Barnes To Sell Distribution Business For $550M

The Associated Press

BRISTOL, Conn. (AP) — Barnes Group Inc., which makes parts for aerospace and other industries, said Friday that it will sell its North American distribution business to MSC Industrial Direct Co. for $550 million. Shares of both companies rose on the news.

Barnes Group also named a new chief executive officer and reported improved fourth-quarter earnings.

The company said Patrick Dempsey, the company's current chief operating officer, will replace the retiring Gregory Milzcik, its CEO since 2006.

The appointment of Dempsey, 48, is effective March 1. Milzcik will remain with the company through May 3 in the role of executive vice chairman to help with the transition, Barnes said.

The sale of the North American distribution is expected to close in late March, or early in the second quarter of 2013, Barnes said.

Barnes said the Cleveland-based business provides inventory management, technical sales and supply chain services for maintenance, repair, operating and production supplies. It employs about 1,400 people and posted 2012 revenue of about $300 million.

Barnes said it expects the after-tax proceeds from the sale to total about $400 million. Part of that will be used to reduce debt, buyback stock, invest in growth initiatives and for general corporate purposes.

MSC, which is based in Melville, N.Y., is a major distributor of metalworking and maintenance supplies to industrial customers. It said the acquisition to boost its fiscal 2014 earnings by 15 cents to 20 cents per share and fiscal 2015 earnings by 30 cents to 40 cents per share. Most of the costs related to the deal will be incurred in fiscal years 2013 and 2014, the company said.

Barnes Group shares climbed $2.57, or 10.5 percent, to $27.04 in morning trading while MSC Industrial rose $2.87, or 3.5 percent, to $85.96.

Barnes also said Friday that its fourth-quarter net income jumped to $29.7 million, or 54 cents per share, from just $66,000, or zero cents per share, in the same quarter the year before. Revenue rose 16 percent to $327 million, helped by a 44 percent jump in industrial sales to $147.6 million.

Analysts, on average, expected a profit of 51 cents per share on $327.4 million in revenue, according to FactSet.

For the full year 2012, Barnes earned $95.2 million, or $1.72 per share, up from $64.7 million, or $1.16 per share, in 2011. Revenue rose 5 percent to $1.23 billion.

Barnes projected a 2013 profit of $2.03 to $2.18 per share, while analysts expect earnings of $2.15 per share.

Excluding the effects of the distribution business sales and the CEO transition, the company said it expects revenue to grow between 14 percent and 18 percent in 2013. Based on the company's 2012 results, the guidance implies 2013 revenue of $1.4 billion to $1.45 billion. Analysts expect $1.4 billion.

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