

DYNAMIC MATERIALS CORP

Form 10-Q

October 30, 2015

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2015

OR

☐ 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

(Exact name of Registrant as Specified in its Charter)

Delaware

84-0608431

(State of Incorporation or Organization)

(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)

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☒

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Non-accelerated filer ☐
(Do not check if smaller reporting company)

Smaller reporting company ☐

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

The number of shares of Common Stock outstanding was 14,193,682 as of October 30, 2015.

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CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains “forward-looking statements” within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934. In particular, we direct your attention to Part I, Item 1- Condensed Consolidated Financial Statements; Item 2 - Management’s Discussion and Analysis of Financial Condition and Results of Operations; Item 3 - Quantitative and Qualitative Disclosures About Market Risk; and Part II, Item 1A — Risk Factors. We intend the forward-looking statements throughout this quarterly report on Form 10-Q and the information incorporated by reference herein to be covered by the safe harbor provisions for forward-looking statements. Statements contained in this report which are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from projected results. All projections, guidance and other statements regarding our expected financial position and operating results, our business strategy, our financing plans and the outcome of any contingencies are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as “may,” “believe,” “plan,” “anticipate,” “estimate,” “expect,” “intend,” and other phrases of similar meaning. The forward-looking information is based on information available as of the date of this quarterly report and on numerous assumptions and developments that are not within our control. Although we believe that our expectations as expressed in these forward-looking statements are reasonable, we cannot assure you that our expectations will turn out to be correct. Factors that could cause actual results to differ materially include, but are not limited to, the following: changes in global economic conditions; the ability to obtain new contracts at attractive prices; the size and timing of customer orders and shipment; our ability to realize sales from our backlog; fluctuations in customer demand; fluctuations in foreign currencies; competitive factors; the timely completion of contracts; the timing and size of expenditures; the timely receipt of government approvals and permits; the price and availability of metal and other raw material; the adequacy of local labor supplies at our facilities; current or future limits on manufacturing capacity at our various operations; our ability to successfully integrate acquired businesses; the availability and cost of funds; and general economic conditions, both domestic and foreign, impacting our business and the business of the end-market users we serve. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management’s analysis only as of the date hereof. We undertake no obligation to publicly release the results of any revision to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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Part I - FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements

DYNAMIC MATERIALS CORPORATION
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Amounts in Thousands, Except Share and Per Share Data)

	September 30, 2015 (unaudited)	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$8,574	\$9,400
Accounts receivable, net of allowance for doubtful accounts of \$913 and \$542, respectively	34,235	35,501
Inventory, net	41,565	40,101
Prepaid expenses and other	7,082	6,123
Current deferred tax assets	5,185	3,971
Total current assets	96,641	95,096
PROPERTY, PLANT AND EQUIPMENT	107,865	109,733
Less - accumulated depreciation	(47,484)	(45,898)
Property, plant and equipment, net	60,381	63,835
GOODWILL, net	29,757	32,762
PURCHASED INTANGIBLE ASSETS, net	21,994	26,734
DEFERRED TAX ASSETS	—	587
OTHER ASSETS, net	1,154	315
TOTAL ASSETS	\$209,927	\$219,329

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

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DYNAMIC MATERIALS CORPORATION
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Amounts in Thousands, Except Share and Per Share Data)

	September 30, 2015 (unaudited)	December 31, 2014
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 10,337	\$ 14,076
Accrued expenses	4,219	5,638
Dividend payable	568	559
Accrued income taxes	3,915	3,770
Accrued employee compensation and benefits	3,373	4,582
Customer advances	1,993	3,510
Current portion of capital lease obligations	4	—
Current deferred tax liabilities	395	373
Total current liabilities	24,804	32,508
LINES OF CREDIT	35,962	22,782
DEFERRED TAX LIABILITIES	8,894	7,003
OTHER LONG-TERM LIABILITIES	2,005	2,121
Total liabilities	71,665	64,414
COMMITMENTS AND CONTINGENT LIABILITIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.05 par value; 4,000,000 shares authorized; no issued and outstanding shares	—	—
Common stock, \$0.05 par value; 25,000,000 shares authorized; 14,193,682 and 13,997,076 shares issued and outstanding, respectively	710	700
Additional paid-in capital	69,731	67,088
Retained earnings	104,093	113,723
Other cumulative comprehensive loss	(36,272)	(26,596)
Total stockholders' equity	138,262	154,915
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 209,927	\$ 219,329

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

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DYNAMIC MATERIALS CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
 (Amounts in Thousands, Except Share and Per Share Data)
 (unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
NET SALES	\$39,508	\$51,886	\$125,068	\$150,566
COST OF PRODUCTS SOLD	29,219	36,803	91,491	104,871
Gross profit	10,289	15,083	33,577	45,695
COSTS AND EXPENSES:				
General and administrative expenses	5,071	5,463	16,670	17,027
Selling and distribution expenses	4,867	4,639	14,703	13,596
Amortization of purchased intangible assets	1,007	1,575	3,037	4,808
Restructuring expenses	285	—	3,397	—
Total costs and expenses	11,230	11,677	37,807	35,431
INCOME (LOSS) FROM OPERATIONS	(941)	) 3,406	(4,230)	) 10,264
OTHER INCOME (EXPENSE):				
Other income (expense), net	(1,463)	) 472	(299)	) 369
Interest expense	(255)	) (137)	) (700)	) (420)
Interest income	—	1	4	6
INCOME (LOSS) BEFORE INCOME TAXES AND DISCONTINUED OPERATIONS	(2,659)	) 3,742	(5,225)	) 10,219
INCOME TAX PROVISION	1,574	1,420	2,704	4,000
INCOME (LOSS) FROM CONTINUING OPERATIONS	(4,233)	) 2,322	(7,929)	) 6,219
DISCONTINUED OPERATIONS:				
Income (loss) from operations of discontinued operations, net of tax	—	20	—	(77)
NET INCOME (LOSS)	\$(4,233)	) \$2,342	\$(7,929)	) \$6,142
INCOME (LOSS) PER SHARE - BASIC:				
Continuing operations	\$(0.30)	) \$0.17	\$(0.57)	) \$0.45
Discontinued operations	\$—	\$—	\$—	) \$(0.01)
Net income (loss)	\$(0.30)	) \$0.17	\$(0.57)	) \$0.44
INCOME (LOSS) PER SHARE - DILUTED:				
Continuing operations	\$(0.30)	) \$0.17	\$(0.57)	) \$0.45
Discontinued operations	\$—	\$—	\$—	) \$(0.01)
Net income (loss)	\$(0.30)	) \$0.17	\$(0.57)	) \$0.44
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
Basic	13,932,033	13,688,649	13,916,236	13,676,730
Diluted	13,932,033	13,690,174	13,916,236	13,681,790
DIVIDENDS DECLARED PER COMMON SHARE	\$0.04	\$0.04	\$0.12	\$0.12

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

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DYNAMIC MATERIALS CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
 (Amounts in Thousands)
 (unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net income (loss)	\$ (4,233)	\$ 2,342	\$ (7,929)	\$ 6,142
Change in cumulative foreign currency translation adjustment	(1,453)	(10,647)	(9,676)	(12,354)
Total comprehensive income (loss)	\$ (5,686)	\$ (8,305)	\$ (17,605)	\$ (6,212)

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

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DYNAMIC MATERIALS CORPORATION
 CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

(Amounts in Thousands, Except Share Data)

(unaudited)

	Common Stock		Additional	Retained	Other	
	Shares	Amount	Paid-In	Earnings	Cumulative	Total
			Capital		Loss	
Balances, December 31, 2014	13,997,076	\$ 700	\$67,088	\$113,723	\$ (26,596)	\$154,915
Net loss	—	—	—	(7,929)	—	(7,929)
Change in cumulative foreign currency translation adjustment	—	—	—	—	(9,676)	(9,676)
Shares issued in connection with stock compensation plans	196,606	10	175	—	—	185
Tax impact of stock-based compensation	—	—	(268)	—	—	(268)
Stock-based compensation	—	—	2,736	—	—	2,736
Dividends declared	—	—	—	(1,701)	—	(1,701)
Balances, September 30, 2015	14,193,682	\$ 710	\$69,731	\$104,093	\$ (36,272)	\$138,262

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

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DYNAMIC MATERIALS CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
 (Amounts in Thousands)
 (unaudited)

	2015	2014	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$(7,929	) \$6,142	
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Loss from discontinued operations	—	77	
Depreciation (including capital lease amortization)	4,696	5,204	
Amortization of purchased intangible assets	3,037	4,808	
Amortization of deferred debt issuance costs	189	76	
Stock-based compensation	2,223	2,704	
Excess tax benefit from stock-based compensation	(72) —	
Deferred income tax provision (benefit)	1,924	255	
Gain on disposal of property, plant and equipment	59	6	
Restructuring and impairment charges	3,397	—	
Change in:			
Accounts receivable, net	(220	) 5,342	
Inventory, net	(3,908	) (2,732)
Prepaid expenses and other	(1,523	) (3,413)
Accounts payable	(3,742	) (5,084)
Customer advances	(1,271	) 1,445	
Accrued expenses and other liabilities	(3,274	) 810	
Net cash flows provided by (used in) continuing operations	(6,414	) 15,640	
Net cash flows provided by discontinued operations	—	239	
Net cash provided by (used in) operating activities	(6,414	) 15,879	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment	(4,812	) (6,472)
Change in other non-current assets	122	373	
Net cash flows used in continuing operations	(4,690	) (6,099)
Net cash flows used in discontinued operations	—	(120)
Net cash used in investing activities	(4,690	) (6,219)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings (repayments) on bank lines of credit, net	13,446	(3,213)
Payment on loans with former owners of LRI	—	(47)
Payment on capital lease obligations	(4	) (23)
Payment of dividends	(1,692	) (1,667)
Payment of deferred debt issuance costs	(1,042) —	
Net proceeds from issuance of common stock to employees and directors	185	234	
Excess tax benefit from stock-based compensation	72	52	
Net cash provided by (used in) financing activities	10,965	(4,664)
EFFECTS OF EXCHANGE RATES ON CASH	(687	) (662)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(826	) 4,334
CASH AND CASH EQUIVALENTS, beginning of the period	9,400	10,598
CASH AND CASH EQUIVALENTS, end of the period	\$8,574	\$14,932

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

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DYNAMIC MATERIALS CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Share and Per Share Data)

(unaudited)

1. BASIS OF PRESENTATION

The information included in the condensed consolidated financial statements is unaudited but includes all normal and recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the interim periods presented. These condensed consolidated financial statements should be read in conjunction with the financial statements that are included in our Annual Report filed on Form 10-K for the year ended December 31, 2014.

2014 Sale of AMK Technical Services

On October 1 2014, Dynamic Materials Corporation ("DMC") completed the sale of its AMK Technical Services ("AMK") business. The operating results of AMK have been classified as discontinued operations in all period presented. See Note 9 "Discontinued Operations" for additional disclosures regarding the AMK sale.

NobelClad Restructuring

On October 27, 2014, management announced a plan to restructure its NobelClad European operations. The majority of clad metal plate production was shifted from facilities in both Rivesaltes, France and Wurgendorf, Germany to a new manufacturing facility in Liebenseid, Germany. See Note 10 "Restructuring" for additional disclosures regarding these restructuring plans.

DynaEnergetics Restructuring

In the first quarter of 2015, we launched several initiatives to enhance DynaEnergetics' operational efficiencies and align its production and distribution resources with the anticipated demands of the market. In January 2015, we closed two North American distribution centers. On February 24, 2015, we announced the closure of a perforating gun manufacturing facility and distribution center in Edmonton, Alberta. In the second quarter of 2015, North America perforating gun manufacturing was consolidated into DynaEnergetics' existing facility in Whitney, Texas. We also exited multiple other distribution centers in North America and Colombia. The Colombia market is now being served directly from our existing facilities in Texas. Two new centralized distribution centers replaced the smaller and less efficient distribution centers that were closed. See Note 10 "Restructuring" for additional disclosures regarding these restructuring plans.

Corporate Restructuring

In the first quarter of 2015, we eliminated certain positions in our corporate office. Additionally, two of the nine members of our board of directors did not stand for re-election at our Annual meeting in May 2015, and we will continue with a seven-member board. See Note 10 "Restructuring" for additional disclosures regarding these restructuring plans.

Liquidity

The Company was in compliance with all debt covenants at September 30, 2015. However, challenging conditions in our core energy markets has and will likely continue to impact negatively our financial results. We expect the margins by which we will be in compliance with our financial covenants in our syndicated credit agreement will narrow after

September 30, 2015. Due to various operational and commodity pricing risks, there can be no assurances that we will remain in compliance with the financial covenants in our debt agreement. If we are unable to remain in compliance with our covenants, we would pursue an amendment from the syndicate banks.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The condensed consolidated financial statements include the accounts of DMC and its controlled subsidiaries. Only subsidiaries in which controlling interests are maintained are consolidated. All significant intercompany accounts, profits, and transactions have been eliminated in consolidation.

Income Taxes

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The effective tax rate for each of the periods reported differs from the U.S. statutory rate due primarily to favorable foreign permanent differences, variation in contribution to consolidated pre-tax income from each jurisdiction for the respective periods and differences between the U.S. and foreign tax rates (which range from 20% to 35%) on earnings that have been permanently reinvested.

We recognize deferred tax assets and liabilities for the expected future income tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities. Any effects of changes in income tax rates or tax laws are included in the provision for income taxes in the period of enactment. The deferred income tax impact of tax credits are recognized as an immediate adjustment to income tax expense. We recognize deferred tax assets for the expected future effects of all deductible temporary differences to the extent we believe these assets will more likely than not be realized. We record a valuation allowance when, based on current circumstances, it is more likely than not that all or a portion of the deferred tax assets will not be realized. In making such determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, recent financial operations and their associated valuation allowances, if any.

We recognize the tax benefits from uncertain tax positions only when it is more likely than not, based on the technical merits of the position; the tax position will be sustained upon examination, including the resolution of any related appeals or litigation. The tax benefits recognized in the consolidated financial statements from such a position are measured as the largest benefit that is more likely than not of being realized upon ultimate resolution. We recognize interest and penalties related to uncertain tax positions in operating expense.

Earnings Per Share

Unvested awards of share-based payments with rights to receive dividends or dividend equivalents, such as our restricted stock awards (“RSAs”), are considered participating securities for purposes of calculating earnings per share (“EPS”) and require the use of the two class method for calculating EPS. Under this method, a portion of earnings is allocated to these participating securities and therefore is excluded from the calculation of EPS allocated to common stock, as shown in the table below.

Computation and reconciliation of earnings per common share are as follows:

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	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Numerator:				
Income (loss) from continuing operations	\$(4,233	) \$2,322	\$(7,929	) \$6,219
Less income allocated to RSAs	—	(54	) —	(147
Income (loss) from continuing operations allocated to common stock for EPS calculation	(4,233	) 2,268	(7,929	) 6,072
Income (loss) from discontinued operations	—	20	—	(77
Net income (loss) allocated to common stock for EPS calculation	\$(4,233	) \$2,288	\$(7,929	) \$5,995
Denominator:				
Weighted average common shares outstanding - basic	13,932,033	13,688,649	13,916,236	13,676,730
Dilutive stock-based compensation plans	—	1,525	—	5,060
Weighted average common shares outstanding - diluted	13,932,033	13,690,174	13,916,236	13,681,790
Income (loss) per share - Basic:				
Continuing operations	\$(0.30	) \$0.17	\$(0.57	) \$0.45
Discontinued operations	—	—	—	(0.01
Net income (loss) allocated to common stock for EPS calculation	\$(0.30	) \$0.17	\$(0.57	) \$0.44
Income (loss) per share - Diluted:				
Continuing operations	\$(0.30	) \$0.17	\$(0.57	) \$0.45
Discontinued operations	—	—	—	(0.01
Net income (loss) allocated to common stock for EPS calculation	\$(0.30	) \$0.17	\$(0.57	) \$0.44

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, trade accounts receivable and payable, accrued expenses and lines of credit approximate their fair value.

Recent Accounting Pronouncements

In July 2015, the FASB issued an accounting standards update to simplify the measurement of inventory and changes the measurement from lower of cost or market to lower of cost and net realizable value. This pronouncement is effective for reporting periods beginning after December 15, 2016. We currently are evaluating the potential impact the adoption of this standard will have on our financial statements.

In April 2015, the FASB issued an accounting standards update to revise the presentation of debt issuance costs. Under this pronouncement, entities will present debt issuance costs in their balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the deferred debt issuance costs will continue to be included in interest expense. The pronouncement, which is to be applied retrospectively to all prior periods, is

effective for fiscal years beginning after December 15, 2015, with early adoption permitted for financial statements that have not been previously issued. We currently are evaluating the potential impact the adoption of this standard will have on our financial statements.

In June 2014, the FASB issued an accounting standards update to clarify the accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The pronouncement

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is effective for reporting periods beginning after December 15, 2015. We currently are evaluating the potential impact the adoption of this standard will have on our financial statements.

In May 2014, the FASB issued an accounting standards update to clarify the principles of recognizing revenue and to develop a common revenue standard and disclosure requirements for U.S. GAAP and IFRS. The pronouncement is effective for reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. We currently are evaluating the potential impact the adoption of this standard will have on our financial statements.

In April 2014, the FASB issued an accounting standards update which changes the criteria for determining which disposal transactions can be presented as discontinued operations and modifies related disclosure requirements. The pronouncement is effective for reporting periods beginning after December 15, 2014, however, early adoption is permitted. Any future disposal transaction will be accounted for under this standard, but otherwise the adoption of this standard is not expected to have a significant impact on the Company's consolidated financial position or results of operations.

3. INVENTORIES

Inventories are stated at the lower-of-cost (first-in, first-out) or market value. Cost elements included in inventory are material, labor, subcontract costs, and manufacturing overhead. As necessary, we record provisions and maintain reserves for excess, slow moving and obsolete inventory. To determine reserve amounts, we regularly review inventory quantities on hand and values, and compare them to estimates of future product demand, market conditions, production requirements and technological developments.

Inventories consist of the following at September 30, 2015 and December 31, 2014 and include reserves of \$3,163 and \$3,117, respectively:

	September 30, 2015	December 31, 2014
Raw materials	\$ 14,048	\$ 15,208
Work-in-process	10,530	11,528
Finished goods	16,342	12,782
Supplies	645	583
	\$41,565	\$40,101

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4. GOODWILL

The changes to the carrying amount of goodwill during the period are summarized below:

	NobelClad	DynaEnergetics	Total
Goodwill balance at December 31, 2014	\$19,418	\$13,344	\$32,762
Adjustment due to recognition of tax benefit of tax amortization of certain goodwill	(220	) (386	) (606
Adjustment due to exchange rate differences	(1,395	) (1,004	) (2,399
Goodwill balance at September 30, 2015	\$17,803	\$11,954	\$29,757

5. PURCHASED INTANGIBLE ASSETS

The following table presents details of our purchased intangible assets, other than goodwill, as of September 30, 2015:

	Gross	Accumulated Amortization	Net
Core technology	\$19,097	\$(7,521	) \$11,576
Customer relationships	37,778	(27,703	) 10,075
Trademarks / Trade names	2,050	(1,707	) 343
Total intangible assets	\$58,925	\$(36,931	) \$21,994

The following table presents details of our purchased intangible assets, other than goodwill, as of December 31, 2014:

	Gross	Accumulated Amortization	Net
Core technology	\$20,667	\$(7,360	) \$13,307
Customer relationships	40,195	(27,270	) 12,925
Trademarks / Trade names	2,216	(1,714	) 502
Total intangible assets	\$63,078	\$(36,344	) \$26,734

The change in the gross value of our purchased intangible assets from December 31, 2014 to September 30, 2015 was due to foreign currency translation.

6. CUSTOMER ADVANCES

On occasion, we require customers to make advance payments prior to the shipment of goods in order to help finance our inventory investment on large orders or to keep customers' credit limits at acceptable levels. As of September 30, 2015 and December 31, 2014, customer advances totaled \$1,993 and \$3,510, respectively, and originated from several customers.

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7. DEBT

Lines of credit borrowings consisted of the following at September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014
Syndicated credit agreement:		
U.S. Dollar revolving loan	\$35,400	\$19,500
Euro revolving loan	562	3,282
Long-term lines of credit	\$35,962	\$22,782

Syndicated Credit Agreement

On February 23, 2015, we entered into a five-year \$150,000 syndicated credit agreement (“credit facility”) which amended and replaced in its entirety our prior syndicated credit facility entered into on December 11, 2011. The new credit facil