

Houston Wire & Cable CO
Form 10-Q
May 09, 2013

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
X ACT OF 1934**

For the quarterly period ended March 31, 2013

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: 000-52046

(Exact name of registrant as specified in its charter)

Delaware	36-4151663
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

10201 North Loop East
Houston, Texas
 (Address of principal executive offices)

77029
 (Zip Code)

(713) 609-2100

(Registrant's telephone number, including area code)

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 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 definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act

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 ☒

At May 1, 2013 there were 17,910,794 outstanding shares of the registrant's common stock, \$0.001 par value per share.

HOUSTON WIRE & CABLE COMPANY

Form 10-Q

For the Quarter Ended March 31, 2013

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)	
Consolidated Balance Sheets	2
Consolidated Statements of Income	3
Consolidated Statements of Cash Flows	4
Notes to Consolidated Financial Statements	5
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	7
Overview	7
Cautionary Statement for Purposes of the “Safe Harbor ”	7
Results of Operations	8
Impact of Inflation and Commodity Prices	9
Liquidity and Capital Resources	9
Contractual Obligations	11
Item 3. Quantitative and Qualitative Disclosures about Market Risk	11
Item 4. Controls and Procedures	11

PART II. OTHER INFORMATION 11

Item 1. Not applicable and has been omitted	11
Item 1A. Risk Factors	11
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	12
Item 3. Not applicable and has been omitted	12
Item 4. Not applicable and has been omitted	12
Item 5. Not applicable and has been omitted	12
Item 6. Exhibits	13

Signature Page	14
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HOUSTON WIRE & CABLE COMPANY**Consolidated Balance Sheets**

(In thousands, except share data)

	March 31, 2013 (unaudited)	December 31, 2012
Assets		
Current assets:		
Cash	\$ —	\$ 274
Accounts receivable, net	59,218	65,892
Inventories, net	81,767	84,662
Deferred income taxes	2,631	2,455
Prepays	1,125	841
Total current assets	144,741	154,124
Property and equipment, net	5,787	5,824
Intangible assets, net	11,533	11,967
Goodwill	25,082	25,082
Other assets	143	158
Total assets	\$ 187,286	\$ 197,155
Liabilities and stockholders' equity		
Current liabilities:		
Book overdraft	\$ 3,855	\$ —
Trade accounts payable	10,481	12,330
Accrued and other current liabilities	9,126	15,379
Income taxes	2,481	5
Total current liabilities	25,943	27,714
Debt	48,010	58,588
Other long term obligations	103	103
Deferred income taxes	1,534	1,670
Total liabilities	75,590	88,075
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: 17,910,794 and 17,899,499 outstanding at March 31, 2013 and December 31, 2012, respectively	21	21
Additional paid-in-capital	55,475	55,291
Retained earnings	106,499	104,252
Treasury stock	(50,299)	(50,484)

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Total stockholders' equity	111,696	109,080
Total liabilities and stockholders' equity	\$ 187,286	\$ 197,155

The accompanying Notes are an integral part of these Consolidated Financial Statements.

HOUSTON WIRE & CABLE COMPANY

Consolidated Statements of Income

(Unaudited)

(In thousands, except share and per share data)

	Three Months Ended March 31,	
	2013	2012
Sales	\$94,304	\$94,462
Cost of sales	72,925	73,324
Gross profit	21,379	21,138
Operating expenses:		
Salaries and commissions	7,967	7,229
Other operating expenses	6,281	6,374
Depreciation and amortization	745	733
Total operating expenses	14,993	14,336
Operating income	6,386	6,802
Interest expense	273	266
Income before income taxes	6,113	6,536
Income taxes	2,251	2,520
Net income	\$3,862	\$4,016
Earnings per share:		
Basic	\$0.22	\$0.23
Diluted	\$0.22	\$0.23
Weighted average common shares outstanding:		
Basic	17,752,682	17,698,600
Diluted	17,845,442	17,814,902
Dividend declared per share	\$0.09	\$0.09

The accompanying Notes are an integral part of these Consolidated Financial Statements.

HOUSTON WIRE & CABLE COMPANY**Consolidated Statements of Cash Flows**

(Unaudited)

(In thousands)

	Three Months Ended March 31,	
	2013	2012
Operating activities		
Net income	\$3,862	\$4,016
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	745	733
Amortization of capitalized loan costs	5	5
Amortization of unearned stock compensation	245	268
Provision for doubtful accounts	(59)	9
Provision for returns and allowances	25	(96)
Provision for inventory obsolescence	210	158
Deferred income taxes	(312)	(108)
Changes in operating assets and liabilities:		
Accounts receivable	6,708	(5,146)
Inventories	2,685	(12,291)
Prepays	(284)	(201)
Other assets	10	(2)
Book overdraft	3,855	3,316
Trade accounts payable	(1,849)	4,708
Accrued and other current liabilities	(6,272)	(2,941)
Income taxes payable	2,475	2,564
Other long term obligations	—	(3)
Net cash provided by (used in) operating activities	12,049	(5,011)
Investing activities		
Expenditures for property and equipment	(274)	(101)
Net cash used in investing activities	(274)	(101)
Financing activities		
Borrowings on revolver	94,696	94,060
Payments on revolver	(105,274)	(87,466)
Proceeds from exercise of stock options	122	137
Excess tax benefit for stock options	5	28
Payment of dividends	(1,596)	(1,593)
Purchase of treasury stock	(2)	(54)
Net cash (used in) provided by financing activities	(12,049)	5,112

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Net change in cash	(274)	—
Cash at beginning of period	274		—
Cash at end of period	\$—		\$—

The accompanying Notes are an integral part of these Consolidated Financial Statements.

HOUSTON WIRE & CABLE COMPANY

Notes to Consolidated Financial Statements

(Unaudited)

(in thousands, except share data)

1. Basis of Presentation and Principles of Consolidation

Houston Wire & Cable Company (the “Company”), through its wholly owned subsidiaries, HWC Wire & Cable Company, Advantage Wire & Cable and Cable Management Services Inc., provides wire and cable, hardware and related services to the U.S. market through nineteen locations in twelve states throughout the United States. The Company has no other business activity.

The consolidated financial statements as of March 31, 2013 and for the three months ended March 31, 2013 and 2012 have been prepared following accounting principles generally accepted in the United States (“GAAP”) for interim financial information and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation of the results of these interim periods have been included. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year. All significant inter-company balances and transactions have been eliminated. The Company has evaluated subsequent events through the time these financial statements in this Form 10-Q were filed with the Securities and Exchange Commission (the “SEC”).

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The most significant estimates are those relating to the allowance for doubtful accounts, the inventory obsolescence reserve, the reserve for returns and allowances, vendor rebates and asset impairments. Actual results could differ materially from the estimates and assumptions used for the preparation of the financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2012 filed with the SEC.

2. Earnings per Share

Basic earnings per share is calculated by dividing the net income by the weighted average number of common shares outstanding. Diluted earnings per share include the diluted effects of stock options and unvested restricted stock awards and units.

The following reconciles the denominator used in the calculation of dilutive earnings per share:

	Three Months Ended March 31,	
	2013	2012
Denominator:		
Weighted average common shares for basic earnings per share	17,752,682	17,698,600
Effect of dilutive securities	92,760	116,302
Weighted average common shares for diluted earnings per share	17,845,442	17,814,902

The weighted average common shares for diluted earnings per share exclude stock options to purchase 596,410 and 300,000 shares for the three months ended March 31, 2013 and 2012, respectively. These options have been excluded from the calculation of diluted securities, as including them would have an anti-dilutive effect on earnings per share for the respective periods.

3. Debt

On September 30, 2011, HWC Wire & Cable Company, as borrower, entered into the Third Amended and Restated Loan and Security Agreement ("2011 Loan Agreement"), with certain lenders and Bank of America, N.A., as agent, and the Company, as guarantor, executed a Second Amended and Restated Guaranty of the borrower's obligations thereunder. The 2011 Loan Agreement provides for a \$100 million revolving credit facility, bears interest at the agent's base rate, with a London Interbank Offered Rate ("LIBOR") rate option and expires on September 30, 2016. The 2011 Loan Agreement is secured by a lien on substantially all the property of the Company, other than real estate. Availability under the 2011 Loan Agreement is limited to a borrowing base equal to 85% of the value of eligible accounts receivable, plus 65% of the value of eligible inventory, less certain reserves.

Portions of the loan may be converted to LIBOR loans in minimum amounts of \$1,000 and integral multiples of \$100. LIBOR loans bear interest at the British Bankers Association LIBOR Rate plus 125 to 200 basis points based on availability, and loans not converted to LIBOR loans bear interest at a fluctuating rate equal to the greatest of the agent's prime rate, the federal funds rate plus 50 basis points, or 30-day LIBOR plus 150 basis points. Unused commitment fees are 25 or 30 basis points, depending on the amount of the unused commitment.

The 2011 Loan Agreement includes, among other things, covenants that require the Company to maintain a specified minimum fixed charge coverage ratio and availability levels. Additionally, the 2011 Loan Agreement allows for the unlimited payment of dividends and repurchases of stock, subject to the absence of events of default and maintenance of a fixed charge coverage ratio and minimum level of availability. The 2011 Loan Agreement contains certain provisions that may cause the debt to be classified as a current liability, in accordance with GAAP, if availability falls below certain thresholds, even though the ultimate maturity date under the loan agreement remains as September 30, 2016. Availability has remained above these thresholds. At March 31, 2013, the Company was in compliance with the financial covenants governing its indebtedness.

The carrying amount of long term debt approximates fair value as it bears interest at variable rates, which is a Level 2 measurement as defined in Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurement.

4. Stockholders' Equity

During the first quarter of 2013, the Board of Directors approved a quarterly dividend of \$0.09 per share payable to stockholders. Dividends paid were \$1,596 and \$1,593 during the three months ended March 31, 2013 and 2012, respectively.

5. Stock Based Compensation

There were no stock options, restricted stock awards or restricted stock units granted during the first quarter of 2013 or 2012.

Total stock-based compensation cost was \$245 and \$268 for the three months ended March 31, 2013 and 2012, respectively and is included in salaries and commissions. Total income tax benefit recognized for stock-based compensation arrangements was \$90 and \$103 for the three months ended March 31, 2013 and 2012, respectively.

6. Commitments and Contingencies

As part of the 2010 acquisition, the Company assumed the liability for the post-remediation monitoring of the water quality at one of the acquired facilities in Louisiana. The expected liability of \$103 at March 31, 2013 relates to the cost of the monitoring, which the Company estimates will be incurred over approximately the next 4 years, and also the cost to plug the wells. Remediation work was completed prior to the acquisition in accordance with the requirements of the Louisiana Department of Environmental Quality.

The Company, along with many other defendants, has been named in a number of lawsuits in the state courts of Illinois, Minnesota, North Dakota, and South Dakota alleging that certain wire and cable which may have contained asbestos caused injury to the plaintiffs who were exposed to this wire and cable. These lawsuits are individual personal injury suits that seek unspecified amounts of money damages as the sole remedy. It is not clear whether the alleged injuries occurred as a result of the wire and cable in question or whether the Company, in fact, distributed the wire and cable alleged to have caused any injuries. The Company maintains general liability insurance that, to date, has covered the defense of and all costs associated with these claims. In addition, the Company did not manufacture any of the wire and cable at issue, and the Company would rely on any warranties from the manufacturers of such cable if it were determined that any of the wire or cable that the Company distributed contained asbestos which caused injury to any of these plaintiffs. In connection with ALLTEL's sale of the Company in 1997, ALLTEL provided indemnities with respect to costs and damages associated with these claims that the Company believes it could enforce if its insurance coverage proves inadequate.

There are no legal proceedings pending against or involving the Company that, in management's opinion, based on the current known facts and circumstances, are expected to have a material adverse effect on the Company's consolidated financial position, cash flows, or results from operations.

7. Subsequent Events

On May 7, 2013, the Board of Directors approved a dividend on the shares of common stock of the Company in the amount of \$0.11 per share, payable on May 30, 2013, to stockholders of record at the close of business on May 17, 2013.

Following the Annual Meeting of Stockholders on May 7, 2013, the Company awarded restricted stock units with a value of \$50 to each non-employee director who was re-elected, for an aggregate of 21,006 restricted stock units. Each award of restricted stock units vests at the date of the 2014 Annual Meeting of Stockholders. Each non-employee director is entitled to receive a number of shares of the Company's common stock equal to the number of vested restricted stock units, together with dividend equivalents from the date of grant, at such time as the director's service on the board terminates for any reason.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the Company's financial position and results of operations. MD&A is provided as a supplement to the Company's Consolidated Financial Statements (unaudited) and the accompanying Notes to Consolidated Financial Statements (unaudited) and should be read in conjunction with the MD&A included in the Company's Form 10-K for the year ended December 31, 2012.

Overview

We are one of the largest distributors of wire and cable and related services to the U.S. market. We provide our customers with a single-source solution for wire and cable, hardware and related services by offering a large selection of in-stock items, exceptional customer service and high levels of product expertise.

Critical Accounting Policies

The preparation of our consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenue and expenses. On an on-going basis, we make and evaluate estimates and judgments, including those related to the allowance for doubtful accounts, the reserve for returns and allowances, the inventory reserve, intangible assets, vendor rebates and goodwill. We base our estimates on historical experience and various other assumptions that we believe are reasonable under the circumstances; the results of which form the basis for making judgments about amounts and timing of revenue and expenses, the carrying values of assets and the recorded amounts of liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and such estimates may change if the underlying conditions or assumptions change. We have discussed the development and selection of critical accounting policies and estimates with the Audit Committee of our Board of Directors, and the Audit Committee has reviewed our related disclosures. The critical accounting policies related to the estimates and judgments are discussed in our Annual Report on Form 10-K for the year ended December 31, 2012 under Management's Discussion and Analysis of Financial Condition and Results of Operations. There have been no changes to our critical accounting policies and estimates during the three months ended March 31, 2013, which includes the potential goodwill impairment of the Southern Wire reporting unit, should it not achieve the anticipated significant growth in its business.

Cautionary Statement for Purposes of the "Safe Harbor"

Forward-looking statements in this report are made in reliance upon the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may relate to, but are not limited to, information or assumptions about our sales and marketing strategy, sales (including pricing), income, operating income or gross margin improvements, working capital, cash flow, interest rates, impact of changes in accounting standards, future economic performance, management's plans, goals and objectives for future operations, performance and growth or the assumptions relating to any of the forward-looking statements. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as "aim", "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "project", "should", "will be", "will continue", "will likely" or other words and terms of similar meaning in conjunction with a discussion of future operating or financial performance. The Company cautions that forward-looking statements are not guarantees because there are inherent difficulties in predicting future results. Actual results could differ materially from those expressed or implied in the forward-looking statements. The factors listed under "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2012, as well as any cautionary language in this report, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements.

Results of Operations

The following table shows, for the periods indicated, information derived from our consolidated statements of income, expressed as a percentage of net sales for the periods presented.

	Three Months Ended March 31,			
	2013		2012	
Sales	100.0	%	100.0	%
Cost of sales	77.3	%	77.6	%
Gross profit	22.7	%	22.4	%
Operating expenses:				
Salaries and commissions	8.4	%	7.7	%
Other operating expenses	6.7	%	6.7	%
Depreciation and amortization	0.8	%	0.8	%
Total operating expenses:	15.9	%	15.2	%
Operating income	6.8	%	7.2	%
Interest expense	0.3	%	0.3	%
Income before income taxes	6.5	%	6.9	%
Income taxes	2.4	%	2.7	%
Net income	4.1	%	4.3	%

Note: Due to rounding, percentages may not add up to total operating expenses, operating income, income before income taxes or net income.

Comparison of the Three Months Ended March 31, 2013 and 2012**Sales**

	Three Months Ended March 31,		
(Dollars in millions)	2013	2012	Change

Sales \$94.3 \$94.5 \$(0.2) (0.2)%

Our sales for the first quarter were flat from the prior year period. When adjusted for metal prices, which fell over the quarter, sales were up approximately 2% when compared to 2012. Project business generated from our growth initiatives encompassing Environmental Compliance, Engineering & Construction, Industrials, LifeGuard™ (and other private branded products), Utility Power Generation, and Mechanical were down approximately 4% from the same period in 2012. Regional market weakness and typical first quarter seasonality, continued to delay the start of new projects. We estimate sales in our core Maintenance, Repair and Operations (“MRO”) sector were up approximately 3% reflecting the continued post recession recovery in operations investment.

Gross Profit

	Three Months Ended March 31,			
(Dollars in millions)	2013	2012	Change	
Gross profit	\$21.4	\$21.1	\$0.2	1.1 %
Gross profit as a percent of sales	22.7 %	22.4 %	0.3 %	

Gross profit increased 1.1% to \$21.4 million in 2013 from \$21.1 million in 2012. The increase in gross profit was primarily attributed to the increase in gross margin (gross profit as a percentage of sales) which increased to 22.7% in 2013 from 22.4% in 2012. This increase is primarily due to our emphasis to increase the gross margin on certain product groups, and sales from higher margin products.

Operating Expenses

(Dollars in millions)	Three Months Ended March 31,			
	2013	2012	Change	
Operating expenses:				
Salaries and commissions	\$8.0	\$7.2	\$0.7	10.2%
Other operating expenses	6.3	6.4	(0.1)	(1.5)%
Depreciation and amortization	0.7	0.7	0.0	1.6%
Total operating expenses	\$15.0	\$14.3	\$0.7	4.6%
Operating expenses as a percent of sales	15.9%	15.2%	0.7%	

Note: Due to rounding, numbers may not add up to total operating expenses.

Salaries and commissions increased 10.2% due to additional headcount primarily in sales and marketing.

Other operating expenses decreased slightly to \$6.3 million in 2013 from \$6.4 million in 2012.

Depreciation and amortization remained consistent at \$0.7 million.

Operating expenses as a percentage of sales increased to 15.9% in 2013 from 15.2% in 2012 due to the increase in salaries and commissions.

Interest Expense

Interest expense increased 2.6% due to higher average debt levels. Average debt was \$53.3 million in 2013 compared to \$47.6 million in 2012. The average effective interest rate decreased to 1.9% in 2013 from 2.1% in 2012 due to a higher percentage of the borrowings at the London Interbank Offered Rate, which is lower than the base interest rate of the loan.

Income Taxes

Income tax expense decreased \$0.3 million or 10.7% to \$2.3 million in 2013 compared to \$2.5 million in 2012. The effective income tax rate decreased to 36.8% in 2013 from 38.6% in 2012 due to a \$0.2 million adjustment for an over accrual of state income taxes from a prior period.

Net Income

We achieved net income of \$3.9 million in 2013 compared to \$4.0 million in 2012, a decrease of 3.8%.

Impact of Inflation and Commodity Prices

Our results of operations are affected by changes in the inflation rate and commodity prices. Moreover, because copper, petrochemical, aluminum and steel products are components of the wire and cable and related hardware we sell, fluctuations in the costs of these and other commodities have historically affected our operating results. To the extent commodity prices decline, the net realizable value of our existing inventory could also decline, and our gross profit could be adversely affected because of either reduced selling prices or lower of cost or market adjustments in the carrying value of our inventory. If we turn our inventory approximately four times a year, the impact of changes in commodity prices in any particular quarter would primarily affect the results of the succeeding calendar quarter. If we are unable to pass on to our customers future cost increases due to inflation or rising commodity prices, our operating results could be adversely affected.

Liquidity and Capital Resources

Our primary capital needs are for working capital obligations, capital expenditures, dividend payments and other general corporate purposes, including acquisitions. Our primary sources of working capital are cash from operations supplemented by bank borrowings.

Liquidity is defined as the ability to generate adequate amounts of cash to meet the current need for cash. We assess our liquidity in terms of our ability to generate cash to fund our operating activities. Significant factors which could affect liquidity include the following:

- the adequacy of available bank lines of credit;

· cash flows generated from operating activities;

- capital expenditures;
- payment of dividends;
- acquisitions; and
- the ability to attract long-term capital with satisfactory terms

Comparison of the Three Months Ended March 31, 2013 and 2012

Our net cash provided by operating activities was \$12.0 million in 2013 compared to net cash used in operating activities of \$5.0 million in 2012. Our net income decreased by \$0.2 million or 3.8% to \$3.9 million in 2013 from \$4.0 million in 2012.

Changes in our operating assets and liabilities resulted in cash provided by operating activities of \$7.3 million in 2013. The decrease in accounts receivable of \$6.7 million is primarily related to lower accrued purchase discounts from our vendors and lower trade receivables. Book overdraft, which is funded by our revolving credit facility as soon as the related vendor checks clear our disbursement account, increased \$3.9 million. Inventories decreased \$2.7 million as the Company continued to fine tune its inventory profiles. Partially offsetting these sources of cash was the reduction of accrued and other current liabilities of \$6.3 million relating to lower volume rebates to our customers, accrued wire purchases, property taxes and payroll related accruals.

Net cash used in investing activities was \$0.3 million in 2013 compared to \$0.1 million in 2012. The increase was primarily attributable to the purchase of machinery and equipment used in operations.

Net cash used in financing activities was \$12.0 million in 2013 compared to cash provided by financing activities of \$5.1 million in 2012. Net payments on the revolver of \$10.6 million and the payment of dividends of \$1.6 million were the main components of financing activities in 2013.

Indebtedness

Our principal source of liquidity at March 31, 2013 was working capital of \$118.8 million compared to \$126.4 million at December 31, 2012. We also had additional available borrowing capacity of approximately \$51.4 million at March 31, 2013 and \$41.4 million at December 31, 2012 under our loan agreement.

We believe that we will have adequate availability of capital to fund our present operations, meet our commitments on our existing debt, continue to fund our dividend payments, and fund anticipated growth over the next twelve months, including expansion in existing and targeted market areas. We continually seek potential acquisitions and from time to time hold discussions with acquisition candidates. If suitable acquisition opportunities or working capital needs arise that would require additional financing, we believe that our financial position and earnings history provide a solid base for obtaining additional financing resources at competitive rates and terms. Additionally, based on market conditions, we may decide to issue additional shares of common or preferred stock to raise funds.

Loan and Security Agreement

On September 30, 2011, we entered into a Third Amended and Restated Loan and Security Agreement (the “2011 Loan Agreement”) with certain lenders and Bank of America, N.A., as agent. The 2011 Loan Agreement provides for a \$100 million revolving credit facility and expires on September 30, 2016. Availability under the 2011 Loan Agreement is limited to a borrowing base equal to 85% of the value of eligible accounts receivable, plus 65% of the value of eligible inventory, less certain reserves. The 2011 Loan Agreement is secured by a lien on substantially all our property, other than real estate.

Portions of the loan under the 2011 Loan Agreement may be converted to LIBOR loans in minimum amounts of \$1.0 million and integral multiples of \$0.1 million. LIBOR loans bear interest at the British Bankers Association LIBOR Rate plus 125 to 200 basis points based on availability, and loans not converted to LIBOR loans bear interest at a fluctuating rate equal to the greatest of the agent’s prime rate, the federal funds rate plus 50 basis points, or 30-day LIBOR plus 150 basis points. Additionally, we are obligated to pay an unused facility fee on the unused portion of the loan commitment. Unused commitment fees are 25 or 30 basis points, depending on the amount of the unused commitment.

Covenants in the 2011 Loan Agreement require us to maintain certain minimum financial ratios and availability levels. Repaid amounts can be re-borrowed subject to the borrowing base. As of March 31, 2013, we were in compliance with all financial covenants.

Contractual Obligations

The following table summarizes our loan commitment at March 31, 2013:

In thousands	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Total debt	\$48,010	\$ —	\$ —	\$48,010	\$ —

There were no new material changes in operating lease obligations or non-cancellable purchase obligations since December 31, 2012.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There were no material changes to our market risk as set forth in Items 7A and 7 of our Annual Report on Form 10-K for the year ended December 31, 2012.

Item 4. Controls and Procedures

As of March 31, 2013, an evaluation was performed by the Company's management, under the supervision and with the participation of the Company's chief executive officer and chief financial officer, of the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the chief executive officer and the chief financial officer concluded that the Company's disclosure controls and procedures were effective. There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. Other Information

Item 1 – Not applicable and has been omitted.

Item 1A. Risk Factors

There were no material changes in the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information about our purchases of treasury stock which occurred in connection with the vesting of restricted stock for the three months ended March 31, 2013.

Period	Total number of shares purchased	Average price paid per share	Total number	Maximum
			of shares	dollar value
			purchased as	that may yet
			part of publicly	be used for
			announced	purchases
			plans or	under the
			programs ⁽¹⁾	plan ⁽¹⁾
January 1 – 31, 2013	—	\$ —	—	\$ 0
February 1 – 28, 2013	—	—	—	0
March 1 – 31, 2013 ⁽²⁾	164	12.00	—	0
Total	164	\$ 12.00	—	

(1) The board authorized a stock repurchase program of \$30 million in August 2007. The program expired December 31, 2012.

(2) These shares were surrendered in connection with the vested restricted stock awards to pay the withholding taxes in accordance with the terms of our 2006 Stock Plan.

Item 3 – Not applicable and has been omitted.

Item 4 – Not applicable and has been omitted.

Item 5 – Not applicable and has been omitted.

Item 6. Exhibits

(a) Exhibits required by Item 601 of Regulation S-K.

Exhibit Number	Document Description
31.1	Certification by James L. Pokluda III pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Nicol G. Graham pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by James L. Pokluda III and Nicol G. Graham pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 9, 2013 **HOUSTON WIRE &
CABLE COMPANY**

BY:/s/ Nicol G. Graham
Nicol G. Graham, Chief
Financial Officer

EXHIBIT INDEX

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