

DYNAMIC MATERIALS CORP
Form 10-K
March 09, 2012
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2011

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934

For the transition period from to

Commission file number 001-14775

DYNAMIC MATERIALS CORPORATION

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(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

84-0608431
(I.R.S. Employer Identification No.)

5405 Spine Road, Boulder, Colorado 80301

(Address of principal executive offices, including zip code)

(303) 665-5700

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$.05 Par Value	The Nasdaq National Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act from their obligations under those sections. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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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 larger accelerated filer, accelerated filer and smaller reporting company in Rule 12-b2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if smaller reporting company)

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

The approximate aggregate market value of the voting stock held by non-affiliates of the registrant was \$284,180,136 as of June 30, 2011.

The number of shares of Common Stock outstanding was 13,483,238 as of March 5, 2012.

Certain information required by Items 10, 11, 12, 13 and 14 of Form 10-K is incorporated by reference into Part III hereof from the registrant's proxy statement for its 2012 Annual Meeting of Shareholders, which is expected to be filed with the Securities and Exchange Commission (SEC) within 120 days of the close of the registrant's fiscal year ended December 31, 2011.

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PART I

ITEM 1. Business

Overview

References made in this Annual Report on Form 10-K to we, our, us, DMC and the Company refer to Dynamic Materials Corporation and its consolidated subsidiaries.

Dynamic Materials Corporation is an industrial manufacturer focusing on niche markets related to the building of equipment and materials to support the infrastructure of the process and energy industries. Built upon specialized technologies, the Company seeks to establish a global presence through an international network of manufacturing facilities and sales offices. Today, the Company operates in three business segments: Explosive Metalworking (60% of 2011 net sales), Oilfield Products (35% of 2011 net sales), and AMK Welding (5% of 2011 net sales).

We are a leading provider of explosion-welded clad metal plates. Explosion-weld cladding uses an explosive charge to bond together plates of different metals that do not bond easily with traditional welding techniques. We refer to this part of our business as DMC Clad or the Explosive Metalworking segment. DMC Clad markets its explosion-welded clad products under the Detaclad® trade name. DMC Clad's products are used in critical applications in a variety of industries, including oil and gas, alternative energy, chemical and petrochemical, hydrometallurgy, aluminum production, shipbuilding, power generation and industrial refrigeration. DMC Clad's market leadership for explosion-welded clad metal plates is a result of its state-of-the-art manufacturing facilities, technological leadership, and production expertise. We believe our customers select us for our high quality product, speed and reliability of delivery, and cost effectiveness. We have a global sales force through which we sell our products in international markets. Our Explosive Metalworking operations are located in the United States, Germany and France.

Through our Oilfield Products segment, which we also refer to as DYNAenergetics, we provide a range of proprietary and nonproprietary products for the global oil and gas industries. These products relate primarily to oil and gas well perforation, which is a process of punching holes in the casing of a well to enable easier and more precise recovery of oil or gas from a targeted formation. Manufactured products include shaped charges, detonators and detonating cords, bidirectional boosters, and perforating guns for the perforation of oil and gas wells. DYNAenergetics also distributes a line of seismic products that support oil and gas exploration activities. DYNAenergetics' primary manufacturing and sales operations are located in Germany, the United States, Canada and Russia and its products are sold in numerous countries.

Our AMK Welding segment (AMK Welding) provides advanced welding services, primarily to the power turbine and aircraft engine manufacturing industries. AMK Welding is a highly specialized welding subcontracting shop for complex shapes used principally in gas turbines and aircraft engines. AMK Welding's operations are conducted at its Connecticut facility.

Clad Metal Industry

Clad metal plates are typically used in the construction of heavy, corrosion resistant pressure vessels and heat exchangers for oil and gas, alternative energy, chemical and petrochemical, hydrometallurgy, power generation, industrial refrigeration, and similar industries. Clad metal plates consist of a thin layer of an expensive, corrosion resistant metal, such as titanium or stainless steel, which is metallurgically combined with a less expensive structural base metal, such as steel. For heavy equipment, clad generally provides a cost savings alternative to building the equipment of solely the corrosion resistant alloy.

There are three major industrial clad plate manufacturing technologies:

- Explosion welding
- Hot Rollbonding
- Weld overlay

Explosion welding, the technology utilized by DMC Clad, is the most versatile of the foregoing clad plate manufacturing technologies. Being a robust cold welding technology, explosion-welded clad products exhibit high bond strength combined with the unaltered corrosion resistance and mechanical properties of the pre-clad components. The explosion-welded clad process is suitable for joining virtually any combination of common engineering metals. Explosion-welded clad metal is produced as flat plates or concentric cylinders which can be further formed and fabricated

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as needed. When fabricated properly, the two metals will not come apart. The dimensional capabilities of the process are broad: cladding metal layers can range from a few thousandths of an inch to several inches and base metal thickness and lateral dimensions are primarily limited by the size capabilities of the world's metal production mills. Explosion welding is used to clad a very broad range of metals to steel including aluminum, titanium, zirconium, nickel alloys, and stainless steels. The alternative technologies are typically limited to the latter two. In addition to use as clad plates, the explosion welded components can be used as transition pieces, facilitating conventional welding of dissimilar metals. DMC Clad transition joints are used in the aluminum production and shipbuilding industries.

Hot rollbonding is performed by a small group of the world's heavy plate rolling mills. In this process, the clad metal and base metal are bonded together during the hot rolling operation in which the metal slab is converted to plate. Being a high temperature process, hot rollbond is limited to joining similar metals, such as stainless steel and nickel alloys to steel. Rollbond's niche is production of large quantities of light to medium gauge clad plates; it is frequently lower cost than explosion clad when total metal thickness is under 1 to 2 inches (dependent upon alloy and a number of other factors.) Rollbond products are generally suitable for most pressure vessel applications but have lower bond shear strength and may have inferior corrosion resistance.

In weld overlay cladding, the clad metal layer is deposited on the base metal using arc-welding type processes. Weld overlay is a cost-effective technology for complicated shapes, for field service jobs, and for production of heavy-wall pressure vessel reactors. During overlay welding, the cladding metal and base metal are melted together at their interface, the resulting dilution of the cladding metal chemistry may compromise corrosion performance and limit use in certain applications. Weld metal shrinkage during cooling potentially causes distortion when the base layer is thin; consequently, overlay is rarely the technically preferred solution for construction of new equipment when thicknesses are under 3 to 4 inches. As with rollbond, weld overlay is limited to metallurgically similar metals, primarily stainless steels and nickel alloys joined to steel. Weld overlay is typically performed in conventional metal fabrication shops.

Clad Metal End Use Markets

Explosion-welded clad metal is primarily used in construction of large industrial equipment involving high pressures and temperatures and needs to be corrosion resistant. The eight broad industrial sectors discussed below comprise the bulk of demand for DMC Clad's business. The demand for clad metal is driven by the underlying demand for new equipment and facility maintenance in these primary market sectors. Overall, the market for explosion-welded clad metal has continuously grown since its inception, with demand dependent upon the underlying needs of the various market sectors. There has been significant capital investment in many of these markets.

Oil and Gas: Oil and gas end use markets include both oil and gas production and petroleum refining. Oil and gas production covers a broad scope of operations related to recovering oil and/or gas for subsequent processing in refineries. Clad metal is used in separators, glycol contactors, piping, heat exchangers and other related equipment. The increase in oil and gas production from deep, hot, and corrosive fields has significantly increased the demand for clad equipment. Many non-traditional energy production methods are potentially commercially viable for bringing natural gas to the market. Clad is commonly used in these facilities. The primary clad metals for this market are stainless steel and nickel alloys clad to steel, with some use of reactive metals.

Petroleum refining processes frequently are corrosive, are hot, and operate at high pressures. Clad metal is extensively used in a broad range of equipment including desulfurization hydrotreaters, coke drums, distillation columns, separators and heat exchangers. In the United States, refineries are running near their full capacity; and adding capacity and reducing costly down-time are a high priority. The increasing reliance upon low quality, high sulfur crude further drives additional demand for new corrosion resistant equipment. Worldwide trends in regulatory control of sulfur emissions in gas, diesel and jet fuel are also increasing the need for clad equipment. Like the upstream oil and gas sector, the

clad metals are primarily stainless steel and nickel alloys.

Alternative Energy: Today's oil and gas prices and increasing climate concerns are driving significant upward demand for capital equipment in the alternative energy sector. Frequently, alternative energy technologies involve conditions which necessitate clad metals. Solar panels predominantly incorporate high purity silicon. Processes for manufacture of high purity silicon utilize a broad range of highly corrosion resistant clad alloys. Many geothermal fields are corrosive, requiring high alloy clad separators to clean the hot steam. Cellulosic ethanol technologies may require corrosion resistant metals such as titanium and zirconium.

Chemical and Petrochemical: Many common products, ranging from plastics to drugs to electronic materials, are produced by chemical processes. Because the production of these items often involves corrosive agents and is

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conducted under high pressures or temperatures, corrosion resistant equipment is needed, equipment which is best and most cost-effectively produced using clad construction. One of the larger applications for titanium-clad equipment is in the manufacture of Purified Terephthalic Acid (PTA), a precursor product for polyester, which is used in everything from carpets to plastic bottles. This market requires extensive use of stainless steel and nickel alloys, but also uses titanium and, to a lesser extent, zirconium and tantalum.

Hydrometallurgy: The conversion of raw ore to metal generally involves high energy and/or corrosive processes. Traditionally, most metals have been produced by high temperature smelting. Over the past two decades there has been an increasing trend toward acid leaching processes. These hydrometallurgy processes are more environmentally friendly and more energy efficient. The processes for production of nickel, gold, and copper involve acids, high pressures, and high temperatures. Titanium is the metal of choice. Titanium-clad plates are used extensively for construction of autoclaves and peripheral equipment.

Aluminum Production: Aluminum is reduced from its oxide in large electric smelters called potlines. The electric current is carried via aluminum conductors. The electricity must be transmitted into steel components for the high temperature smelting operations. Aluminum cannot be welded to steel conventionally. Explosion-welded aluminum-steel transition joints provide an energy efficient and highly durable solution for making these connections. Modern potlines use a large number of transition joints. Transition joints are typically replaced after approximately five years in service. Although aluminum production is the major electrochemical application for DMC Clad products, there are a number of other electrochemical applications including production of magnesium, chlorine and chlorate.

Shipbuilding: The combined problems of corrosion and top-side weight drive significant demand for our aluminum-steel transition joints. Top-side weight is often a significant problem with tall ships, including cruise ships, naval vessels, ferries and yachts. Use of aluminum in the upper structure and steel in the lower structure provides stability. Bolted joints between aluminum and steel corrode quickly in seawater. Aluminum cannot be welded directly to steel using traditional welding processes. Welded joints can only be made using transition joints. DMC Clad products can be found on many well known ships, including the QE II and modern U.S. Navy aircraft carriers.

Power Generation: Fossil fuel and nuclear power generation plants require extensive use of heat exchangers, many of which require corrosion resistant alloys to handle low quality cooling water. Our clad plates are used extensively for heat exchanger tubesheets. The largest clad tubesheets are used in the final low pressure condensers. For most coastal and brackish water cooled plants, titanium is the metal of choice technically, and titanium-clad tubesheets are the low cost solution for power plant condensers.

Industrial Refrigeration: Heat exchangers are a core component of refrigeration systems. When the cooling water is seawater, brackish, or even slightly polluted, corrosion resistant metals are necessary. Metal selection can range from stainless steel to copper alloy to titanium. Explosion-welded clad metal is often the low cost solution for making the tubesheets. Applications range from refrigeration chillers on fishing boats to massive air conditioning units for skyscrapers, airports, and deep underground mines.

Oil and Gas Field Perforating Industry

The oil and gas industry utilizes perforating products in oil and gas fields to punch holes in the casing or liner of wells to connect them to the reservoir. The operator runs a casing or liner into the well and then inserts the perforating guns, which contain a series of specialized shaped charges. Once fired, the perforating guns provide access to the specified sections of the desired areas of the targeted formations. Completing

wells through the use of perforation guns can provide more control over the well.

DYNAenergetics End Use Markets

DYNAenergetics products are utilized to perform both perforating services which require shaped charges, detonators, boosters, detonating cords, and perforating guns and seismic prospecting. DYNAenergetics manufactures and distributes a comprehensive array of perforating products. Our DYNAenergetics products are generally purchased by oilfield service companies who utilize our perforating products for oil and gas recovery and our seismic products for oil and gas exploration activities.

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AMK Welding End Use Markets

Parts for power turbines and aircraft engines must be machined to exacting tolerances and welded according to exacting specifications. Many of those parts have complex shapes, the welding of which requires significant expertise. AMK Welding is a specialized operation that welds complex, shaped parts for machining companies that, in turn, supply the manufacturers of power turbines and aircraft engines. Some machining companies also have their own welding facilities, which compete with AMK Welding for business.

Business Segments

We operate three business segments: Explosive Metalworking (which we also refer to as DMC Clad), Oilfield Products (which we also refer to as DYNAenergetics), and AMK Welding. The Explosive Metalworking segment uses proprietary explosive processes to fuse dissimilar metals and alloys and has more than 40 years of experience. We are the largest explosion-welded clad metal manufacturer in both North America and Europe. DYNAenergetics produces special shaped charges, detonators, detonating cords, bidirectional boosters, and perforating guns for the perforation of oil and gas wells and has more than a decade of experience providing specialized products to the oil and gas industry. AMK Welding utilizes various specialized technologies to weld components for use in power-generation turbines as well as commercial and military jet engines and has 40 years of experience.

Explosive Metalworking

The Explosive Metalworking segment seeks to build on its leadership position in its markets. During the year ended December 31, 2011, the Explosive Metalworking segment represented approximately 60% of our revenue. The three manufacturing plants and their respective shooting sites in Pennsylvania, Germany and France provide the production capacity to address concurrent projects for DMC Clad's current domestic and international customer base.

The primary product of the Explosive Metalworking segment is explosion-welded clad metal plate. Clad metal plates are used in the construction of heavy, corrosion resistant pressure vessels and heat exchangers for oil and gas, alternative energy, chemical and petrochemical, hydrometallurgy, aluminum production, shipbuilding, power generation, industrial refrigeration, and similar industries. The characteristics of DMC Clad's explosive metalworking processes may enable the development of new products in a variety of industries and DMC Clad continues to explore such development opportunities.

The principal product of metal cladding, regardless of the process used, is a metal plate composed of two or more dissimilar metals, usually a corrosion resistant metal and steel, bonded together. Prior to the explosion-welded clad process, the materials are inspected, the mating surfaces are ground, and the metal plates are assembled for cladding. The process involves placing a sheet of the cladder over a parallel plate of backer material and then covering the cladder material with a layer of specifically formulated explosive. A small gap or standoff space is maintained between the alloy cladder and the backer substrate. The explosion is then initiated on one side of the cladder and travels across the surface of the cladder forcing it down onto the backer. The explosion happens in approximately one-thousandth of a second. The collision conditions cause a thin layer of the mating surfaces to be spalled away in a jet. This action removes oxides and surface contaminants immediately ahead of the collision point. The extreme pressures force the two metal components together, creating a metallurgical bond between them. The explosion-welded clad process produces a strong, ductile, continuous metallurgical weld over the clad surface. After the explosion is completed,

the resulting clad plates are flattened and cut, and then undergo testing and inspection to assure conformance with internationally accepted product specifications.

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EXPLOSION-WELDING PROCESS

Explosion-welded cladding technology is a method to weld metals that cannot be welded by conventional processes, such as titanium-steel, aluminum-steel, and aluminum-copper. It can also be used to weld compatible metals, such as stainless steels and nickel alloys to steel. The cladding metals are typically titanium, stainless steel, aluminum, copper alloys, nickel alloys, tantalum, and zirconium. The base metals are typically carbon steel, alloy steel, stainless steel and aluminum. Although the patents for the explosion-welded cladding process have expired, DMC Clad has proprietary knowledge that distinguishes it from its competitors. The entire explosion-welding process involves significant precision in all stages, and any errors can be extremely costly as they result in the discarding of the expensive raw material metals. DMC Clad's technological expertise is a significant advantage in preventing costly waste.

Explosion-welded clad metal is used in critical applications in a variety of industries, including oil and gas, alternative energy, chemical and petrochemical, hydrometallurgy, aluminum production, shipbuilding, power generation, industrial refrigeration and other industries where corrosion, temperature and pressure combine to produce demanding environments. Explosion-welded clad metal is also used to produce bimetal transition joints or other components which are used in ship construction, and in a variety of electrochemical industries including aluminum production.

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DMC Clad's metal products are primarily produced on a project-by-project basis conforming to requirements set forth in customers' purchase orders. Upon receipt of an order, DMC Clad obtains the component materials from a variety of sources based on quality, availability and cost and then produces the order in one of its four manufacturing plants. Final products are processed to meet contract specific requirements for product configuration and quality/inspection level.

DYNAenergetics

DYNAenergetics manufactures, markets, and sells perforating explosives and associated hardware and seismic explosives, for the international oil and gas industry. While DYNAenergetics has been producing detonating cords and

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detonators and selling these and seismic explosives systems for decades, since 1994 significant emphasis has been placed on enhancing its oilfield product offerings by improving existing products and adding new products. In recent years, various types of detonating cords and detonators have been added as well as bi-directional boosters, a wide range of shaped charges, and corresponding gun systems. Within the last year, DYNAenergetics began manufacturing detonators for seismic exploration systems. The three manufacturing facilities are located in Germany, Canada and Russia. Additionally, DYNAenergetics now designs and manufactures custom-ordered perforating products for third-party customers according to their designs and specifications.

The kinds of perforating products manufactured by DYNAenergetics are essential to certain types of modern oil and gas recovery. The products are sold to large, mid-sized, and small oilfield service companies in the U.S., Europe, Canada, Africa, the Middle East, and Asia, including direct sales to end users. The market for perforating products is growing. Rising worldwide demand for oil increases the demand for perforating products as oil exploration and recovery expands, leading to increased investment in the oil and gas production industry. Higher levels of exploration (seismic prospecting) and increased production activities in the global oil and gas industry are expected to continue. Increased exploration has led to increasingly complex completion operations, which raise the demand for high quality perforating products.

AMK Welding

AMK Welding employs a variety of sophisticated processes and equipment to provide specialized welding services principally to a power turbine manufacturer and to commercial and military aircraft engine manufacturers. AMK Welding is located in South Windsor, Connecticut.

Welding services are provided on a project-by-project basis based on specifications set forth in customers' purchase orders. Upon receipt of an order for welded assemblies, AMK Welding performs welding services using customer specific welding procedures.

Welding processes utilized by AMK Welding include electron beam and gas tungsten arc welding processes. AMK Welding also has considerable expertise in vacuum chamber welding, which is a critical capability when welding titanium, high temperature nickel alloys and other specialty alloys. These welding techniques are used for the welding of blades and vanes and other turbine parts typically located in the hot gas path of aircraft engines. In addition to its welding capabilities, AMK Welding also uses various heat treatment and non-destructive examination processes, such as radiographic inspection, in support of its welding operations.

Suppliers, Competition, Customer Profile, Marketing and Research and Development

DMC Clad

Suppliers and Raw Materials

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DMC Clad uses a range of alloys, steels and other materials for its operations, such as stainless steel, copper alloys, nickel alloys, titanium, zirconium, tantalum, aluminum and other metals. DMC Clad sources its raw materials from a number of different producers and suppliers. DMC Clad holds a limited metal inventory and purchases its raw materials based on contract specifications. Under most contracts, any raw material price increases are passed on to DMC Clad's customers. DMC Clad closely monitors the quality of its supplies and inspects the type, dimensions, markings, and certification of all incoming metals to ensure that the materials will satisfy applicable construction codes. DMC Clad also manufactures a majority of its own explosives from standard raw materials, thus achieving higher quality and lower cost.

Competition

Metal Cladding. DMC Clad faces competition from alternative technologies such as rollbond and weld overlay. Usually the three processes do not compete directly against each other, each having its own preferential domain of application relating to metal used and thicknesses required. However, due to specific project considerations such as technical specifications, price and delivery time, explosion-welding may have the opportunity to compete successfully against these technologies. Rollbond is only produced by a few steel mills in the world. The weld overlay process, which

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is produced among the many vessel fabricators who are often also DMC Clad customers, is a slow and labor intensive process that requires a large amount of floor space for the equipment.

Explosion-Welded Metal Cladding. Competition in the explosion-welded clad metal business is fragmented. DMC Clad holds a strong market position in the clad metal industry. DMC Clad is the leading producer of explosion-welded clad products in North America, and it has a strong position in Europe against smaller competitors. The main competitor in Asia is a division of Asahi Kasei, which has competitive technology and a recognized local brand name. There are several explosion-welded clad producers in China, most of whom are technically limited and are currently not exporters outside of their domestic market. A number of additional small competitors operate throughout the world. To remain competitive, DMC Clad intends to continue developing and providing technologically advanced manufacturing services, maintain quality levels, offer flexible delivery schedules, deliver finished products on a reliable basis and compete favorably on the basis of price.

Customer Profile

DMC Clad's products are used in critical applications in a variety of industries, including upstream oil and gas, oil refinery, chemical and petrochemical, hydrometallurgy, aluminum production, shipbuilding, power generation, industrial refrigeration and other similar industries. DMC Clad's customers in these industries require metal products that can withstand exposure to corrosive materials, high temperatures and high pressures. DMC Clad's customers can be divided into three tiers: the product end users (e.g., operators of chemical processing plants), the engineering contractors who design and construct plants for end users, and the metal fabricators who manufacture the products or equipment that utilize DMC Clad's metal products. It is typically the fabricator that places the purchase order with DMC Clad and pays the corresponding invoice. DMC Clad has developed strong relationships over the years with the engineering contractors (relatively large companies) who sometimes act as prescriber to fabricators.

Marketing, Sales, Distribution

DMC Clad conducts its selling efforts by marketing its services to potential customers through senior management, direct sales personnel, program managers, and independent sales representatives. Prospective customers in specific industries are identified through networking in the industry, cooperative relationships with suppliers, public relations, customer references, inquiries from technical articles and seminars and trade shows. DMC Clad markets its clad metal products to three tiers of customers: end-user owner companies, engineering contractors, and metal fabricators. DMC Clad's sales office in the United States covers the Americas and East Asia. Its sales offices in Europe cover the full European continent, Africa, the Middle East, India, and Southeast Asia. These sales teams are further supported by local sales offices in Italy, the Middle East, and India, with contract agents in most other developed countries, including China, Korea, Russia and Brazil. Contract agents typically work under multi-year agreements which are subject to sales performance as well as compliance with DMC Clad quality and customer service expectations. Members of the global sales team may be called to work on projects located outside their usual territory. By maintaining relationships with its existing customers, developing new relationship with prospective customers, and educating all its customers as to the technical benefits of DMC Clad's products, DMC Clad endeavors to have its products specified as early as possible in the design process.

DMC Clad's sales are generally shipped from the manufacturing locations in the United States, Germany and France. Generally, any shipping costs or duties for which DMC Clad is responsible will be included in the price paid by the customer. Regardless of where the sale is booked (in Europe or the U.S.), DMC Clad will produce it, capacity permitting, at the location closest to the delivery place. In the event that there is a short term capacity issue, DMC Clad produces the order at any of its production sites, prioritizing timing. The various production sites allow DMC Clad to meet customer production needs in a timely manner.

Research and Development

We prepare a formal research and development plan annually. It is implemented at the French, German, and U.S. cladding sites and is supervised by a Technical Committee, chaired by our Senior Vice President Customers and Technology, that reviews progress quarterly and meets once a year to establish the plan for the following 12 months. The research and development projects concern process support, new products, and special customer-paid projects.

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Oilfield Products

Suppliers and Raw Materials

DYNAenergetics utilizes a variety of raw materials for the production of oilfield perforating and seismic products, including high quality steel tubes, steel and copper, explosives (RDX, HMX, HNS), granulates, plastics and ancillary plastic product components. DYNAenergetics product line consists of complex products which require numerous high quality components. DYNAenergetics obtains its raw materials primarily from a number of different producers in Germany and other European countries, but also purchases materials from North American, Chinese, and other international suppliers.

Competition

DYNAenergetics faces competition from independent producers of perforating products who are not committed to the large service companies and from large oil and gas service companies, such as Halliburton and Schlumberger, who produce most of their own needs for shaped charges but buy other components from suppliers. DYNAenergetics competes for sales primarily on price and customer service as well as the quality and performance of its products.

Customer Profile

Onshore and offshore oilfield service companies use our DYNAenergetics products. Our customers desire perforating products that satisfy both their specific needs and expectations and difficult geological realities, such as high pressures and temperatures in the bore hole, which exist in areas where perforating products and services are used. We believe that our customers must balance costs and risks for every job and that our typical DYNAenergetics customer possesses a conservative risk tolerance. Consequently, we believe that our customers will be more likely to trust products with proven reliability in the field and will be cautious regarding new product innovation.

The customers for oilfield products can be divided into four broad categories: buying centers of large service companies, service companies worldwide, oil companies with and without their own service companies, and local resellers. DYNAenergetics customer base includes clients from each of these categories.

Marketing, Sales, Distribution

DYNAenergetics worldwide marketing and sales efforts for its oilfield and seismic products are based in Laatzen, Germany. DYNAenergetics sales strategy focuses on direct selling, distribution through licensed distributors and independent sales representatives, the establishment of international distribution centers to better manage high international transport costs, and educating current and potential customers about its

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products and technologies. Currently, DYNAenergetics sells its oilfield and seismic products through wholly owned affiliates in the U.S., Canada and Russia; through a majority owned subsidiary in Kazakhstan; and through independent sales agents in other parts of the world.

Research and Development

DYNAenergetics attaches great importance to its research and development capabilities and has devoted substantial resources to its R&D programs. The R&D staff works closely with sales and operations management teams to establish priorities and effectively manage individual projects. Through its ongoing involvement in oil and gas industry trade shows and conferences, DYNAenergetics has increased its profile in the oil and gas industry. An R&D Project Plan, which focuses on new products, process support and customer paid projects, is prepared and reviewed at least annually in cooperation with the Sales, Operations and Quality departments.

AMK Welding

At AMK Welding, the materials welded are a function of the type of parts supplied by the customers and include many steel varieties, various nickel alloys and customer-created proprietary alloys typically used in the aerospace and ground turbine industries. Other than metal wire used in the welding process, AMK Welding does not purchase metals, and it receives the parts to be welded from the customer.

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AMK Welding relies on a few key customers for the majority of its business, including GE Energy, General Electric Aircraft Engines and their first tier subcontractors, such as Barnes Aerospace, and divisions of United Technology, such as Hamilton Standard, Sikorsky Aircraft and Pratt and Whitney. AMK Welding generally competes against a small number of welding companies that are typically privately owned. AMK Welding competes successfully based on a reputation for uncompromising quality and rapid responsiveness to customer needs.

Corporate History and Recent Developments

The genesis of the Company was an unincorporated business called Explosive Fabricators, which was formed in Colorado in 1965. The business was incorporated in Colorado in 1971 under the name E. F. Industries, Inc., which was later changed to Explosive Fabricators, Inc. The Company became a public company in 1977. In 1994, the Company changed its name to Dynamic Materials Corporation. The Company reincorporated in Delaware in 1997.

In 1976, the Company became a licensee of Detaclad®, the explosion-weld clad process developed by DuPont in 1959. In 1996, the Company purchased the Detaclad® operating business from Dupont.

Through a series of transactions culminating in June 2000, SNPE, Inc. (SNPE), a U.S. corporation indirectly wholly owned by the French Government, acquired approximately 56% of the Company's outstanding common stock through open market purchases as well as direct investment in the Company. SNPE also loaned the Company approximately \$1.2 million using a convertible subordinated note. On May 15, 2006, SNPE sold all of the shares it had previously purchased, as well as those received through the conversion of the note, in an underwritten public offering.

During its history, the Company has acquired a number of businesses. In 1998, the Company acquired AMK Welding, currently an operating division of the Company. Also in 1998, the Company acquired two other businesses which were subsequently sold in 2003 and 2004, respectively.

In 2001, the Company acquired substantially all of the stock of Nobelclad Europe SA (a French company) (Nobelclad); Nobelclad had previously acquired the stock of Nitro Metall AB (a Swedish company) (Nitro Metall). The stock of Nobelclad was acquired from an affiliate of our parent company at the time, SNPE. Early in its history, Nobelclad was a licensee of the Detaclad® technology. The acquisition of Nobelclad expanded the Company's explosive metalworking operations to Europe.

In 2007, the Company acquired the German company DYNAenergetics GmbH and Co. KG (DYNAenergetics) and certain affiliates. DYNAenergetics was comprised of two primary businesses: explosive metalworking and oilfield products. This acquisition expanded the Company's explosive metalworking operations in Europe and added a complimentary business segment, oilfield products.

In 2009, the Company acquired all of the stock of Alberta Canada based LRI Oil Tools Inc. (LRI) which is now operating under the name of DYNAenergetics Canada. DYNAenergetics Canada produces and distributes perforating equipment for use by the oil and gas exploration and production industry. The business had a long-term strategic relationship with the Company's Oilfield Products segment, and had served for

several years as its sole Canadian distributor.

On April 30, 2010, the Company purchased the outstanding minority-owned interests in its two Russian joint ventures that were previously majority-owned by the Company's Oilfield Products business segment. These joint ventures include DYNAenergetics RUS, which is a Russian trading company that sells the Company's oilfield products, and Perfoline, which is a Russian manufacturer of perforating gun systems.

On June 4, 2010, the Company completed its acquisition of Texas-based Austin Explosives Company (AECO), which is now operating under the name DYNAenergetics US, Inc. This business is now part of the Company's Oilfield Products business segment. AECO had been a long-time distributor of DYNAenergetics shaped charges.

On January 3, 2012, the Company acquired the assets and operating business of Texas-based TRX Industries, Inc., (TRX), a manufacturer of perforating guns and one of DYNAenergetic's suppliers. This business is now part of the Company's Oilfield Products business segment.

Our current explosive metalworking segment is comprised of the Company's U.S. Clad operations as well as the assets and operations purchased in the Nobelclad and Dynaplat acquisitions. The Oilfield Products segment is comprised entirely of DYNAenergetics and its subsidiaries. Our third segment is AMK Welding. Property locations for these operations are listed in detail in Item 2.

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Employees

As of December 31, 2011, we employed 456 permanent employees, the majority of whom are engaged in manufacturing operations, with the remainder being engaged in sales and marketing or corporate functions.

The majority of our manufacturing employees are not unionized. Of the 456 permanent employees, 197 are U.S. based, 108 are based in Germany at the Dynaplat and DYNAenergetics facilities, 61 are based in France at the Nobelclad facility, 48 are based in Canada at the DYNAenergetics Canada facilities, 34 are based in Russia at our DYNAenergetics RUS and Perfoline facilities, 6 are based in Kazakhstan at our KAZ DYNAenergetics facility and 2 are based in Sweden at Nitro Metall. Approximately 60% of our German-based employees are members of trade unions. About 45% of Nobelclad's employees and all Nitro Metall employees are members of trade unions. In addition, we also use a number of temporary workers at any given time, depending on the workload.

In the last three years, the Company has not experienced any strikes or work stoppages. We believe that employee relations are good.

Insurance

Our operations expose us to potential liabilities for personal injury or death as a result of the failure of a component that has been designed, manufactured, or serviced by us, or the irregularity or failure of products we have processed or distributed. We maintain liability insurance that we believe adequately protects us from future product liability claims.

Proprietary Knowledge, Permits and Patents

Protection of Proprietary Information. We hold patents related to the business of explosive metalworking and metallic processes and also own certain registered trademarks, including Detaclad®, Detacouple®, Dynalock®, EFTEK®, ETJ 2000® and NOBELCLAD®. Although the patents for the explosion-welded cladding process have expired, our current product application patents expire on various dates through 2020. Since individual patents relate to specific product applications and not to core technology, we do not believe that such patents are material to our business, and the expiration of any single patent is not expected to have a material adverse effect on our operations. Much of the manufacturing expertise lies in the knowledge of the factors that affect the quality of the finished clad product, including the types of metals to be explosion-welded, the setting of the explosion, the composition of the explosive, and the preparation of the plates to be bonded. We have developed this specialized knowledge over our 40 years of experience in the explosive metalworking business. We are very careful in protecting our proprietary know-how and manufacturing expertise, and we have implemented measures and procedures to ensure that the information remains confidential. We hold various patents and licenses through our DYNAenergetics perforating business, but some of the patents are not yet registered. As with the explosive metalworking business segment, since individual patents relate to specific product applications and not to core technology, we do not believe that such patents are material to our business, and the expiration of any single patent is not expected to have a material adverse effect on our current operations. The Dynaplat division of DMC Clad is protected through business secrets not through patents.

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Permits. Explosive metalworking and the production of perforation products involve the use of explosives, making safety a critical factor in our operations. In addition, explosive metalworking and the production of oilfield products are highly regulated industries for which detailed permits are required. These permits require renewal every three or four years, depending on the permit. See Item 1A Risk Factors *Risk Factors Related to the Dynamic Materials Corporation* *We are subject to extensive government regulation and failure to comply could subject us to future liabilities and could adversely affect our ability to conduct or to expand our business* for a more detailed discussion of these permits.

Table of Contents**Foreign and Domestic Operations and Export Sales**

All of our sales are shipped from our manufacturing facilities located in the United States, Germany, France, Canada, Sweden and Russia. During 2011, we closed our manufacturing facility in Sweden. The following chart represents our net sales based on the geographic location of the customer. The sales recorded for each country are based on the country to which we shipped the product, regardless of the country of the actual end user. Explosion Metalworking products are usually shipped to the fabricator before being passed on to the end user.

	(Dollars in Thousands)		
	For the years ended December 31,		
	2011	2010	2009
United States	\$ 81,410	\$ 44,587	\$ 62,955
South Korea	29,951	10,309	5,424
Canada	24,151	29,907	12,991
Germany	12,960	25,109	11,702
Russia	8,658	7,067	4,649
France	3,828	5,425	5,788
Rest of the world	47,933	32,335	61,389
Total	\$ 208,891	\$ 154,739	\$ 164,898

Company Information

We are subject to the informational requirements of the Securities Exchange Act of 1934. We therefore file periodic reports, proxy statements and other information with the Securities Exchange Commission (the SEC). Such reports may be obtained by visiting the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549, or by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet site at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically.

Our Internet address is www.dynamicmaterials.com. Information contained on our website does not constitute part of this Annual Report on Form 10-K. Our annual report on SEC Form 10-K, quarterly reports on Forms 10-Q, current reports on Forms 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge on our website as soon as reasonably practicable after we electronically file such material with or furnish it to the SEC. We also regularly post information about our Company on our website under the Investors tab.

ITEM 1A. Risk Factors***Risk Factors Related to the Explosive Metalworking Segment***

Business has slowed down in some of our markets and we experienced a significant decline in 2009 and 2010 sales.

During the fourth quarter of 2008, we began to see a slowdown in DMC Clad sales to some of the markets we serve which continued into 2009 and 2010 and contributed to declines of 31.2% and 26.5% in year-to-year 2009 and 2010 sales, respectively. DMC Clad experienced a sales recovery in 2011 which led to a 28.0% increase in year-to-year 2011 sales. Our order backlog, which decreased to \$49.6 million at December 31, 2009 from \$97.2 million at December 31, 2008, rebounded only modestly to \$56.5 million at December 31, 2010 before decreasing to \$44.6 million at December 31, 2011. The explosion-weld cladding market is dependent upon sales of products for use by customers in a limited number of heavy industries, including oil and gas, alternative energy, chemicals and petrochemicals, hydrometallurgy, aluminum production, shipbuilding, power generation, and industrial refrigeration. These industries tend to be cyclical in nature and an economic slowdown in one or all of these industries whether due to traditional cyclical, general economic conditions or other factors could impact capital expenditures within that industry. If demand from such

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industries were to decline or to experience reduced growth rates, our sales would be expected to be affected proportionately, which may have a material adverse effect on our business, financial condition, and results of operations.

Our backlog figures may not accurately predict future sales.

We define backlog at any given point in time to consist of all firm, unfulfilled purchase orders and commitments at that time. Generally speaking, we expect to fill most items of backlog within the following 12 months. However, since orders may be rescheduled or canceled and a significant portion of our net sales is derived from a small number of customers, backlog is not necessarily indicative of future sales levels. Moreover, we cannot be sure of when during the future 12-month period we will be able to recognize revenue corresponding to our backlog nor can we be certain that revenues corresponding to our backlog will not fall into periods beyond the 12-month horizon.

There is a limited availability of sites suitable for cladding operations.

Our cladding process involves the detonation of large amounts of explosives. As a result, the sites where we perform cladding must meet certain criteria, including lack of proximity to a densely populated area, the specific geological characteristics of the site, and the ability to comply with local noise and vibration abatement regulations in conducting the process. In addition, our primary U.S. shooting site is subleased under an arrangement pursuant to which we provide certain contractual services to the sub-landlord. The efforts to identify suitable sites and obtain permits for using the sites from local government agencies can be time-consuming and may not be successful. In addition, we could experience difficulty in obtaining or renewing permits because of resistance from residents in the vicinity of proposed sites. The failure to obtain required governmental approvals or permits could limit our ability to expand our cladding business in the future, and the failure to maintain such permits or satisfy other conditions to use the sites would have a material adverse effect on our business, financial condition and results of operations.

The use of explosives subjects us to additional regulation, and any accidents or injuries could subject us to significant liabilities.

Our operations involve the detonation of large amounts of explosives. As a result, we are required to use specific safety precautions under U.S. Occupational Safety and Health Administration guidelines and guidelines of similar entities in Germany and France. These include precautions which must be taken to protect employees from exposure to sound and ground vibration or falling debris associated with the detonation of explosives. There is a risk that an accident or death could occur in one of our facilities. Any accident could result in significant manufacturing delays, disruption of operations or claims for damages resulting from death or injuries, which could result in decreased sales and increased expenses. To date, we have not incurred any significant delays, disruptions or claims resulting from accidents at our facilities. The potential liability resulting from any accident or death, to the extent not covered by insurance, may require us to use other funds to satisfy our obligations and could cause our business to suffer. See Our use of explosives is an inherently dangerous activity that could lead to temporary or permanent closure of our shooting sites below.

Our use of explosives is an inherently dangerous activity that could lead to temporary or permanent closure of our shooting sites.

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We use a large amount of explosives in connection with the creation of clad metals. The use of explosives is an inherently dangerous activity. Explosions, even if occurring as intended, can lead to damage to the shooting facility or to equipment used at the facility or injury to persons at the facility. If a person were injured or killed in connection with such explosives, or if equipment at the mine or either of the outdoor locations were damaged or destroyed, we might be required to suspend our operations for a period of time while an investigation is undertaken or repairs are made. Such a delay might impact our ability to meet the demand for our products. In addition, if the mine were seriously damaged, we might not be able to locate a suitable replacement site to continue our operations.

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Certain raw materials we use are subject to supply shortages due to general economic conditions.

Although we generally use standard metals and other materials in manufacturing our products, certain materials such as specific grades of carbon steel, titanium, zirconium and nickel can be subject to supply shortages due to general economic conditions or problems with individual suppliers. While we seek to maintain sufficient alternative supply sources for these materials, we may not always be able to obtain sufficient supplies or obtain supplies at acceptable prices without production delays, additional costs, or a loss of product quality. If we were to fail to obtain sufficient supplies on a timely basis or at acceptable prices, such loss or failure could have a material adverse effect on our business, financial condition, and results of operations.

Certain raw materials we use are subject to price increases due to general economic conditions.

The markets for certain metals and other raw materials used in our business are highly variable and are characterized by periods of increasing prices. While prices for much of the raw materials we use have recently decreased, we may again experience increasing prices. We generally do not hedge commodity prices or enter into forward supply contracts; instead we endeavor to pass along price variations to our customers. We may see a general downturn in business if the price of raw materials increases enough for our customers to delay planned projects or use alternative materials to complete their projects.

Risk Factors Related to DYNAenergetics

Potential downturns in the oil and gas industry and related services industry could have a negative impact on DYNAenergetics' economic success.

The oil and gas industry is unpredictable and has historically been subject to occasional downturns. Demand for DYNAenergetics' products is linked to the financial success of the oil and gas industry as a whole, and downturns in the oil and gas industry, especially in the rate of well drilling, could negatively impact DYNAenergetics' economic success. A variety of factors affect the demand for DYNAenergetics' products, including governmental regulation of oil and gas industry and markets, international and domestic prices for oil and gas, weather conditions, the financial condition of DYNAenergetics' clients, and consumption patterns of oil and gas.

The manufacturing of explosives subjects DYNAenergetics to various environmental, health and safety laws.

DYNAenergetics is subject to a number of environmental, health, and safety laws and regulations, the violation of which could result in significant penalties. DYNAenergetics' continued success depends on continued compliance with applicable laws and regulations. In addition, new environmental, health and safety laws and regulations could be passed which could create costly compliance issues. While DYNAenergetics endeavors to comply with all applicable laws and regulations, compliance with future laws and regulations may not be economically feasible or even possible.

DYNAenergetics continued economic success depends on remaining at the forefront of innovation in the perforating industry.

DYNAenergetics position in the perforation market depends in part on its ability to remain an innovative leader in the field. The ability to remain competitive depends in part on the retention of talented personnel. DYNAenergetics may be unable to remain an innovative leader in the perforation market segment or may be unable to retain top talent in the field.

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Risk Factors Related to Dynamic Materials Corporation

Weakness in the general global economy may adversely affect certain segments of our end market customers and reduce our sales and results of operations.

We supply products to customers that fabricate industrial equipment for various capital-intensive industries. Weakness in the general global economy may adversely affect our end market customers, causing them to cancel or postpone new plant or infrastructure construction, expansion, maintenance, or retrofitting projects that use our DMC Clad products. Similarly, any decrease in oil and gas well drilling activities will reduce the sales of our DYNAenergetics products. Any decrease in the demand for gas turbines and airplane engines will reduce the demand for the work performed by our AMK division. The global general economic climate may lessen demand for our products and reduce our sales and results of operations.

Our operating results fluctuate from quarter to quarter.

We have experienced, and expect to continue to experience, fluctuations in annual and quarterly operating results caused by various factors, including the timing and size of orders by major customers, customer inventory levels, shifts in product mix, acquisitions and divestitures, and general economic conditions. The upstream oil and gas, oil refinery, chemical and petrochemical, hydrometallurgy, aluminum production, shipbuilding, power generation, industrial refrigeration and other diversified industries to which we sell our products are, to varying degrees, cyclical and tend to decline in response to overall declines in industrial production. As a result, our business is also cyclical, and the demand for our products by these customers depends, in part, on overall levels of industrial production. Any future material weakness in demand in any of these industries could materially reduce our revenues and profitability. In addition, the threat of terrorism and other geopolitical uncertainty could have a negative impact on the global economy, the industries we serve and our operating results.

We typically do not obtain long-term volume purchase contracts from our customers. Quarterly sales and operating results, therefore, depend on the volume and timing of the orders in our backlog as well as bookings received during the quarter. Significant portions of our operating expenses are fixed, and planned expenditures are based primarily on sales forecasts and product development programs. If sales do not meet our expectations in any given period, the adverse impact on operating results may be magnified by our inability to adjust operating expenses sufficiently or quickly enough to compensate for such a shortfall. Results of operations in any period should not be considered indicative of the results for any future period. Fluctuations in operating results may also result in fluctuations in the price of our common stock. See Management's Discussion and Analysis of Financial Condition and Results of Operations.

We are exposed to potentially volatile fluctuations of the U.S. dollar (our reporting currency) against the currencies of many of our operating subsidiaries.

Many of our operating subsidiaries conduct business in Euros or other foreign currency. Any increase (decrease) in the value of the U.S. dollar against any foreign currency that is the functional currency of any of our operating subsidiaries will cause us to experience foreign currency translation losses (gains) with respect to amounts already invested in such foreign currencies. In addition, our company and our operating subsidiaries are exposed to foreign currency risk to the extent that we or they enter into transactions denominated in currencies other than our or their respective functional currencies. For example DYNAenergetics KG's functional currency is Euros, but its sales often occur in U.S. dollars.

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Changes in exchange rates with respect to these items will result in unrealized (based upon period-end exchange rates) or realized foreign currency transaction gains and losses upon settlement of the transactions. In addition, we are exposed to foreign exchange rate fluctuations related to our operating subsidiaries' assets and liabilities and to the financial results of foreign subsidiaries and affiliates when their respective financial statements are translated into U.S. dollars for inclusion in our consolidated financial statements. Cumulative translation adjustments are recorded in accumulated other comprehensive income (loss) as a separate component of equity. As a result of foreign currency risk, we may experience economic loss and a negative impact on earnings and equity with respect to our holdings solely as a result of foreign currency exchange rate fluctuations. The primary exposure to foreign currency risk for us is to the Euro due to the percentage of our U.S. dollar revenue that is derived from countries where the Euro is the functional currency.

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The terms of our indebtedness contain a number of restrictive covenants, the breach of any of which could result in acceleration of payment of our credit facilities.

We are parties to a syndicated credit agreement that, as of December 31, 2011, had an outstanding balance of approximately \$26.5 million. Our credit agreement includes various covenants and restrictions, certain of which relate to the incurrence of additional indebtedness; mortgaging, pledging or disposition of major assets; and limits on capital expenditures and other investments. We are also required to maintain certain financial ratios on a quarterly basis. A breach of any of these covenants could result in acceleration of our obligations to repay our debt. As of December 31, 2011, we were in compliance with all financial covenants and other provisions of the credit agreement and our other loan agreements. However, our ability to comply with these covenants and ratios may be affected by events beyond our control, including prevailing economic, financial and industry conditions. Any failure to remain in compliance with any material provision or covenant of our credit agreement could result in a default which would, absent a waiver or amendment, require immediate repayment of outstanding indebtedness under our credit facilities. It may be difficult to liquidate assets sufficient to immediately repay our outstanding indebtedness under our credit facility.

Customers have the right to change orders until products are completed.

Customers have the right to change orders after they have been placed. If orders are changed, the extra expenses associated with the change will be passed on to the customer. However, because a change in an order may delay completion of the project, recognition of income for the project may also be delayed.

There is no assurance that we will continue to compete successfully against other clad, perforating, and welding companies.

Our explosion-welded clad products compete with explosion-welded clad products made by other manufacturers in the clad metal business located throughout the world and with clad products manufactured using other technologies. Our combined North American and European operations typically supply explosion-welded clad to the worldwide market. There is one other well-known explosion-welded clad supplier worldwide, a division of Asahi-Kasei Corporation of Japan. There are also a number of smaller companies worldwide with explosion-welded clad manufacturing capability, including several companies in China. There are currently no other significant North American based explosion-welded clad suppliers. We focus strongly on reliability, product quality, on-time delivery performance, and low cost manufacturing to minimize the potential of future competitive threats. However, there is no guarantee we will be able to maintain our competitive position.

Explosion-welded clad products also compete with those manufactured by rollbond and weld overlay cladding processes. In rollbond technology, the clad and base metal are bonded together during a hot rolling process in which slab is converted to plate. In weld overlay, which is typically performed by our fabricator customers, the cladding layer is deposited on the base metal through a fusion welding process. The technical and commercial niches of each cladding process are well understood within the industry and vary from one world market location to another. Our products compete with weld overlay clad products manufactured by a significant number of our fabricator customers.

DYNAenergetics competes principally with perforating companies based in North America, South America, and Russia who produce and market perforating services and products. DYNAenergetics also competes with oil and gas service companies who are able to satisfy a portion of their perforating needs through in-house production. To remain competitive, DYNAenergetics must continue to provide innovative products

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and maintain an excellent reputation for quality, safety, and value. There can be no assurances that we will continue to compete successfully against these companies.

AMK Welding competes principally with other domestic companies that provide welding services to the aircraft engine and power generation industries. Some of these competitors have established positions in the market and long standing relationships with customers. To remain competitive, we must continue to develop and provide technologically advanced welding, heat-treat and inspection services, maintain quality levels, offer flexible delivery schedules, and compete favorably on the basis of price. We compete against other welding companies on the basis of quality, performance and cost. There can be no assurance that we will continue to compete successfully against these companies.

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We are dependent on a relatively small number of customers for a significant portion of our net sales.

A significant portion of our net sales is derived from a relatively small number of customers although sales to no one customer exceeded 10% during any of the last three years. We expect to continue to depend upon our principal customers for a significant portion of our sales, although our principal customers may not continue to purchase products and services from us at current levels, if at all. The loss of one or more major customers or a change in their buying patterns could have a material adverse effect on our business, financial condition, and results of operations. In past years, the majority of DMC Clad's revenues have been derived from customers in the oil and gas, alternative energy, chemicals and petrochemicals, hydrometallurgy, aluminum production, shipbuilding, power generation and industrial refrigeration industries and the majority of AMK Welding's revenues have been derived from customers in the aircraft engine and power generation industries. Economic downturns in these industries could have a material adverse effect on our business, financial condition, and results of operations.

DYNAenergetics, which contributed approximately 35% to our 2011 sales, has customers throughout the world. Economic or political instability in certain regions of the world where DYNAenergetics conducts a significant volume of its business, such as Russia, could have a material adverse effect on DYNAenergetics' business and operating results.

AMK Welding, contributed approximately 5% to our 2011 sales, continues to rely primarily on one customer for the majority of its sales. This customer and AMK Welding have entered into a long-term supply agreement for certain of the services provided to this customer. Any termination of or significant reduction in AMK Welding's business relationship with this customer could have a material adverse effect on AMK Welding's business and operating results.

Failure to attract and retain key personnel could adversely affect our current operations.

Our continued success depends to a large extent upon the efforts and abilities of key managerial and technical employees. The loss of services of certain of these key personnel could have a material adverse effect on our business, results of operations, and financial condition. There can be no assurance that we will be able to attract and retain such individuals on acceptable terms, if at all; and the failure to do so could have a material adverse effect on our business, financial condition, and results of operations.

Liabilities under environmental and safety laws could result in restrictions or prohibitions on our facilities, substantial civil or criminal liabilities, as well as the assessment of strict liability and/or joint and several liability.

We are subject to extensive environmental and safety regulation in North America and Europe. Any failure to comply with current and future environmental and safety regulations could subject us to significant liabilities. In particular, any failure to control the discharge of hazardous materials and wastes could subject us to significant liabilities, which could adversely affect our business, results of operations or financial condition.

We and all our activities in the United States are subject to federal, state and local environmental and safety laws and regulations, including but not limited to, noise abatement and air emissions regulations, the Comprehensive Environmental Response, Compensation and Liability Act of

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1980, regulations issued and laws enforced by the labor and employment departments of the U.S. and the states in which we conduct business, by the U.S. Department of Commerce, the U.S. Environmental Protection Agency, and by state and local health and safety agencies. In Germany, we and all our activities are subject to various safety and environmental regulations of the federal state which are enforced by the local authorities, including the Federal Act on Emission Control (Bundesimmissionsschutzgesetz). The Federal Act on Emission Control permits are held by companies jointly owned by DYNAenergetics and the other companies that are located at the Würgendorf and Troisdorf manufacturing sites and are for an indefinite period of time. In France, we and all our activities are subject to state environmental and safety regulations established by various departments of the French Government, including the Ministry of Labor, the Ministry of Ecology and the Ministry of Industry, and to local environmental and safety regulations and administrative procedures established by DRIRE (Direction Régionale de l'Industrie, de la Recherche et de l'Environnement) and the Préfecture des Pyrénées Orientales. In addition, our shooting operations in Germany and France may be particularly vulnerable to noise abatement regulations because these operations are primarily conducted outdoors. The Dillenburg facility is operated based on a mountain plan (Bergplan), which is a specific permit granted by the local mountain authority. This permit must be renewed every three years.

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Changes in or compliance with environmental and safety laws and regulations could inhibit or interrupt our operations, or require modifications to our facilities. Any actual or alleged violations of environmental and safety laws could result in restrictions or prohibitions on our facilities, substantial civil or criminal sanctions, as well as the assessment of strict liability and/or joint and several liability under applicable law. Under certain environmental laws, we could be held responsible for all of the costs relating to any contamination at our or our predecessor's past or present facilities and at third party waste disposal sites. We could also be held liable for any and all consequences arising out of human exposure to hazardous substances or other environmental damage. Accordingly, environmental, health or safety matters may result in significant unanticipated costs or liabilities.

We are subject to extensive government regulation and failure to comply could subject us to future liabilities and could adversely affect our ability to conduct or to expand our business.

We are subject to extensive government regulation in the United States, Germany, France, Canada and Russia, including guidelines and regulations for the safe manufacture, handling, transport and storage of explosives issued by the U.S. Bureau of Alcohol, Tobacco and Firearms; the Federal Motor Carrier Safety Regulations set forth by the U.S. Department of Transportation; the Safety Library Publications of the Institute of Makers of Explosive; and similar guidelines of their European counterparts. In Germany, the transport, storage and use of explosives is governed by a permit issued under the Explosives Act (Sprengstoffgesetz). In France, the manufacture and transportation of explosives is subcontracted to a third party which is responsible for compliance with regulations established by various State and local governmental agencies concerning the handling and transportation of explosives. Our French operations could be adversely affected if the third party does not comply with these regulations. We must comply with licensing and regulations for the purchase, transport, storage, manufacture, handling and use of explosives. In addition, while our shooting facilities in Würgendorf and Troisdorf, Germany and Tautavel, France are located outdoors, our shooting facilities located in Pennsylvania and in Dillenburg, Germany are located in mines, which subject us to certain regulations and oversight of governmental agencies that oversee mines.

We are also subject to extensive environmental and occupational safety regulation, as described below under Liabilities under environmental and safety laws could result in restrictions or prohibitions on our facilities, substantial civil or criminal liabilities, as well as the assessment of strict liability and/or joint and several liability and The use of explosives subjects us to additional regulation, and any accidents or injuries could subject us to significant liabilities.

The export of certain products from the United States or from foreign subsidiaries of U.S. companies is restricted by U.S. and similar foreign export regulations. These regulations generally prevent the export of products that could be used by certain end users, such as those in the nuclear or biochemical industries. In addition, the use and handling of explosives may be subject to increased regulation due to heightened concerns about security and terrorism. Such regulations could restrict our ability to access and use explosives and increase costs associated with the use of such explosives, which could have a material adverse effect on our business, financial condition, and results of operations.

Any failure to comply with current and future regulations in North America and Europe could subject us to future liabilities. In addition, such regulations could restrict our ability to expand our facilities, construct new facilities, or compete in certain markets or could require us to incur other significant expenses in order to maintain compliance. Accordingly, our business, results of operations or financial condition could be adversely affected by our non-compliance with applicable regulations, by any significant limitations on our business as a result of our inability to comply with applicable regulations, or by any requirement that we spend substantial amounts of capital to comply with such regulations.

Work stoppages and other labor relations matters may make it substantially more difficult or expensive for us to produce our products, which could result in decreased sales or increased costs, either of which would negatively impact our financial condition and results of

operations.

We are subject to the risk of work stoppages and other labor relations matters, particularly in Germany and France, where some of our employees are unionized. The employees at our U.S. and Canadian facilities, where a significant portion of our products are manufactured, are not unionized. While we believe our relations with employees are satisfactory, any prolonged work stoppage or strike at any one of our principal facilities could have a negative impact on our business, financial condition or results of operations. We have not experienced a strike or work stoppage in the last 3 years. However, if a work stoppage occurs at one or more of our facilities, it may materially impair our ability to operate our business in the future.

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As we regularly test the value of goodwill associated with our recent acquisitions, economic conditions may lead to an impairment of such goodwill.

We review the carrying value of goodwill at least annually to assess impairment because it is not amortized. Additionally, we review the carrying value of any intangible asset or goodwill whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Our impairment testing in the fourth quarter of 2011 did not result in a determination that any of our goodwill was impaired. However, future impairment is possible and could occur if (i) the operating results underperform what we have estimated or (ii) additional volatility of the capital markets should cause us to raise the percent discount rate utilized in our discounted cash flow analysis or decrease the multiples utilized in our market-based analysis. The use of different estimates or assumptions within our discounted cash flow model when determining the fair value of our reporting units or using methodologies other than as described above could result in different values for reporting units and could result in an impairment charge.

The unsuccessful integration of a business we acquire could have a material adverse effect on operating results.

We continue to consider possible acquisitions as part of our growth strategy. Any potential acquisition may require additional debt or equity financing, resulting in additional leverage and dilution to existing stockholders. We may be unable to consummate any future acquisition. If any acquisition is made, we may not be able to integrate such acquisition successfully without a material adverse effect on our financial condition or results of operations.

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ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

Corporate Headquarters

Our corporate headquarters are located in Boulder, Colorado. The term of the lease for the office space is through November 30, 2015, with renewal options through November 30, 2021.

Explosive Metalworking

We own our principal domestic manufacturing site, which is located in Mount Braddock, Pennsylvania. We currently lease our primary domestic shooting site, which is located in Dunbar, Pennsylvania, and we also have license and risk allocation agreements relating to the use of a secondary shooting site that is located within a few miles of our Mount Braddock, Pennsylvania manufacturing facility. The shooting site in Dunbar and the nearby secondary shooting site support our Mount Braddock manufacturing facility. The lease for the Dunbar property will expire on December 15, 2015, but we have options to renew the lease which extend through December 15, 2029. The license and risk allocation agreements will expire on December 31, 2018, but we have options to renew these agreements through December 31, 2028. Our German subsidiary, Dynaplat, has a manufacturing site in Würgendorf, Germany and a shooting site in Dillenburg, Germany. Portions of these sites are leased and portions are owned. The lease expiration dates for our Würgendorf manufacturing site is August 31, 2016, but we have options to renew the lease through August 31, 2021 and the expiration date for our Dillenburg shooting site is August 31, 2016 and may be renewed. Our French subsidiary, Nobelclad, owns the land and the buildings housing its operations in Rivesaltes, France, and Tautavel, France (except for a small portion in Tautavel that is leased). This lease expires on December 31, 2016, and may be extended.

Oilfield Products

Our German subsidiary, DYNAenergetics, leases a manufacturing site and sales office in Troisdorf, Germany. The lease expiration date for our Troisdorf manufacturing site is December 31, 2015 and for the sales office the lease expiration date is February 29, 2016. Our Canadian subsidiary, DYNAenergetics Canada leases office and warehouse space in various cities throughout Alberta, Canada. They also lease bunkers for storage of their explosives in various locations throughout Alberta, Canada. These agreements are on a month to month basis. Our DYNAenergetics US subsidiary leases office and warehouse space in various cities throughout Texas, as well as Lafayette, Louisiana and New Mexico. They also lease storage bunkers in various locations in Texas, Arkansas, Louisiana and New Mexico which have month to month agreements. Our Russian subsidiaries lease office and warehouse space in Tyumen and Moscow, Russia. Our Kazakhstan subsidiary leases office and warehouse space in Aktobe, Kazakhstan.

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AMK Welding

We own the land and buildings housing the operations of AMK Welding in South Windsor, Connecticut.

Below are charts summarizing our properties by segment, including their location, type, size, whether owned or leased and lease terms, if applicable.

Corporate Headquarters

Location	Facility Type	Facility Size	Owned/Leased	Expiration Date of Lease (if applicable)
Boulder, Colorado	Corporate and Sales Office	14,630 sq. ft.	Leased	November 30, 2015, with renewal options through November 30, 2021

Table of Contents*Explosive Metalworking*

Location	Facility Type	Facility Size	Owned/Leased	Expiration Date of Lease (if applicable)
Mt. Braddock, Pennsylvania	Clad Plate Manufacturing	48,000 sq. ft.	Owned	
Dunbar, Pennsylvania	Clad Plate Shooting Site	322 acres	Leased	December 15, 2015, with renewal options through December 15, 2029
Rivesaltes, France	Clad Plate Manufacturing	6.5 acres	Owned	
Rivesaltes, France	Clad Plate Manufacturing, Nobelclad Europe Sales and Administration Office	49,643 sq. ft.	Owned	
Rivesaltes, France	Clad Plate Manufacturing	Land around building: 61,354 sq. ft.	Leased	March 31, 2020, with renewal options
		Building: 11,302 sq. ft.	Leased	
Tautavel, France	Clad Shooting Site	116 acres	109 acres owned, 7 acres leased	December 31, 2016, with renewal options
Dillenburg Germany	Dynaplat, Shooting site	11.4 acres	Owned	
		9,849 sq. ft.	Leased	August 31, 2012, with renewal options through August 31, 2021
Würgendorf, Germany	Dynaplat, Manufacturing	Land: 25 acres	Owned	
		Shooting site: 4,941 sq. ft.	Leased	August 31, 2016, with renewal options
		Building: 37,007 sq. ft.	Leased	
Würgendorf, Germany	Dynaplat, Sales and Administration Office	2,965 sq. ft.	Leased	March 31, 2012

Table of Contents*Oilfield Products*

Location	Facility Type	Facility Size	Owned/Leased	Expiration Date of Lease (if applicable)
Troisdorf, Germany	DYNAenergetics, Manufacturing	263,201 sq. ft.	Leased	December 31, 2015
Troisdorf, Germany	DYNAenergetics, Office	2,033 sq. ft.	Leased	February 29, 2016
Laatzten, Germany	DYNAenergetics, Sales	2,314 sq. ft.	Leased	Open terms, but can be cancelled with a six month notice
Alberta, Canada	DYNAenergetics Canada, Manufacturing	160 acres	Owned	
Alberta, Canada	Various storage magazines		Leased	Month to month agreement
Calgary, Alberta	DYNAenergetics Canada, Sales office	535 sq. ft.	Leased	September 30, 2012
Edmonton, Alberta	DYNAenergetics Canada, Sales office and warehouse	24,000 sq. ft.	Leased	January 31, 2014
Edmonton, Alberta	DYNAenergetics Canada, Storage magazines	45.56 acres	Leased	Month to month agreement
Grande Prairie, Alberta	DYNAenergetics Canada, Sales office and warehouse	3,000 sq. ft.	Leased	March 31, 2015, with renewal options
Lloydminster, Alberta	DYNAenergetics Canada, Sales office and warehouse	5,460 sq. ft.	Leased	October 31, 2014
Red Deer, Alberta	DYNAenergetics Canada, Sales office and warehouse	6,583 sq. ft.	Leased	September 30, 2016
Austin, Texas	DYNAenergetics US, Office	2,000 sq. ft.	Leased	Month to month agreement
Bridgeport, Texas	DYNAenergetics US, Office and warehouse	4,000 sq. ft.	Leased	June 30, 2013
Bridgeport, Texas	DYNAenergetics US, Storage magazine	100 acres	Leased	Month to month agreement
Corpus Christi, Texas	DYNAenergetics US, Office and warehouse	6,000 sq. ft.	Leased	August 31, 2013
Houston, Texas	DYNAenergetics US, Office	400 sq. ft.	Leased	August 31, 2012
Pearland, Texas	DYNAenergetics US, Office and warehouse	6 acres	Leased	October 31, 2012
Spicewood, Texas	DYNAenergetics US, Storage magazine	500 acres	Leased	Month to month agreement
Tyler, Texas	DYNAenergetics US, Office and warehouse	4,000 sq. ft.	Leased	Month to month agreement
Victoria, Texas	DYNAenergetics US, Office and warehouse	4,000 sq. ft.	Leased	June 30, 2012
Victoria, Texas	DYNAenergetics US, Storage magazine	4,000 sq. ft.	Leased	Month to month agreement
East Camden, AR	DYNAenergetics US, Storage magazine		Leased	Month to month agreement

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Location	Facility Type	Facility Size	Owned/Leased	Expiration Date of Lease (if applicable)
Lafayette, Louisiana	DYNAenergetics US, Office and warehouse	6,800 sq. ft	Leased	Month to month agreement
Beaux Bridge, Louisiana	DYNAenergetics US, Storage magazine		Leased	Month to month agreement
Hobbs, New Mexico	DYNAenergetics US, Office and warehouse	5,000 sq. ft	Leased	June 30, 2013
Hobbs, New Mexico	DYNAenergetics US, Storage magazines		Leased	Month to month agreement
Tyumen, Russia	Perfoline, Manufacturing	23,369 sq. ft	Leased	July 31, 2012
Moscow, Russia	DYNARus, Sales office	939 sq. ft	Leased	September 1, 2012
Chapaevsk Russia	DYNARus, Warehouse	149 sq. ft	Leased	January 12, 2012
Noyabrsk, Russia	DYNARus, Warehouse	3,229 sq. ft	Leased	December 31, 2012
Nizhnevartovsk, Russia	DYNARus, Warehouse	7,750 sq. ft	Leased	March 31, 2012
Aktobe, Kazakhstan	KazDYNAenergetics, Sales Office	538 sq. ft	Owned	
Aktobe, Kazakhstan	KazDYNAenergetics, Warehouse	20 sq. ft.	Leased	February 28, 2012
Aktobe, Kazakhstan	KazDYNAenergetics, Bunker	1,692 sq. ft.	Owned	
Aktobe, Kazakhstan	KazDYNAenergetics, Land	20 acres	Leased	Year 2050

AMK Welding

Location	Facility Type	Facility Size	Owned/Leased	Expiration Date of Lease (if applicable)
South Windsor, Connecticut	AMK Welding	33,850 sq. ft.	Owned	

ITEM 3. Legal Proceedings

Although we may in the future become a party to litigation, there are no pending legal proceedings against us.

ITEM 4. Mine Safety Disclosures

Not applicable.

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Our common stock is publicly traded on The Nasdaq National Market (Nasdaq) under the symbol BOOM. The following table sets forth quarterly high and low sales prices for the common stock during our last two fiscal years, as reported by Nasdaq.

	High		Low
<u>2011</u>			
First Quarter	\$ 27.99	\$	19.55
Second Quarter	\$ 29.69	\$	20.00
Third Quarter	\$ 24.49	\$	14.00
Fourth Quarter	\$ 24.10	\$	15.00
<u>2010</u>			
First Quarter	\$ 22.40	\$	15.10
Second Quarter	\$ 19.10	\$	14.02
Third Quarter	\$ 17.08	\$	13.50
Fourth Quarter	\$ 24.80	\$	14.73

As of March 5, 2012, there were approximately 359 holders of record of our common stock.

We declared and paid quarterly dividends aggregating \$0.16 per share dividend in 2011 and 2010. We may pay quarterly dividends subject to capital availability and periodic determinations that cash dividends are in the best interests of our stockholders, but we cannot assure you that such payments will continue. Future dividends may be affected by, among other items, our views on potential future capital requirements, future business prospects, debt covenant compliance considerations, changes in income tax laws, and any other factors that our Board of Directors deems relevant. Any determination to pay cash dividends will be at the discretion of the Board of Directors.

See Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters for information regarding securities authorized for issuance under our equity compensation plans.

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FINANCIAL PERFORMANCE

The following graph compares the performance of our common stock with the Nasdaq Non-Financial Stocks Index and the Nasdaq Composite (U.S.) Index. The comparison of total return (change in year end stock price plus reinvested dividends) for each of the years assumes that \$100 was invested on December 29, 2006, in each of the Company, Nasdaq Non-Financial Stocks Index and the Nasdaq Composite (U.S.) Index with investment weighted on the basis of market capitalization. Historical results are not necessarily indicative of future performance.

Total Return Analysis	12/29/06	12/31/07	12/31/08	12/31/09	12/31/10	12/30/11
Dynamic Materials Corporation	\$ 100	\$ 210.43	\$ 69.29	\$ 72.41	\$ 82.26	\$ 72.67
Nasdaq Non-Financial Stocks	\$ 100	\$ 113.43	\$ 66.67	\$ 100.55	\$ 119.34	\$ 119.20
Nasdaq Composite (US)	\$ 100	\$ 108.47	\$ 66.35	\$ 95.38	\$ 113.19	\$ 113.81

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The following selected financial data should be read in conjunction with the Consolidated Financial Statements, including the related Notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations. The 2007 selected financial data include the operating results of DYNAenergetics from the November 15, 2007, acquisition date through December 31, 2007, and balance sheet information as of December 31, 2007. The 2009 selected financial data includes the operating results of LRI from the October 1, 2009, acquisition date through December 31, 2009, and balance sheet information as of December 31, 2009. The 2010 selected financial data includes consolidation of the operating results of the two Russian joint ventures from the April 30, 2010, acquisition date, through December 31, 2010, and balance sheet information as of December 31, 2010. The 2010 selected financial data also includes the operating results of DYNAenergetics US from the June 4, 2010, acquisition date, through December 31, 2010, and balance sheet information as of December 31, 2010.

	(Dollars in Thousands, Except Per Share Data)					
	Year Ended December 31,					
	2011	2010	2009	2008	2007	
Statement of Operations						
Net sales	\$ 208,891	\$ 154,739	\$ 164,898	\$ 232,577	\$ 165,175	
Cost of products sold	153,445	117,789	121,779	161,732	110,168	
Gross profit	55,446	36,950	43,119	70,845	55,007	
Cost and expenses	37,227	30,161	26,881	32,793	16,115	
Income from operations	18,219	6,789	16,238	38,052	38,892	
Other income (expense), net	(1,409)	(401)	(3,255)	(4,640)	(158)	
Income before income taxes	16,810	6,388	12,983	33,412	38,734	
Income tax provision	4,369	1,133	4,378	9,206	14,147	
Net income	12,441	5,255	8,605	24,206	24,587	
Net income (loss) attributable to non-controlling interest	(50)	(10)	56	138		
Net income attributable to Dynamic Materials Corporation	\$ 12,491	\$ 5,265	\$ 8,549	\$ 24,068	\$ 24,587	
Net income per share:						
Basic	\$ 0.94	\$ 0.40	\$ 0.67	\$ 1.89	\$ 2.02	
Diluted	\$ 0.93	\$ 0.40	\$ 0.66	\$ 1.87	\$ 1.99	
Weighted average number of shares outstanding:						
Basic	13,089,691	12,869,666	12,640,069	12,445,685	12,083,851	
Diluted	13,099,121	12,881,754	12,662,440	12,554,402	12,273,135	
Dividends Declared per Common Share	\$ 0.16	\$ 0.16	\$ 0.12	\$ 0.15	\$ 0.15	
Financial Position						
Current assets	\$ 91,189	\$ 72,735	\$ 87,974	\$ 91,049	\$ 94,730	
Total assets	213,426	201,393	225,176	229,586	240,899	
Current liabilities	29,310	38,392	42,135	45,747	58,818	
Long-term debt and capital lease obligations	26,650	14,734	34,556	46,514	62,051	
Other non-current liabilities	11,423	13,183	16,189	18,691	21,751	
Non-controlling interest	83	160	185	132		
Dynamic Materials Corporation's stockholders' equity	145,960	134,924	132,111	118,502	98,279	

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Selected unaudited quarterly financial data for the years ended December 31, 2011 and 2010 are presented below:

	(Dollars in Thousands, Except Per Share Data)			
	Year ended December 31, 2011			
	Quarter ended March 31,	Quarter ended June 30,	Quarter ended September 30,	Quarter ended December 31,
Net sales	\$ 45,574	\$ 54,165	\$ 54,890	\$ 54,262
Gross profit	\$ 10,302	\$ 15,473	\$ 14,832	\$ 14,840
Net income	\$ 750	\$ 3,868	\$ 4,273	\$ 3,599
Net income per share - basic	\$ 0.06	\$ 0.29	\$ 0.32	\$ 0.27
Net income per share - diluted	\$ 0.06	\$ 0.29	\$ 0.32	\$ 0.27

	Year ended December 31, 2010			
	Quarter ended March 31,	Quarter ended June 30,	Quarter ended September 30,	Quarter ended December 31,
Net sales	\$ 30,357	\$ 38,258	\$ 41,298	\$ 44,826
Gross profit	\$ 6,984	\$ 9,258	\$ 10,853	\$ 9,855
Net income (loss)	\$ (412)	\$ 3,036	\$ 1,326	\$ 1,315
Net income (loss) per share - basic	\$ (0.03)	\$ 0.23	\$ 0.10	\$ 0.10
Net income (loss) per share - diluted	\$ (0.03)	\$ 0.23	\$ 0.10	\$ 0.10

The net income per share for the 2011 and 2010 quarters, when totaled, does not equal net income per share for the respective years as the per share amounts for each quarter and for each year are computed based on their respective discrete periods.

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ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our historical consolidated financial statements and notes, as well as the selected historical consolidated financial data included elsewhere in this annual report.

Unless stated otherwise, all dollar figures in this discussion are presented in thousands (000's).

Executive Overview

Our business is organized into three segments: Explosive Metalworking (which we also refer to as DMC Clad), Oilfield Products and AMK Welding. In 2011, Explosive Metalworking accounted for 60% of our net sales and 66% of our income from operations before consideration of unallocated corporate expenses and stock-based compensation expense, which is not allocated to our business segments. Our Oilfield Products and AMK Welding segments accounted for 35% and 5%, respectively, of our 2011 net sales, and 26% and 8%, respectively, of our income from operations before unallocated corporate expenses and stock-based compensation expense. In 2010 and 2009, Explosive Metalworking accounted for 64% and 81% of our net sales, respectively, and 60% and 106%, respectively, of income from operations before unallocated corporate expenses and stock-based compensation expense.

Our 2011 net sales increased by \$54,152, or 35.0%, compared to 2010 net sales. This year-to-year consolidated net sales increase reflects sales increases of \$27,629 (28.0%) and \$27,450 (60.6%) for our Explosive Metalworking and Oilfield Products segments, respectively, that were partially offset by a sales decrease of \$927 (8.6%) for our AMK Welding segment. Excluding incremental sales of \$5,743 from the acquisition of Austin Explosives on June 4, 2010 and the step acquisition of two Russian joint ventures that was completed on April 30, 2010, our Oilfield Products segment reported an increase of \$21,707, or 47.9%, from its 2010 net sales. Income from operations increased 168.4% to \$18,219 in 2011 from \$6,789 in 2010. This \$11,430 increase reflects increases of \$8,597 and \$3,762 in the operating income reported by our Explosive Metalworking and Oilfield Products segments, respectively, which were partially offset by a decrease in AMK Welding's operating income of \$561 and a net increase in aggregate unallocated corporate expenses and stock-based compensation expense of \$368. Reported consolidated operating income for 2011 and for 2010 includes amortization expense of \$5,707 and \$5,330, respectively, relating to purchased intangible assets associated with our acquisition of DYNAenergetics, DYNAenergetics Canada, DYNAenergetics US, and the Russian joint ventures. Our net income increased by 137.2% to \$12,491 in 2011 from \$5,265 in 2010.

Impact of Current Economic Situation on the Company.

We were only minimally impacted in 2008 by the global economic slowdown. However, during 2009 and 2010, we experienced a significant slowdown in Explosive Metalworking sales to some of the markets we serve. The explosion-welded clad plate market is dependent upon sales of products for use by customers in a number of heavy industries, including oil and gas, alternative energy, chemicals and petrochemicals, hydrometallurgy, aluminum production, shipbuilding, power generation, and industrial refrigeration. These industries tend to be cyclical in nature and the current worldwide economic downturn has affected many of these markets. Despite the slowdown we have seen in certain sectors, including chemical, petrochemical and hydrometallurgy, quoting activity in other end markets remains healthy, and we continue to track an extensive list of projects. While timing of new order inflow remains difficult to predict, our Explosive Metalworking segment has benefited from the modest improvement in 2011 of some of the industries it supplies and we believe that it is well-positioned to further benefit as global

economic conditions improve.

As a result of acquisitions made during 2009 and 2010 and strong organic sales growth beginning in the third quarter of 2010, our Oilfield Products segment has grown into a second core business for us, generating 35% of our consolidated net sales in 2011 as compared to only 13% of our consolidated net sales in 2009. We believe the economic environment for this business segment remains positive and we expect to see continued organic sales growth in this segment during 2012 as well as the benefit of incremental sales from the January 3, 2012 acquisition of TRX Industries.

Our Explosive Metalworking backlog, which totaled \$97,247 at the end of 2008 before this business segment began to see a significant decline in booking activity, decreased to \$41,154 at September 30, 2010 before rebounding to \$56,539 at December 31, 2010 on strong fourth quarter 2010 booking activity and then decreasing to \$44,564 at December 31, 2011. While the backlog at December 31, 2011 is substantially lower than that at the beginning of the year, our recent quoting activity has been very strong and, after a slow sales start in 2012, we expect full year 2012 Explosive Metalworking net sales to be flat to up slightly from the \$126,199 in net sales that this segment reported in 2011. Based

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upon the December 31, 2011 Explosive Metalworking backlog, recent strong quoting activity for this segment and positive sales trends in our Oilfield Products business segment, we believe that our 2012 consolidated net sales could increase by 7% to 10% from the \$208,891 in consolidated net sales that we reported in 2011.

Net sales

Explosive Metalworking's revenues are generated principally from sales of clad metal plates and sales of transition joints, which are made from clad plates, to customers that fabricate industrial equipment for various industries, including oil and gas, petrochemicals, alternative energy, hydrometallurgy, aluminum production, shipbuilding, power generation, industrial refrigeration, and similar industries. While a large portion of the demand for our clad metal products is driven by new plant construction and large plant expansion projects, maintenance and retrofit projects at existing chemical processing, petrochemical processing, oil refining, and aluminum smelting facilities also account for a significant portion of total demand.

Oilfield Products' revenues are generated principally from sales of shaped charges, detonators and detonating cord, and bidirectional boosters and perforating guns to customers who perform the perforation of oil and gas wells and from sales of seismic products to customers involved in oil and gas exploration activities.

AMK Welding's revenues are generated from welding, heat treatment, and inspection services that are provided with respect to customer-supplied parts for customers primarily involved in the power generation industry and aircraft engine markets.

A significant portion of our revenue is derived from a relatively small number of customers; therefore, the failure to complete existing contracts on a timely basis, to receive payment for such services in a timely manner, or to enter into future contracts at projected volumes and profitability levels could adversely affect our ability to meet cash requirements exclusively through operating activities. We attempt to minimize the risk of losing customers or specific contracts by continually improving product quality, delivering product on time and competing aggressively on the basis of price.

Gross profit and cost of products sold

Cost of products sold for Explosive Metalworking includes the cost of metals and alloys used to manufacture clad metal plates, the cost of explosives, employee compensation and benefits, freight, outside processing costs, depreciation of manufacturing facilities and equipment, manufacturing supplies and other manufacturing overhead expenses.

Cost of products sold for Oilfield Products includes the cost of metals, explosives and other raw materials used to manufacture shaped charges, detonating products and perforating guns as well as employee compensation and benefits, depreciation of manufacturing facilities and equipment, manufacturing supplies and other manufacturing overhead expenses.

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AMK Welding's cost of products sold consists principally of employee compensation and benefits, welding supplies (wire and gas), depreciation of manufacturing facilities and equipment, outside services and other manufacturing overhead expenses.

Income taxes

Our effective income tax rate increased to 26.0% in 2011 from 17.7% in 2010. Income tax provisions on the earnings of our foreign subsidiaries are provided based upon the respective foreign statutory tax rates for the applicable years. Going forward, based upon existing tax regulations and current federal, state and foreign statutory tax rates, we expect our blended effective tax rate on our projected consolidated pre-tax income to range between 27% and 30% in 2012 and subsequent years.

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We use backlog as a primary means of measuring the immediate outlook for our Explosive Metalworking business. We define backlog at any given point in time as consisting of all firm, unfulfilled purchase orders and commitments at that time. Generally speaking, we expect to fill most backlog orders within the following 12 months. From experience, most firm purchase orders and commitments are realized.

Our backlog with respect to the Explosive Metalworking segment decreased to \$44,564 at December 31, 2011 from \$56,539 at December 31, 2010. Based upon the December 31, 2011 Explosive Metalworking backlog, recent strong quoting activity for this segment and positive sales trends in our Oilfield Products business segment, we believe that our 2012 consolidated net sales could increase by 7% to 10% from the \$208,891 in consolidated net sales that we reported in 2011.

Year ended December 31, 2011 compared to Year Ended December 31, 2010*Net sales*

	2011		2010		Change	Percentage Change
Net sales	\$ 208,891	\$	154,739	\$	54,152	35.0%

Net sales for 2011 increased 35.0% to \$208,891 from \$154,739 in 2010. Explosive Metalworking sales increased 28.0% to \$126,199 in 2011 (60.4% of total sales) from \$98,570 in 2010 (63.7% of total sales). This \$27,629 sales increase reflects a general strengthening of demand in our Explosive Metalworking business and more than \$11 million in second quarter export shipments from our U.S. manufacturing facility on two large orders that were received in December of 2010.

Oilfield Products contributed \$72,782 to sales in 2011 (34.8% of total sales) compared to \$45,332 in 2010 (29.3% of total sales), which represents a sales increase of 60.6%. Excluding incremental sales of \$5,743 from our 2010 acquisition of Austin Explosives and the step acquisition of two Russian joint ventures, 2011 Oilfield Products sales increased \$21,707, or 47.9%, reflecting a substantial increase in global oil and gas drilling activities, particularly in North America.

AMK Welding contributed \$9,910 to 2011 sales (4.7% of total sales) versus sales of \$10,837 in 2010 (7.0% of total sales), a decrease of 8.6%. This decrease includes a \$1,932 decline in sales from ground power work that was partially offset by an \$827 increase in sales from aircraft engine work.

Gross profit

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	2011		2010		Change	Percentage Change
Gross profit	\$	55,446	\$	36,950	\$ 18,496	50.1%
Consolidated gross profit margin rate		26.5%		23.9%		

Gross profit increased by 50.1% to \$55,446 in 2011 from \$36,950 in 2010. Our 2011 consolidated gross profit margin rate increased to 26.5% from 23.9% in 2010. The gross profit margin for Explosive Metalworking increased from 18.8% in 2010 to 22.4% in 2011. Oilfield Products gross margin remained flat at 33.4% in both 2011 and 2010. The gross profit margin for AMK Welding decreased to 31.1% in 2011 from 33.1% in 2010.

The 19.3% increase in the 2011 gross profit margin rate for Explosive Metalworking reflects an 11.9% increase in our U.S. gross margin rate from 22.2% in 2010 to 24.9% in 2011 and a 45.6% increase in our European gross margin rate from 11.8% in 2010 to 17.2% in 2011 on year-to-year sales increases of 30% and 24%, respectively. The increase in the 2011 gross profit margin rate for our Explosive Metalworking segment relates principally to favorable changes in product mix as compared to 2010 but also reflects a somewhat improved pricing environment compared to the extremely competitive pricing environment that existed throughout 2010 and a more favorable absorption of fixed manufacturing overhead expenses. As has been the case historically, we expect to see continued fluctuations in Explosive Metalworking's quarterly gross margin rates in the future that result from fluctuations in quarterly sales volume and changes in product mix.

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The Oilfield Products gross margin rate of 33.4% in 2011 was the same as that reported in 2010. The absence of change in the Oilfield Products gross margin rate reflects favorable 2011 cost variances resulting from increased production levels that were totally offset by unfavorable changes in product/customer mix.

The decrease in AMK Welding's reported gross margin relates principally to differences in the rate at which AMK Welding absorbed its fixed manufacturing overhead costs based on the sales decrease discussed above.

Based upon the expected contribution to 2012 consolidated net sales by each of our three business segments, we expect our consolidated full year 2012 gross margin to be in a range of 28% to 29%.

General and administrative expenses

	2011		2010		Change	Percentage Change
General and administrative expenses	\$ 16,711	\$	\$ 13,696	\$	3,015	22.0%
Percentage of net sales	8.0%		8.9%			

General and administrative expenses increased by \$3,015, or 22.0%, to \$16,711 in 2011 from \$13,696 in 2010. Excluding incremental general and administrative expenses of \$547 that resulted from the acquisition of Austin Explosives and the Russian joint ventures, our general and administrative expenses increased by \$2,468 or 18.0%. This increase includes increases of \$781 and \$456 in salaries and incentive compensation, respectively, an increase in legal fees of \$293, an increase in consulting fees of \$227 relating to information technology projects, an increase of \$221 in other outside professional service fees, a \$146 increase in business development expenses, an increase of \$128 in certain corporate governance and public-company expenses (board of director fees, directors and officers insurance and other investor relations expenses), and a net increase of \$216 in all other expense categories. As a percentage of net sales, general and administrative expenses decreased to 8.0% in 2011 from 8.9% in 2010.

Selling and distribution expenses

	2011		2010		Change	Percentage Change
Selling and distribution expenses	\$ 14,809	\$	\$ 11,135	\$	3,674	33.0%
Percentage of net sales	7.1%		7.2%			

Selling and distribution expenses, which include sales commissions of \$1,751 in 2011 and \$852 in 2010, increased by 33.0% to \$14,809 in 2011 from \$11,135 in 2010. Excluding incremental selling and distribution expenses of \$1,517 that resulted from the acquisition of Austin Explosives and the Russian joint ventures, our selling and distribution expenses increased by \$2,157 or 19.4%. This increase in our selling and distribution expenses includes increased selling and distribution expenses of \$1,160 at our U.S. divisions and \$997 at our foreign divisions. The \$1,160 increase in our U.S. selling and distribution expenses reflects increases of \$30 and \$434 for salaries and accrued incentive compensation, respectively, an increase of \$597 for sales commissions and a net increase of \$99 in all other spending categories. The \$997 increase in our foreign divisions' selling and distribution expenses reflects increases of \$373 and \$302 for salary expense and sales commissions, respectively.

and a net increase of \$322 in all other spending categories. As a percentage of net sales, selling and distribution expenses remained relatively flat at 7.1% in 2011 compared to 7.2% in 2010.

Our 2011 consolidated selling and distribution expenses include \$6,043 and \$8,061 for our Explosive Metalworking and Oilfield Products business segments, respectively. Our 2010 consolidated selling and distribution expenses include \$5,166 and \$5,186 for our Explosive Metalworking and Oilfield Products business segments, respectively. The higher level of selling and distribution expenses for our Oilfield Products segment relative to its contribution to our consolidated net sales reflects the need, particularly in North America, to maintain a number of strategically located distribution centers that are in close proximity to areas which contain a large concentration of oilfields and enjoy a high volume of related oil and gas drilling activities.

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	2011		2010		Change	Percentage Change
Amortization of purchased intangible assets	\$ 5,707	\$	\$ 5,330	\$	377	7.1%
Percentage of net sales	2.7%		3.4%			

Amortization expense relates to the amortization of values assigned to intangible assets in connection with our November 15, 2007 acquisition of DYNAenergetics, our October 1, 2009 acquisition of LRI, our April 30, 2010 acquisition of the two Russian joint ventures and our June 4, 2010 acquisition of Austin Explosives. Amortization expense for 2011 includes \$4,316, \$1,191, and \$200 relating to values assigned to customer relationships, core technology, and trademarks/trade names, respectively and increased from 2010, primarily due to a full year of amortization related to 2010 acquisitions. Amortization expense for 2010 includes \$3,854, \$1,136, \$340 relating to values assigned to customer relationships, core technology, and trademarks/trade names, respectively. Amortization expense (as measured in Euros) associated with the DYNAenergetics acquisition is expected to approximate 3,490 in 2012, and 2012 amortization expense (as measured in Canadian dollars) associated with the LRI acquisition is expected to approximate 80 CAD. Amortization expense (as measured in Euros) associated with the acquisition of the two Russian joint ventures is expected to approximate 232 in 2012, and 2012 amortization expense associated with the Austin Explosives acquisition is expected to approximate \$435.

Operating income

	2011		2010		Change	Percentage Change
Operating income	\$ 18,219	\$	\$ 6,789	\$	11,430	168.4%

Income from operations (operating income) increased by 168.4% to \$18,219 in 2011 from \$6,789 in 2010. Explosive Metalworking reported operating income of \$16,058 in 2011 as compared to \$7,461 in 2010. This 115.2% increase is largely attributable to the 28.0% increase in net sales and the 19.3% increase in the 2011 gross margin rate as discussed above. Operating results of Explosive Metalworking for 2011 and 2010 include \$2,224 and \$2,271, respectively, of amortization expense of purchased intangible assets.

Oilfield Products reported operating income of \$6,188 in 2011 as compared to operating income of \$2,426 in 2010. The significant improvement in operating results for our Oilfield Products segment is attributable to the significant increases in sales and gross profit as discussed above that reflect the incremental sales and gross profit from the acquisitions of Austin Explosives and the Russian joint ventures as well as an increase in global oil and gas drilling activities, particularly in North America. Operating results of Oilfield Products for 2011 and 2010 include \$3,483 and \$3,059, respectively, of amortization expense of purchased intangible assets.

AMK Welding reported operating income of \$2,056 in 2011, a decrease of 21.4% from the \$2,617 in operating income that it reported in 2010. The decline in AMK's operating income is largely attributable to the declines in sales and gross margin rate as discussed above.

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Operating income in 2011 and 2010 includes \$2,686 and \$2,214, respectively, of unallocated corporate expenses and \$3,397 and \$3,501, respectively, of stock-based compensation expense. These expenses are not allocated to our business segments and thus are not included in the above 2011 and 2010 operating income totals for Explosive Metalworking, Oilfield Products, and AMK Welding.

Gain on step acquisition of joint ventures

	2011	2010	Change	Percentage Change
Gain on step acquisition of joint ventures	\$	\$ 2,117	\$ (2,117)	N/A

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During the second quarter of 2010, we acquired the remaining non-controlling interests in two Russian joint ventures that were previously majority-owned. Prior to the acquisition date, we accounted for the joint ventures as equity investments. As a result of the acquisition of the remaining non-controlling interests, we now consolidate these entities. In accordance with accounting standards applicable to transactions of this nature, we determined the fair value of our interests in these joint ventures immediately prior to the purchase and recognized a resultant gain of \$2,117.

Other income (expense), net

	2011		2010		Change	Percentage Change
Other income (expense), net	\$	528	\$	199	\$ 329	165.3%

We reported net other income of \$528 in 2011 compared to net other income of \$199 in 2010. Our 2011 net other income includes net realized and unrealized foreign exchange gains of \$372, including a gain of \$87 on our currency swap agreement (which expired in April 2011), and net other income items aggregating \$156. Our 2010 net other income includes net realized and unrealized foreign exchange gains of \$150, including a gain of \$118 on our currency swap agreement, and net other income items aggregating \$59.

Interest income (expense), net

	2011		2010		Change	Percentage Change
Interest income (expense), net	\$	(1,937)	\$	(2,972)	\$ 1,035	(34.8)%

We recorded net interest expense of \$1,937 in 2011 compared to net interest expense of \$2,972 in 2010. Our 2010 interest expense includes a non-recurring, non-cash charge of \$251 related to the write-off of unamortized debt issuance costs associated with the March prepayment, in the amount of \$12,498 (9,020 Euros), of the remaining balance of the Euro term loan that was outstanding under our bank syndicate credit facility. This Euro term loan was scheduled to mature on November 16, 2012. Our 2011 interest expense includes a non-recurring, non-cash charge of \$284 related to the write-off of certain unamortized debt issuance costs associated with the our bank syndicate credit facility entered into on November 16, 2007, which was amended and restated in its entirety on December 21, 2011 through a new five-year credit facility with a syndicate of four banks. The decrease in our 2011 interest expense is attributable to a significant reduction in average outstanding borrowings that resulted principally from \$22,124 in payments on syndicated term loans during 2010, including the March 2010 prepayment of the Euro term loan discussed above.

Income tax provision

	2011		2010		Change	Percentage Change
Income tax provision	\$	4,369	\$	1,133	\$ 3,236	285.6%
Effective tax rate		26.0%		17.7%		

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We recorded an income tax provision of \$4,369 in 2011 compared to \$1,133 in 2010. The 2011 effective tax rate increased to a more normal level of 26.0% from 17.7% in 2010. Our unusually low 2010 effective tax rate related principally to the low tax rate applicable to the non-recurring gain on the acquisition of non-controlling interests in two Russian joint ventures. Our effective tax rate on the \$4,281 of ordinary pretax income that we reported in 2010 was 25.1%. Our consolidated income tax provision for 2011 and 2010 included \$4,078 and \$1,670, respectively, related to U.S. taxes, with the remainder relating to net foreign tax provision of \$291 in 2011 and a net foreign tax benefit of \$537 in 2010 associated with our foreign operations and holding companies.

Our statutory income tax rates range from 19% to 33% for our various U.S. and foreign operating subsidiaries and holding companies. The fluctuations in our consolidated effective tax rate for the years ended December 31, 2011 and 2010 relate principally to the different tax rates in our U.S. and foreign tax jurisdictions and the variation in

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contribution to consolidated pre-tax income from each jurisdiction for the respective periods and also reflect the impact of favorable permanent differences in our foreign taxes.

We expect our blended effective tax rate for 2012 to range from 27% to 30% based on projected pre-tax income.

Adjusted EBITDA

	2011	2010	Change	Percentage Change
Adjusted EBITDA	\$ 32,865	\$ 21,013	\$ 11,852	56.4%

Adjusted EBITDA is a non-GAAP measure that we believe provides an important indicator of our ongoing operating performance. Our aggregate non-cash depreciation, amortization of purchased intangible assets and stock-based compensation expense for 2011 and 2010 was \$14,596 and \$14,214, respectively. These aggregate non-cash charges represent a significant percentage of the consolidated operating income that we reported for these periods. We use non-GAAP EBITDA and Adjusted EBITDA in our operational and financial decision-making and believe that these non-GAAP measures are a reliable indicator of our ability to generate cash flow from operations and facilitate a more meaningful comparison of the operating performance of our three business segments than do certain GAAP measures. Research analysts, investment bankers and lenders also use EBITDA and Adjusted EBITDA to assess operating performance. The following is a reconciliation of the most directly comparable GAAP measure to Adjusted EBITDA.

	2011	2010
Net income attributable to DMC	\$ 12,491	\$ 5,265
Interest expense	1,945	3,046
Interest income	(8)	(74)
Provision for income taxes	4,369	1,133
Depreciation	5,492	5,383
Amortization of purchased intangible assets	5,707	5,330
EBITDA	29,996	20,083
Stock-based compensation	3,397	3,501
Other (income) expense, net	(528)	(2,316)
Equity in earnings of joint ventures		(255)
Adjusted EBITDA	\$ 32,865	\$ 21,013

Adjusted EBITDA increased 56.4% to \$32,865 in 2011 from \$21,013 in 2010 primarily due to the \$11,430 increase in operating income.

Year ended December 31, 2010 compared to Year Ended December 31, 2009

Net sales

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	2010		2009		Change	Percentage Change
Net sales	\$	154,739	\$	164,898	\$ (10,159)	(6.2)%

Net sales for 2010 decreased 6.2% to \$154,739 from \$164,898 in 2009. Explosive Metalworking sales decreased 26.5% to \$98,570 in 2010 (63.7% of total sales) from \$134,096 in 2009 (81.3% of total sales). The decrease in Explosive Metalworking sales reflects a business slowdown in several of the industries that this business segment serves.

Oilfield Products contributed \$45,332 to sales in 2010 (29.3% of total sales) compared to \$21,764 in 2009 (13.2% of total sales). Excluding incremental sales of \$15,436 from our acquisitions of LRI and Austin Explosives and the step acquisition of two Russian joint ventures, 2010 sales increased \$8,132 or 37.4%, reflecting a strong rebound in oil and gas drilling activities in North America and other regions of the world.

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AMK Welding contributed \$10,837 to 2010 sales (7.0% of total sales) versus sales of \$9,038 in 2009 (5.5% of total sales), an increase of 19.9%.

Gross profit

	2010		2009		Change	Percentage Change
Gross profit	\$ 36,950	\$	\$ 43,119	\$	(6,169)	(14.3)%
Consolidated gross profit margin rate	23.9%		26.1%			

Gross profit decreased by 14.3% to \$36,950 in 2010 from \$43,119 in 2009. Our 2010 consolidated gross profit margin rate decreased to 23.9% from 26.1% in 2009. The gross profit margin for Explosive Metalworking decreased from 27.0% in 2009 to 18.8% in 2010. Oilfield Products reported a gross margin of 33.4% in 2010 compared to a gross margin of 22.3% in 2009. The gross profit margin for AMK Welding increased to 33.1% in 2010 from 27.0% in 2009.

The 30.3% decrease in the 2010 gross profit margin rate for Explosive Metalworking reflects a 34.6% decrease in our U.S. gross margin rate from 34.0% in 2009 to 22.2% in 2010 and a 24.2% decrease in our European gross margin rate from 15.6% in 2009 to 11.8% in 2010 on year-to-year sales declines of 20.3% and 36.5%, respectively. While lower sales and the resultant less favorable absorption of fixed manufacturing overhead costs have negatively impacted gross margins reported by all of our cladding divisions, the significant decline in our U.S. gross margin rate for 2010 compared to 2009 relates principally to unfavorable changes in product mix and an extremely competitive pricing environment in certain end markets that comprise a significant portion of our 2010 sales. Historically, gross margins for our European explosion welding divisions have been lower than those reported by our U.S. division due to less efficient fixed manufacturing cost structures associated with our smaller European facilities and this has again been case during 2010. While our European cladding divisions also face a competitive pricing environment, the principal reason for the large decrease in our European gross margin rate for 2010 compared to 2009 is the 36.5% decline in sales. As has been the case historically, we expect to see continued fluctuations in Explosive Metalworking's quarterly gross margin rates in the future that result from fluctuations in quarterly sales volume and change in product mix.

The increase in Oilfield Products' 2010 gross margin relates principally to the significant sales increases that are discussed above and favorable changes in product/customer mix. Gross margins reported by the Oilfield Products segment also reflect the incremental margin on intercompany sales to recently acquired former distributors in Canada, the U.S. and Russia as these acquired entities sell products through to the end customers.

The increase in AMK Welding's gross margin relates principally to the sales increase discussed above and associated more favorable absorption of fixed manufacturing overhead expenses.

General and administrative expenses

	2010		2009		Change	Percentage Change
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General and administrative expenses	\$	13,696	\$	12,980	\$	716	5.5%
Percentage of net sales		8.9%		7.9%			

General and administrative expenses increased by \$716, or 5.5%, to \$13,696 in 2010 from \$12,980 in 2009. Excluding incremental general and administrative expenses of \$1,229 that resulted from the acquisitions of LRI, Austin Explosives and the Russian joint ventures, our general and administrative expenses decreased by \$513 or 4%. This decrease includes increases of \$113 and \$122 in salaries and stock-based compensation, respectively, which were more than offset by a \$195 decrease in accrued incentive compensation and a net decrease of \$473 in all other expense categories that reflects the impact of tight controls over discretionary spending. As a percentage of net sales, general and administrative expenses increased to 8.9% in 2010 from 7.9% in 2009.

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Selling and distribution expenses

	2010		2009		Change	Percentage Change
Selling and distribution expenses	\$	11,135	\$	8,837	\$ 2,298	26.0%
Percentage of net sales		7.2%		5.4%		

Selling and distribution expenses, which include sales commissions of \$783 in 2010 and \$1,387 in 2009, increased by 26% to \$11,135 in 2010 from \$8,837 in 2009. Excluding incremental selling and distribution expenses of \$3,378 that resulted from the acquisitions of LRI, Austin Explosives and the Russian joint ventures, our selling and distribution expenses decreased by \$1,080 or 12.2%. This decrease in our selling and distribution expenses includes decreased selling and distribution expenses of \$121 at our U.S. divisions and \$959 at our foreign divisions. The decrease in our foreign divisions selling and distribution expenses relates principally to staff reductions within our European explosion welding facilities and lower sales commissions. The \$121 decrease in our U.S. selling and distribution expenses reflects decreases of \$121 and \$118 for salaries and accrued incentive compensation, respectively, and a net increase of \$118 in other spending categories. As a percentage of net sales, selling and distribution expenses increased to 7.2% in 2010 from 5.4% in 2009. The increase in selling and distribution expenses as a percentage of sales relates largely to our Oilfield Products business and the need, particularly in North America, to maintain a number of strategically located distribution centers that are in close proximity to areas which contain a large concentration of oilfields and enjoy a high volume of related oil and gas drilling activities.

Amortization expenses

	2010		2009		Change	Percentage Change
Amortization of purchased intangible assets	\$	5,330	\$	5,064	\$ 266	5.3%
Percentage of net sales		3.4%		3.1%		

Amortization expense relates to the amortization of values assigned to intangible assets in connection with our November 15, 2007 acquisition of DYNAenergetics, our October 1, 2009 acquisition of LRI, our April 30, 2010 acquisition of the two Russian joint ventures and our June 4, 2010 acquisition of Austin Explosives. Amortization expense for 2010 includes \$3,854, \$1,136, and \$340 relating to values assigned to customer relationships, core technology, and trademarks/trade names, respectively. Amortization expense for 2009 includes \$3,511, \$1,173, \$380 relating to values assigned to customer relationships, core technology, and trademarks/trade names, respectively.

Operating income

	2010		2009		Change	Percentage Change
Operating income	\$	6,789	\$	16,238	\$ (9,449)	(58.2)%

Income from operations (operating income) decreased by 58.2% to \$6,789 in 2010 from \$16,238 in 2009. Explosive Metalworking reported operating income of \$7,461 in 2010 as compared to \$23,301 in 2009. This 68% decrease is largely attributable to the 26.5% decrease in net

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sales and the 30.3% decline in the 2010 gross margin rate as discussed above. Operating results of Explosive Metalworking for 2010 and 2009 include \$2,271 and \$2,407, respectively, of amortization expense of purchased intangible assets.

Oilfield products reported operating income of \$2,426 in 2010 as compared to an operating loss of \$3,074 in 2009. The significant improvement in operating results for our Oilfield Products segment is attributable to the significant increases in sales and gross profit as discussed above that reflect the incremental sales and gross profit from the acquisitions of LRI, Austin Explosives and the Russian joint ventures as well as an increase in global oil and gas drilling activities, particularly in North America. Operating results of Oilfield Products for 2010 and 2009 include \$3,059 and \$2,657, respectively, of amortization expense of purchased intangible assets.

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AMK Welding reported operating income of \$2,617 in 2010, an increase of 56.6% from the \$1,671 that it reported in 2009. The improvement in AMK's operating income is largely attributable to the 19.9% sales increase discussed above.

Operating income in 2010 and 2009 includes \$2,214 and \$2,235, respectively of unallocated corporate expenses and \$3,501 and \$3,425, respectively, of stock-based compensation expense. These expenses are not allocated to our business segments and thus are not included in the above 2010 and 2009 operating income totals for Explosive Metalworking, Oilfield Products, and AMK Welding.

Gain on step acquisition of joint ventures

	2010		2009		Change	Percentage Change
Gain on step acquisition of joint ventures	\$ 2,117	\$	\$	\$	2,117	N/A

During the second quarter of 2010, we acquired the remaining non-controlling interests in two Russian joint ventures that were previously majority-owned. Prior to the acquisition date, we accounted for the joint ventures as equity investments. As a result of the acquisition of the remaining non-controlling interests, we now consolidate these entities. In accordance with accounting standards applicable to transactions of this nature, we determined the fair value of our interests in these joint ventures immediately prior to the purchase and recognized a resultant gain of \$2,117.

Other income (expense), net

	2010		2009		Change	Percentage Change
Other income (expense), net	\$ 199	\$	\$ (219)	\$	418	(190.9)%

We reported net other income of \$199 in 2010 compared to net other expense of \$219 in 2009. Our 2010 net other income includes net realized and unrealized foreign exchange gains of \$150, including a gain of \$118 on our currency swap agreement, and net other income items aggregating \$49. Our 2009 other net expense of \$219 relates principally to realized and unrealized foreign exchange losses recorded by our Swedish and German subsidiaries.

Interest income (expense), net

	2010		2009		Change	Percentage Change
Interest income (expense), net	\$ (2,972)	\$	\$ (3,257)	\$	285	(8.8)%

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We recorded net interest expense of \$2,972 in 2010 compared to net interest expense of \$3,257 in 2009. Our 2010 interest expense includes a non-recurring, non-cash charge of \$251 related to the write-off of unamortized debt issuance costs associated with the March prepayment, in the amount of \$12,498 (9,020 Euros), of the remaining balance of the Euro term loan that was outstanding under our bank syndicate credit facility. This Euro term loan was scheduled to mature on November 16, 2012. The decrease in interest expense is attributable to a significant reduction in average outstanding borrowings that resulted from scheduled term loan payments and the March 2010 prepayment of the Euro term loan. Interest savings from these term loan reductions were partially offset by higher average interest rates in 2010 that relate principally to the October 2009 amendment to our bank syndicated credit facility which resulted in an increase in the interest rate charged on outstanding borrowings of 1.5% per annum.

Table of Contents*Income tax provision*

	2010		2009		Change	Percentage Change
Income tax provision	\$	1,133	\$	4,378	\$ (3,245)	(74.1)%
Effective tax rate		17.7%		33.9%		

We recorded an income tax provision of \$1,133 in 2010 compared to \$4,378 in 2009. Our 2010 income tax provision included a provision of \$59 associated with the \$2,117 non-recurring gain that we recorded on the acquisition of non-controlling interest in two Russian joint ventures as discussed above and a provision of \$1,074 on the remaining pretax income of \$4,281. The effective tax rate decreased to 17.7% in 2010 from 33.9% in 2009 due principally to the low tax rate applicable to the non-recurring gain on the acquisition of non-controlling interest in two Russian joint ventures. Our effective tax rate on the \$4,281 of ordinary pretax income that we reported was 25.1%. Our consolidated income tax provision for 2010 and 2009 included \$1,670 and \$5,659, respectively, related to U.S. taxes, with the remainder relating to net foreign tax benefits of \$537 and \$1,281 in 2010 and 2009, respectively, associated with our foreign operations and holding companies.

Adjusted EBITDA

	2010		2009		Change	Percentage Change
Adjusted EBITDA	\$	21,013	\$	29,713	\$ (8,700)	(29.3)%

Adjusted EBITDA is a non-GAAP measure that we believe provides an important indicator of our ongoing operating performance. Our aggregate non-cash depreciation, amortization and stock-based compensation expense for the years ended December 31, 2010 and 2009 was \$14,214 and \$13,531, respectively, and represents a significant percentage of the consolidated operating income that we reported for these years. We use non-GAAP EBITDA and Adjusted EBITDA in our operational and financial decision-making and believe that these non-GAAP measures are a reliable indicator of our ability to generate cash flow from operations and facilitate a more meaningful comparison of the operating performance of our three business segments than do certain GAAP measures. Research analysts, investment bankers and lenders also use EBITDA and Adjusted EBITDA to assess operating performance. The following is a reconciliation of the most directly comparable GAAP measure to Adjusted EBITDA.

	2010		2009	
Net income attributable to DMC	\$	5,265	\$	8,549
Interest expense		3,046		3,473
Interest income		(74)		(216)
Provision for income taxes		1,133		4,378
Depreciation		5,383		5,042
Amortization of purchased intangible assets		5,330		5,064
EBITDA		20,083		26,290
Stock-based compensation		3,501		3,425
Other (income) expense, net		(2,316)		219
Equity in earnings of joint ventures		(255)		(221)
Adjusted EBITDA	\$	21,013	\$	29,713

Adjusted EBITDA decreased 29.3% to \$21,013 in 2010 from \$29,713 in 2009 primarily due to the decrease in operating income of \$9,449.

Liquidity and Capital Resources

We have historically financed our operations from a combination of internally generated cash flow, revolving credit borrowings, various long-term debt arrangements, and the issuance of common stock. We believe that cash flow

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from operations and funds available under our current credit facilities and any future replacement thereof will be sufficient to fund the working capital, debt service, and capital expenditure requirements of our current business operations for the foreseeable future. Nevertheless, our ability to generate sufficient cash flows from operations will depend upon our success in executing our strategies. If we are unable to (i) realize sales from our backlog; (ii) secure new customer orders at attractive prices; and (iii) continue to implement cost-effective internal processes, our ability to meet cash requirements through operating activities could be impacted. Furthermore, any restriction on the availability of borrowings under our credit facilities could negatively affect our ability to meet future cash requirements.

Debt facilities

On December 21, 2011, we entered into a five-year syndicated credit agreement, which provides revolving loan availability of \$36,000, 16,000 Euros and 1,500 Canadian Dollars through a syndicate of four banks, and amends and restates in its entirety our prior syndicated credit agreement entered into on November 16, 2007. Our prior syndicated credit agreement provided for revolving loan availability of \$25,000 and 7,000 Euros, and also had a remaining balance of \$13,247 outstanding under a \$45,000 term loan. On the closing date of our amended and restated new credit agreement, the remaining outstanding balance on our term loan was converted to a revolving credit loan.

There are two significant financial covenants under our syndicated credit agreement, the leverage ratio and fixed charge coverage ratio requirements. The leverage ratio is defined in the credit agreement as Consolidated Funded Indebtedness at the balance sheet date as compared to Consolidated EBITDA, which is defined as earnings before provisions for income taxes, interest expense, depreciation and amortization, extraordinary, non-recurring charges and other non-cash charges, for the previous twelve months. For the years ended December 31, 2010 and 2011, Consolidated EBITDA approximated the Adjusted EBITDA that we reported for the respective periods. As of December 31, 2011, the maximum leverage ratio permitted by our credit facility was 2.25 to 1.0. The actual leverage ratio as of December 31, 2011 was 0.83 to 1.0. The maximum leverage ratio permitted as of March 31, June 30, September 30 and December 31, 2012 is also 2.25 to 1.0.

The fixed charge ratio, as defined in the credit agreement, means, for any period, the ratio of Consolidated EBITDA to Fixed Charges. Consolidated EBITDA is defined above and Fixed Charges equals the sum of cash interest expense, cash dividends, cash income taxes and an amount equal to 75% of depreciation expense. As of December 31, 2011, the minimum fixed charge ratio permitted by our credit facility was 2.0 to 1.0. The actual fixed charge ratio as of December 31, 2011 was 2.50 to 1.0. The minimum fixed charge coverage ratio permitted for the twelve month periods ending March 31, June 30, September 30 and December 31, 2012 is 2.0 to 1.0.

As of December 31, 2011, U.S. dollar revolving loans of \$20,247 and Euro revolving loans of \$6,215 were outstanding under our syndicated credit agreement, \$13 was outstanding under our separate DYNAenergetics line of credit agreements, and \$1,271 was outstanding under loan agreements with the former owners of LRI. While we had approximately \$39,484 of unutilized revolving credit loan capacity as of December 31, 2011 under our various credit facilities, future borrowings are subject to compliance with f