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DYNAMIC MATERIALS CORP
Form 8-K
October 22, 2003

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

FORM 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the
Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): October 7, 2003

Dynamic Materials Corporation
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

0-8328
(Commission File Number)

84-0608431
(I.R.S. Employer
Identification Number)

(303) 655-5700
(Registrant's Telephone Number, Including Area Code)

5405 Spine Road, Boulder, Colorado 80301
(Address of Principal Executive Offices) (Zip Code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Items 1, 3 through 6 and 8 through 12 are inapplicable and have been omitted.

Item 2. Acquisition or Disposition of Assets

Dynamic Materials Corporation, ("DMC"), announced on October 8, 2003 that it has completed the sale of its Precision Machined Products Division ("PMP") to Silvertip, L.L.C. ("Silvertip"). PMP is a contract machining shop specializing in high precision, high quality, complex machined parts used in the aerospace, satellite, medical equipment and high technology industries.

Pursuant to an Asset Purchase Agreement between DMC and Silvertip dated October 7, 2003, DMC sold the assets that constitute PMP for a sales price of \$580,000. The sales price is being financed by DMC through the issuance of a promissory note payable over a 2-1/2 year period.

The sales price was determined pursuant to arms-length negotiations between DMC and Silvertip. Silvertip is a private company unaffiliated with DMC and is a majority owned subsidiary of Mistequay Group. Ltd., Saginaw, Michigan.

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Copies of the Asset Purchase Agreement and of a press release relating to the disposition are attached as exhibits hereto and are incorporated by reference herein.

Item 7. Financial Statements and Exhibits

(b) Pro Forma Financial Information

DYNAMIC MATERIALS CORPORATION UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited pro forma condensed consolidated balance sheet as of June 30, 2003 gives effect to the sale of PMP as if it had occurred on June 30, 2003. The unaudited pro forma condensed consolidated statements of operations for the six months ended June 30, 2003 and the fiscal year ended December 31, 2003 give effect to the sale of PMP as if it had occurred at the beginning of each of the periods presented.

Pro forma financial statements require the presentation of earnings from continuing operations after income tax but before discontinued operations, extraordinary items, and cumulative effect of a change in accounting principle. Therefore, the cumulative effect of a change in accounting principle of \$2,318,108, net of taxes, related to goodwill impairment under SFAS 142 included in the historical consolidated statement of operations for the fiscal year ended December 31, 2002 has been omitted.

The unaudited pro forma condensed consolidated financial information has been prepared and should be read in conjunction with the historical consolidated financial statements and related notes thereto of DMC, the "Management's Discussion and Analysis of Financial Condition and

Results of Operations" included in DMC's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and DMC's Quarterly Report on Form 10-Q as of June 30, 2003 filed with the Securities and Exchange Commission ("SEC").

Unaudited pro forma condensed financial information is presented for illustrative purposes only and is not necessarily indicative of the results that actually would have been realized had the assets been sold during these periods. Additionally, the future consolidated financial position and results of operations will differ, perhaps significantly, from the pro forma amounts reflected herein because of a variety of factors, including access to additional information and changes in values not currently identified due to post-closing adjustments and reconciliation, which could result in adjustment to, among other items, the ultimate loss in connection with the sale of PMP.

To the extent that this pro forma financial information is forward looking, it is made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The forward-looking statements reflect assumptions and involve a number of risks and uncertainties, which may be beyond the Company's control, including the risks detailed from time to time in DMC's SEC reports, including the report on Form 10-K for the fiscal year ended December 31, 2002.

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DYNAMIC MATERIALS CORPORATION UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2003

	Dynamic Materials	Sale of PMP (1)	Pro Forma Adjustmen
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 1,253,070	\$ -	\$ -
Accounts receivable	7,421,211	-	-
Inventories	7,985,918	(275,198)	-
Prepaid expense and other	1,103,395	(12,181)	-
Current deferred tax asset	315,500	-	-
Total current assets	18,079,094	(287,379)	-
PROPERTY, PLANT AND EQUIPMENT, net	15,633,239	(1,431,187)	-
RESTRICTED CASH AND SHORT TERM INVESTMENTS	191,202	-	-
GOODWILL, net	847,076	-	-
INTANGIBLE ASSETS, net	78,168	-	-
OTHER ASSETS	261,222	-	-
NOTE RECEIVABLE	-	-	580,000
ASSETS SOLD	-	1,718,566	(1,718,566)
TOTAL ASSETS	\$35,090,001	\$ -	\$ (1,138,566)

See the accompanying Notes to Unaudited Pro Forma Condensed Financial Statements

DYNAMIC MATERIALS CORPORATION
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2003

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	Dynamic Materials	Sale of PMP (1)	Pro Forma Adjustmen
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable	\$ 3,606,907	\$ -	\$ -
Accrued expenses	2,841,873	-	88,000
Current maturities of long-term debt	2,133,666	-	-
	-----	-----	-----
Total current liabilities	8,582,446	-	88,000
LONG-TERM DEBT	9,409,622	-	-
NET DEFERRED TAX LIABILITIES	441,991	-	-
DEFERRED GAIN ON SWAP TERMINATION	42,562	-	-
OTHER LONG-TERM OBLIGATIONS	97,676	-	-
	-----	-----	-----
Total liabilities	18,574,297	-	88,000
STOCKHOLDERS' EQUITY			
Common stock	253,648	-	-
Additional paid-in capital	12,395,588	-	-
Retained earnings	3,312,140	-	(1,226,566)
Other cumulative comprehensive income	554,328	-	-
	-----	-----	-----
Total stockholder's equity	16,515,704	-	(1,226,566)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 35,090,001	\$ -	\$ (1,138,566)
	=====	=====	=====

See the accompanying Notes to Unaudited Pro Forma Condensed Financial Statements

DYNAMIC MATERIALS CORPORATION
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
 FOR THE SIX MONTHS ENDED JUNE 30, 2003

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	Dynamic Materials	Sale of PMP (1)	Pro Forma Adjustmen
NET SALES	\$ 20,996,841	\$ (1,091,772)	\$ -
COST OF PRODUCTS SOLD	16,283,738	(1,360,026)	-
	-----	-----	-----
Gross profit	4,713,103	268,254	-
EXPENSES:			
General and administrative	2,033,813	(77,267)	-
Selling expense	1,501,499	-	-
	-----	-----	-----
	3,535,312	(77,267)	-
	-----	-----	-----
INCOME FROM OPERATIONS	1,177,791	345,521	-
Other expense, net	38	-	-
Interest expense	(275,012)	-	-
Interest income	1,628	-	-
	-----	-----	-----
Income before income taxes	904,445	345,521	-
INCOME TAX PROVISION	(355,332)	-	(134,750)
	-----	-----	-----
NET INCOME	\$ 549,113	\$ 345,521	\$ (134,750)
	=====	=====	=====
NET INCOME PER SHARE - BASIC	\$ 0.11		
	=====		
NET INCOME PER SHARE - DILUTED	\$ 0.11		
	=====		
WEIGHTED AVERAGE SHARES OUTSTANDING:			
BASIC	5,061,390		
	=====		
DILUTED	5,078,785		
	=====		

See the accompanying Notes to Unaudited Pro Forma Condensed Financial Statements

DYNAMIC MATERIALS CORPORATION
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002

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	Dynamic Materials	Sale of PMP (1)	Pro Forma Adjustment
NET SALES	\$ 45,657,569	\$ (1,771,673)	\$ -
COST OF PRODUCTS SOLD	34,191,224	(2,269,792)	-
	-----	-----	-----
Gross profit	11,466,345	498,119	-
EXPENSES:			
General and administrative	4,090,103	(342,310)	-
Selling expense	2,537,486	(29,158)	-
	-----	-----	-----
	6,627,589	(371,468)	-
	-----	-----	-----
INCOME FROM OPERATIONS	4,838,756	869,587	-
Other income (expense), net	(52,037)	(388)	-
Interest expense	(693,230)	-	-
Interest income	4,101	-	-
	-----	-----	-----
Income before income taxes and cumulative effect of a change in accounting principle	4,097,590	869,199	-
INCOME TAX PROVISION	(1,609,353)	-	(338,98)
	-----	-----	-----
INCOME BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	\$ 2,488,237	\$ 869,199	\$ (338,98)
	=====	=====	=====
INCOME PER SHARE - BASIC:			
Income before cumulative effect of a change in accounting principle	\$ 0.49		
	=====		
INCOME PER SHARE - DILUTED:			
Income before cumulative effect of a change in accounting principle	\$ 0.49		
	=====		
WEIGHTED AVERAGE SHARES OUTSTANDING:			
BASIC	5,042,382		
DILUTED	5,087,051		

See the accompanying Notes to Unaudited Pro Forma Condensed Financial Statements

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DYNAMIC MATERIALS CORPORATION NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Represents the elimination of the PMP assets sold and the elimination of the PMP operating results.
2. Represents the promissory note received as total consideration for the sale of the PMP assets.
3. Represents the estimated pretax loss had the sale of PMP occurred on June 30, 2003.
4. This amount reflects the estimated costs associated with the sales transaction.
5. Represents a tax adjustment to reverse the tax benefit associated with PMP's operating loss.

(c) Exhibits

10.1 Asset Purchase Agreement for Precision Machined Products between Dynamic Materials Corporation and Silvertip, L.L.C. dated October 7, 2003.

99.1 Press Release dated October 8, 2003.

SIGNATURES

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

DYNAMIC MATERIALS CORPORATION

By: /s/ Richard A. Santa

Name: Richard A. Santa
Title: Vice President and Chief Financial Officer

Dated: October 22, 2003

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INDEX TO EXHIBITS

Number	Description
10.1	Asset Purchase Agreement for Precision Machined Products between Dynamic Materials Corporation and Silvertip, L.L.C. dated October 7, 2003.
99.1	Press Release dated October 8, 2003.