 159,113</u>

HOUSTON WIRE & CABLE COMPANY
Consolidated Statements of Operations

(Unaudited)

(In thousands, except share and per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Sales	\$ 62,454	\$ 77,959	\$ 127,165	\$ 159,559
Cost of sales	50,024	61,024	101,336	124,900
Gross profit	12,430	16,935	25,829	34,659
Operating expenses:				
Salaries and commissions	6,838	7,168	13,747	14,406
Other operating expenses	5,496	6,281	11,333	12,329
Depreciation and amortization	774	726	1,466	1,438
Impairment charge	2,384	2,994	2,384	2,994
Total operating expenses	15,492	17,169	28,930	31,167
Operating income (loss)	(3,062)	(234)	(3,101)	3,492
Interest expense	149	217	324	482
Income (loss) before income taxes	(3,211)	(451)	(3,425)	3,010
Income tax expense (benefit)	(654)	168	(684)	1,443
Net income (loss)	<u>\$ (2,557)</u>	<u>\$ (619)</u>	<u>\$ (2,741)</u>	<u>\$ 1,567</u>
Earnings (loss) per share:				
Basic	<u>\$ (0.16)</u>	<u>\$ (0.04)</u>	<u>\$ (0.17)</u>	<u>\$ 0.09</u>
Diluted	<u>\$ (0.16)</u>	<u>\$ (0.04)</u>	<u>\$ (0.17)</u>	<u>\$ 0.09</u>
Weighted average common shares outstanding:				
Basic	<u>16,383,630</u>	<u>17,101,952</u>	<u>16,432,376</u>	<u>17,198,927</u>
Diluted	<u>16,383,630</u>	<u>17,101,952</u>	<u>16,432,376</u>	<u>17,251,178</u>
Dividend declared per share	<u>\$ 0.06</u>	<u>\$ 0.12</u>	<u>\$ 0.12</u>	<u>\$ 0.24</u>

HOUSTON WIRE & CABLE COMPANY
Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

Six Months Ended June 30,	
2016	2015

Operating activities

Net income (loss)	\$	(2,741)	\$	1,567
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Impairment charge		2,384		2,994
Depreciation and amortization		1,466		1,438
Amortization of unearned stock compensation		422		463
Provision for inventory obsolescence		357		330
Deferred income taxes		(695)		(670)
Other non-cash items		27		83
Changes in operating assets and liabilities:				
Accounts receivable		4,738		8,564
Inventories		10,840		12,359
Book overdraft		(3,210)		(1,883)
Trade accounts payable		1,972		2,783
Accrued and other current liabilities		(1,757)		(4,009)
Income taxes		(207)		(1,069)
Other operating activities		(525)		(520)
Net cash provided by operating activities		<u>13,071</u>		<u>22,430</u>

Investing activities

Expenditures for property and equipment		<u>(557)</u>		<u>(1,545)</u>
Net cash used in investing activities		(557)		(1,545)

Financing activities

Borrowings on revolver		124,312		151,366
Payments on revolver		(133,408)		(164,874)
Payment of dividends		(1,990)		(4,110)
Purchase of treasury stock		<u>(1,428)</u>		<u>(3,267)</u>
Net cash used in financing activities		(12,514)		(20,885)
Net change in cash		--		--
Cash at beginning of period		<u>--</u>		<u>--</u>
Cash at end of period	\$	<u><u>--</u></u>	\$	<u><u>--</u></u>

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