

DGSE COMPANIES INC
Form 10-Q
November 14, 2007

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

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2007

or

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

For the transition period from _____ to _____

Commission File Number 1-11048

DGSE Companies, Inc.

(Exact name of registrant as specified in its charter)

Nevada

*(State or other jurisdiction of
incorporation or organization)*

88-0097334

*(I.R.S. Employer
Identification No.)*

**2817 Forest Lane
Dallas, Texas 75234
(972) 484-3662**

*(Address, including zip code, and telephone
number, including area code, of registrant's
principal executive offices)*

NONE

*(Former name, former address and former
fiscal year, if changed since last report)*

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Edgar Filing: DGSE COMPANIES INC - Form 10-Q

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of November 12, 2007:

<u>Class</u>	<u>Outstanding</u>
Common stock, \$.01 par value per share	9,899,664

TABLE OF CONTENTS

	Page No.	
PART I.	<u>FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	Consolidated Financial Statements.	
	Consolidated Balance Sheets as of September 30, 2007 and December 31, 2006	1
	Consolidated Statements of Operations for the three months ended September 30, 2007 and 2006	2
	Consolidated Statements of Operations for the nine months ended September 30, 2007 and 2006	3
	Consolidated Statements of Cash Flows for the nine months ended September 30, 2007 and 2006	4
	Notes to Consolidated Financial Statements	5
<u>Item 2.</u>	Management's Discussion and Analysis of Financial Condition and Results of Operations.	11
<u>Item 3.</u>	Quantitative and Qualitative Disclosures About Market Risk.	15
<u>Item 4.</u>	Controls and Procedures.	15
PART II.	<u>OTHER INFORMATION</u>	
<u>Item 1.</u>	Legal Proceedings.	16
<u>Item 1A.</u>	Risk Factors	17
<u>Item 4.</u>	Submission of Matters to a Vote of Security Holders.	21
<u>Item 5.</u>	Other Information.	21
<u>Item 6.</u>	Exhibits.	21
SIGNATURES		25

PART I. FINANCIAL INFORMATION**Item 1. Consolidated Financial Statements.***DGSE Companies, Inc. and Subsidiaries***CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2007 Unaudited	December 31, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,380,668	\$ 1,210,282
Trade receivables	4,073,794	1,053,454
Inventories	12,437,162	7,796,028
Prepaid expenses	609,816	192,379
Prepaid federal income tax	—	97,472
Total current assets	18,501,440	10,349,615
Marketable securities - available for sale	57,879	57,879
Property and equipment, net	590,847	1,024,405
Deferred income taxes	18,031	7,152
Goodwill	13,211,152	837,117
Other assets	393,915	869,398
	\$ 32,773,264	\$ 13,145,566
LIABILITIES		
Current Liabilities:		
Notes payable	\$ 183,708	\$ 183,708
Current maturities of long-term debt	215,354	259,273
Accounts payable - trade	1,000,047	828,323
Accrued expenses	783,787	721,305
Customer deposits	360,274	171,912
Federal income tax payable	302,157	—
Total current liabilities	2,845,327	2,164,521
Long-term debt, less current maturities	9,794,247	4,303,685
	12,639,574	6,468,206
STOCKHOLDERS' EQUITY		
Common stock, \$.01 par value; 30,000,000 shares authorized; 9,470,357 and 4,913,290 shares issued and outstanding at the end of each period in 2007 and 2006, respectively	94,704	49,133
Additional paid-in capital	18,374,867	5,708,760
Accumulated other comprehensive loss	(132,245)	(132,245)
Retained earnings	1,796,364	1,051,712
	20,133,690	6,677,360
	\$ 32,773,264	\$ 13,145,566

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

1

DGSE Companies, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended September30,	
	2007	2006
	Unaudited	
Revenue		
Sales	\$ 16,771,838	\$ 9,497,528
Consumer loan service charges	84,475	51,119
	16,856,313	9,548,647
Costs and expenses		
Cost of goods sold		