

DGSE COMPANIES INC
Form 10-Q
August 16, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2010

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 Number 1-11048

DGSE Companies, Inc.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

88-0097334
(I.R.S. Employer
Identification No.)

11311 Reeder Road
Dallas, Texas 75229
(972) 484-3662
(Address, including zip code, and telephone
number, including area code, of registrant's
principal executive offices)

NONE
(Former name, former address and former
fiscal year, if changed since last report)

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 (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 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):

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of August 10, 2010

Class	Outstanding
Common stock, \$.01 par value per share	9,833,635

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DGSE Companies, Inc. and Subsidiaries

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

	June 30, 2010 Unaudited	December 31, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 969,724	\$ 1,446,724
Trade receivables	899,090	649,310
Inventories	15,539,723	17,766,285
Prepaid expenses	809,187	807,298
Prepaid federal income tax	631,419	639,372
Total current assets	18,849,143	21,308,989
Marketable securities- available for sale	\$ —	45,000
Property and equipment, net	4,761,077	4,713,142
Deferred income taxes	417,987	1,731,175
Goodwill	837,117	837,117
Intangible assets	2,464,006	2,464,006
Other assets	391,905	260,904
Non-current assets of discontinued operations	295,617	295,617
	\$ 28,016,852	\$ 31,655,950
LIABILITIES		
Current Liabilities:		
Notes payable	\$ —	\$ 48,569
Current maturities of long-term debt	294,075	310,714
Line of credit	2,979,887	3,195,000
Accounts payable – trade	544,057	1,472,663
Accrued expenses	393,530	492,710
Customer deposits	1,014,441	2,092,593
Total current liabilities	5,225,990	7,612,249
Long-term debt, less current maturities	3,015,179	11,605,143
	8,241,169	19,217,392
STOCKHOLDERS' EQUITY		
Common stock, \$.01 par value; 30,000,000 shares authorized; 9,833,635 and 9,833,635 shares issued and outstanding at the end of each period in 2010 and 2009, respectively	98,637	98,637
Additional paid-in capital	18,698,091	18,698,091
Retained earnings (deficit)	978,955	(6,358,170)
	19,775,683	12,438,558
	\$ 28,016,852	\$ 31,655,950

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

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DGSE Companies, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

	Six months ended June 30,	
	2010	2009
	Unaudited	
Revenue		
Sales	\$ 38,093,053	\$ 46,973,641
Costs and expenses		
Cost of goods sold	32,753,054	40,391,750
Selling, general and administrative expenses	5,045,945	4,585,826
Depreciation and amortization	136,304	117,682
	37,935,303	45,095,528
Operating income	157,750	1,878,383
Other expense (income)		
Other income	(8,831,872)	—
Interest expense	284,389	384,556
Earnings before income taxes	8,705,233	1,493,827
Income tax expense	1,368,108	233,183
Net earnings from continuing operations	7,337,125	1,260,644
Discontinued operations:		
Gain (Loss) from discontinued operations (less applicable income tax of \$10,459, in 2009)		— (341,624)
Net earnings	\$ 7,337,125	\$ 919,020
Earnings per common share – basic		
From continuing operations	\$ 0.75	\$ 0.13
From discontinued operations	\$ —	\$ (0.04)
Net earnings per common share	\$ 0.75	\$ 0.09
Earnings per common share – diluted		
From continuing operations	\$ 0.71	\$ 0.13
From discontinued operations	\$ —	\$ (0.04)
Net earnings per common share	\$ 0.71	\$ 0.09
Weighted average number of common shares		
Basic	9,833,635	9,833,635
Diluted	10,398,670	9,833,635

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

DGSE Companies, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended June 30,	
	2010	2009
	Unaudited	
Revenue		
Sales	\$ 20,745,499	\$ 21,633,859
Costs and expenses		
Cost of goods sold	17,834,339	18,206,607
Selling, general and administrative expenses	2,579,298	2,283,504
Depreciation and amortization	69,880	67,231
	20,483,517	20,557,342
Operating income	261,982	1,076,518
Other expense (income)		
Other income	(8,814,432)	—
Interest expense	173,983	237,472
Earnings before income taxes	8,902,431	839,046
Income tax expense	1,435,155	179,138
Net earnings from continuing	7,467,276	659,908
Discontinued operations:		
Income from discontinued operations (less applicable income tax benefit of \$5,805 in 2009)	—	29,596
Net earnings	\$ 7,467,276	\$ 689,504
Earnings per common share – basic		
From continuing operations	\$ 0.76	\$ 0.07
From discontinued operations	\$ —	\$ —
Net earnings per common share	\$ 0.76	\$ 0.07
Earnings per common share – diluted		
From continuing operations	\$ 0.72	\$ 0.07
From discontinued operations	\$ —	\$ —
Net earnings per common share	\$ 0.72	\$ 0.07
Weighted average number of common shares		
Basic	9,833,635	9,833,635
Diluted	10,398,670	