

Wayside Technology Group, Inc.
Form 10-Q
November 07, 2014

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 September 30, 2014

OR

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

For the transition period from to

Commission File No. 000-26408

Wayside Technology Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-3136104
(I.R.S. Employer Identification No.)

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1157 Shrewsbury Avenue, Shrewsbury, New Jersey 07702

(Address of principal executive offices)

(732) 389-8950

Registrant's Telephone Number

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 and 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Check One:

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

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

There were 4,901,523 outstanding shares of common stock, par value \$.01 per share, (Common Stock) as of November 4, 2014, not including 382,977 shares classified as treasury stock.

PART I FINANCIAL INFORMATION**Item 1. FINANCIAL STATEMENTS****Wayside Technology Group, Inc. and Subsidiaries****Condensed Consolidated Balance Sheets**

(Amounts in thousands, except share and per share amounts)

	September 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 15,606	\$ 19,609
Accounts receivable, net of allowances of \$1,711 and \$1,429, respectively	60,721	60,796
Inventory, net	1,414	1,315
Prepaid expenses and other current assets	845	2,117
Deferred income taxes	270	218
Total current assets	78,856	84,055
Equipment and leasehold improvements, net	355	324
Accounts receivable-long-term	10,834	10,006
Other assets	163	159
Deferred income taxes	216	216
	\$ 90,424	\$ 94,760
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 51,621	\$ 60,039
Total current liabilities	51,621	60,039
Commitments and contingencies		
Stockholders' equity		
Common Stock, \$.01 par value; 10,000,000 shares authorized, 5,284,500 shares issued; 4,881,523 and 4,653,293 shares outstanding, respectively	53	53
Additional paid-in capital	30,716	28,791
Treasury stock, at cost, 402,977 and 631,207 shares, respectively	(6,007)	(7,017)
Retained earnings	14,199	12,695
Accumulated other comprehensive (loss) income	(158)	199
Total stockholders' equity	38,803	34,721
	\$ 90,424	\$ 94,760

The accompanying notes are an integral part of these condensed consolidated financial statements.

Wayside Technology Group, Inc. and Subsidiaries

Condensed Consolidated Statements of Earnings

(Unaudited)

(Amounts in thousands, except per share data)

	Nine months ended September 30,		Three months ended September 30,	
	2014	2013	2014	2013
Net sales	\$ 246,635	\$ 210,537	\$ 90,505	\$ 70,462
Cost of sales	228,782	193,994	84,329	65,197
Gross profit	17,853	16,543	6,176	5,265
Selling, general and administrative expenses	12,293	11,211	4,291	3,480
Income from operations	5,560	5,332	1,885	1,785
Other income:				
Interest, net	375	416	121	140
Foreign currency transaction (loss) gain	(8)	10	(4)	(11)
Income before provision for income taxes	5,927	5,758	2,002	1,914
Provision for income taxes	2,016	1,868	632	584
Net income	\$ 3,911	\$ 3,890	\$ 1,370	\$ 1,330
Income per common share Basic	\$ 0.84	\$ 0.87	\$ 0.29	\$ 0.30
Income per common share Diluted	\$ 0.83	\$ 0.85	\$ 0.29	\$ 0.29
Weighted average common shares outstanding				
Basic	4,639	4,457	4,716	4,442
Weighted average common shares outstanding				
Diluted	4,685	4,568	4,736	4,551
Dividends paid per common share	\$ 0.51	\$ 0.48	\$ 0.17	\$ 0.16

The accompanying notes are an integral part of these condensed consolidated financial statements.

Wayside Technology Group, Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

(Amounts in thousands)

	Nine months ended September 30,		Three months ended September 30,	
	2014	2013	2014	2013
Net income	\$ 3,911	\$ 3,890	\$ 1,370	\$ 1,330
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustment	(357)	(67)	(293)	255
Reclassification adjustment for loss realized in net income on available-for- sale marketable securities		11		
Other comprehensive (loss) income	(357)	(56)	(293)	255
Comprehensive income	\$ 3,554	\$ 3,834	\$ 1,077	\$ 1,585

The accompanying notes are an integral part of these condensed consolidated financial statements.

Wayside Technology Group, Inc. and Subsidiaries

Condensed Consolidated Statement of Stockholders Equity

(Unaudited)

(Amounts in thousands, except share amounts)

	Common Stock		Additional	Treasury		Retained	Accumulated	
	Shares	Amount	Paid-In	Shares	Amount	Earnings	Other	Total
			Capital				Comprehensive	
							Income (loss)	
Balance at January 1, 2014	5,284,500	\$ 53	\$ 28,791	631,207	\$ (7,017)	\$ 12,695	\$ 199	\$ 34,721
Net income						3,911		3,911
Translation adjustment							(357)	(357)
Dividends paid						(2,407)		(2,407)
Share-based compensation expense			887					887
Restricted stock grants (net of forfeitures)			(227)	(36,571)	227			
Stock options exercised			552	(220,000)	1,239			1,791
Tax benefit from share-based compensation			713					713
Treasury stock repurchased				28,341	(456)			(456)
Balance at September 30, 2014	5,284,500	\$ 53	\$ 30,716	402,977	(6,007)	\$ 14,199	(158)	\$ 38,803

The accompanying notes are an integral part of these condensed consolidated financial statements.

Wayside Technology Group, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(Amounts in thousands)

	Nine months ended September 30,	
	2014	2013
Cash flows from operating activities		
Net income	\$ 3,911	\$ 3,890
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization expense	167	213
Deferred income (benefit) tax expense	(52)	34
Provision for doubtful accounts receivable	43	157
Share-based compensation expense	853	830
Changes in operating assets and liabilities:		
Accounts receivable	(1,080)	15,044
Inventory	(99)	507
Prepaid expenses and other current assets	1,266	(311)
Accounts payable and accrued expenses	(8,262)	(15,941)
Other assets	(8)	(88)
Net cash (used in) provided by operating activities	(3,261)	4,335
Cash flows from investing activities		
Purchases of available-for-sale securities		(920)
Redemptions of available-for-sale securities		5,342
Purchase of equipment and leasehold improvements	(197)	(141)
Net cash (used in) provided by investing activities	(197)	4,281
Cash flows from financing activities		
Dividends paid	(2,407)	(2,233)
Purchase of treasury stock	(456)	(1,782)
Tax benefit from share-based compensation	713	125
Repayment of capital lease obligations		(55)
Proceeds from stock option exercises	1,791	