



Houston Wire & Cable Company Reports Results for the Third Quarter of 2016

HOUSTON, TX -- (Marketwired) -- 11/08/16 -- Houston Wire & Cable Company (NASDAQ: HWCC) (the "Company") announced operating results for the third quarter ended September 30, 2016.

Selected quarterly results were:

- | Sales of \$65.2 million
- | Net loss from operations of \$1.4 million
- | Cash flow from operations of \$2.9 million
- | Repurchased 92,000 shares
- | Purchased Vertex Distribution on October 3, 2016

Third Quarter Summary

Jim Pokluda, President and Chief Executive Officer commented, "Industrial market conditions including the oil and gas industry did not improve during the third quarter as demand levels remained inconsistent. Sales decreased 16.7% or approximately 10% on a metals adjusted basis from the third quarter of 2015. We estimate that Maintenance, Repair and Operations (MRO) sales increased 1% or approximately 8% on a metals adjusted basis, while project sales decreased 52% or approximately 45% on a metals adjusted basis. There was a slight uptick in activity in the latter part of the quarter as overall transaction activity, measured by invoice count, rose 1.0% over the prior year period. While transaction activity was flat with the second quarter, sales increased 4.4% sequentially."

Gross margin at 18.5% decreased 210 basis points from the third quarter of 2015 as market pricing remained intensely competitive and as freight and shrinkage costs increased while vendor rebates decreased due to continuing low activity levels. Operating expenses at \$13.8 million were down \$0.5 million or 3.5% from the prior year period, as we continued to drive our goal of disciplined expense management.

Interest expense of \$0.1 million was down 45.6% from \$0.2 million in the prior year period. Average debt levels decreased by 31.4% from \$41.5 million in 2015 to \$28.5 in 2016, while the effective interest rate decreased from 2.2% in 2015 to 1.7% in 2016.

The results of operations produced a net loss of \$1.4 million, as compared to net income of \$0.7 million in the prior year period.

Mr. Pokluda further commented, "The present sales levels continue to negatively impact our operating results and the savings realized from our operating expense reduction initiative cannot offset the reduced margin contribution from the lower sales. Our success in the expansion of our commercial product lines continues to contribute to sales and operating margins, but it cannot offset the impact of ongoing depressed industrial marketplace demand. Despite the difficult market conditions, I was pleased that we again achieved success in reducing our working capital investment, generating operating cash flow and reducing our debt to its lowest level since 2010. The reduction in our debt levels allowed us to complete the acquisition of Vertex Distribution in early October, which is the most recent example of our efforts to broaden our product offering to the industrial market. As we redirect our capital allocation through this platform expansion and the additional debt assumed, we are suspending the dividend. In addition, going forward we will take an opportunistic approach with regards to the stock buy-back program."

Nine month summary

Sales for the nine month period were down 19.1% versus the prior year period and down approximately 11% on a metals adjusted basis. We estimate that MRO sales decreased 2% and project sales decreased 30%, in each case on a metals adjusted basis.

Gross margin at 19.7% was down 170 basis points from the 2015 period. "The depressed industrial market condition continues to put pressure on prices," said Mr. Pokluda. Gross profit dollars decreased \$12.9 million from \$50.8 million in the

prior year period.

Operating expenses decreased by 6.0% or \$2.7 million. Excluding the \$2.4 million impairment charge in the current year and the \$3.0 million charge in the prior year, operating expenses decreased by 5.0% or \$2.1 million in the current year period, principally due to lower facility costs from the facility rationalization, reduced commissions resulting from lower sales and gross margin, and lower employee related expenses.

Interest expense of \$0.5 million decreased 37.0% from \$0.7 million. Average debt levels decreased by 28.3% from \$45.2 million in 2015 to \$32.4 million in 2016, while interest rates fell from 2.1% in 2015 to 1.7% in 2016.

The results of operations generated a net loss of \$4.2 million, compared to net income of \$2.2 million in 2015.

Conference Call

The Company will host a conference call to discuss third quarter results today, Tuesday, November 8, 2016, at 10:00 a.m., C.S.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 November 15, 2016.

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

Replay, Toll #: 404-537-3406

Conference ID # 4866565

About the Company

With over 40 years of 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; corrosion resistant fasteners, hose clamps, and rivets.

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.

HOUSTON WIRE & CABLE COMPANY

Consolidated Balance Sheets

(In thousands, except share data)

	September 30, 2016	December 31, 2015
Assets	(unaudited)	

Current assets:			
Accounts receivable, net	\$	42,929	\$ 46,250
Inventories, net		63,563	75,777
Income taxes		1,577	932
Prepays		1,095	648
Total current assets		109,164	123,607
Property and equipment, net		10,884	10,899
Intangible assets, net		4,734	5,984
Goodwill		12,504	14,866
Deferred income taxes		4,090	3,338
Other assets		415	419
Total assets	\$	<u>141,791</u>	\$ <u>159,113</u>
Liabilities and stockholders' equity			
Current liabilities:			
Book overdraft	\$	1,102	\$ 3,701
Trade accounts payable		8,488	6,380
Accrued and other current liabilities		11,053	9,568
Total current liabilities		20,643	19,649
Debt		28,619	39,188
Other long term obligations		516	275
Total liabilities		49,778	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: 16,402,204 and 16,712,626 outstanding at September 30, 2016 and December 31, 2015, respectively		21	21
Additional paid-in-capital		55,007	54,621
Retained earnings		99,374	106,048
Treasury stock		(62,389)	(60,689)
Total stockholders' equity		<u>92,013</u>	<u>100,001</u>
Total liabilities and stockholders' equity	\$	<u>141,791</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		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Sales	\$ 65,222	\$ 78,260	\$ 192,387	\$ 237,819
Cost of sales	<u>53,177</u>	<u>62,129</u>	<u>154,513</u>	<u>187,029</u>
Gross profit	12,045	16,131	37,874	50,790
Operating expenses:				
Salaries and commissions	7,148	7,311	20,895	21,717
Other operating expenses	5,969	6,300	17,302	18,629
Depreciation and amortization	732	737	2,198	2,175
Impairment charge	--	--	2,384	2,994
Total operating expenses	<u>13,849</u>	<u>14,348</u>	<u>42,779</u>	<u>45,515</u>
Operating income (loss)	(1,804)	1,783	(4,905)	5,275
Interest expense	<u>129</u>	<u>237</u>	<u>453</u>	<u>719</u>

Income (loss) before income taxes	(1,933)	1,546	(5,358)	4,556
Income tax expense (benefit)	(494)	870	(1,178)	2,313
Net income (loss)	<u>\$ (1,439)</u>	<u>\$ 676</u>	<u>\$ (4,180)</u>	<u>\$ 2,243</u>
Earnings (loss) per share:				
Basic	<u>\$ (0.09)</u>	<u>\$ 0.04</u>	<u>\$ (0.26)</u>	<u>\$ 0.13</u>
Diluted	<u>\$ (0.09)</u>	<u>\$ 0.04</u>	<u>\$ (0.26)</u>	<u>\$ 0.13</u>
Weighted average common shares outstanding:				
Basic	<u>16,302,870</u>	<u>17,017,334</u>	<u>16,388,892</u>	<u>17,137,730</u>
Diluted	<u>16,302,870</u>	<u>17,072,128</u>	<u>16,388,892</u>	<u>17,190,664</u>
Dividend declared per share	<u>\$ 0.03</u>	<u>\$ 0.12</u>	<u>\$ 0.15</u>	<u>\$ 0.36</u>

HOUSTON WIRE & CABLE COMPANY
Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Nine Months Ended September 30,	
	2016	2015
Operating activities		
Net income (loss)	\$ (4,180)	\$ 2,243
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Impairment charge	2,384	2,994
Depreciation and amortization	2,198	2,175
Amortization of unearned stock compensation	626	668
Provision for inventory obsolescence	355	351
Deferred income taxes	(752)	(727)
Other non-cash items	(11)	70
Changes in operating assets and liabilities:		
Accounts receivable	3,360	10,370
Inventories	11,859	11,667
Book overdraft	(2,599)	(808)
Trade accounts payable	2,108	1,264
Accrued and other current liabilities	1,486	(278)
Income taxes	(645)	(909)
Other operating activities	(230)	(288)
Net cash provided by operating activities	<u>15,959</u>	<u>28,792</u>
Investing activities		
Expenditures for property and equipment	(955)	(2,946)
Net cash used in investing activities	<u>(955)</u>	<u>(2,946)</u>
Financing activities		
Borrowings on revolver	195,914	233,187
Payments on revolver	(206,483)	(248,208)
Payment of dividends	(2,477)	(6,166)
Purchase of treasury stock	(1,958)	(4,659)
Net cash used in financing activities	<u>(15,004)</u>	<u>(25,846)</u>
Net change in cash	--	--
Cash at beginning of period	--	--
Cash at end of period	<u>\$ --</u>	<u>\$ --</u>

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