

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): November 8, 2004

PFSWEB, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

000-28275

75-2837058

-----  
(State or other jurisdiction of  
incorporation)

-----  
(Commission File  
Number)

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

500 NORTH CENTRAL EXPRESSWAY  
PLANO, TX 75074

-----  
(Address of principal executive offices)

(972) 881-2900

-----  
(Registrant's telephone number, including area code)

NONE

-----  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02. Results of Operations and Financial Condition

On November 8, 2004, PFSweb, Inc. issued a press release announcing its financial results for the quarter ended September 30, 2004. Attached to this current report on Form 8-K is a copy of the related press release dated November 8, 2004. The information in this Report on Form 8-K, and the exhibit hereto, shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section.

Exhibit No.	Description
99.1	Press Release Issued November 8, 2004

SIGNATURE

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 hereunto duly authorized.

PFSweb, Inc.

Dated: November 8, 2004

By: /s/ THOMAS J. MADDEN

-----  
Thomas J. Madden  
Executive Vice President, Chief  
Financial and Accounting Officer

PRESS RELEASE DATED NOVEMBER 8, 2004

## FOR IMMEDIATE RELEASE

Contact: MARK C. LAYTON  
 Senior Partner and Chief Executive Officer Associates  
 or THOMAS J. MADDEN  
 Senior Partner and Chief Financial Officer  
 (972) 881-2900

PRESTON F. KIRK, APR  
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## PFSWEB REPORTS SECOND CONSECUTIVE QUARTER OF NET INCOME

Profit, Record Service Fee Revenue and Strong New Client Additions Highlight  
 Third Quarter

PLANO, TEXAS (NOVEMBER 8, 2004) - PFSweb, Inc. (NASDAQ: PFSW), a global provider of integrated business process outsourcing (BPO) solutions, today reported its results for the quarter ended September 30, 2004. "It is very gratifying to see the results of years of hard work by the PFSweb team begin to come to fruition," said Mark C. Layton, Senior Partner and Chief Executive Officer of PFSweb.

PFSweb's consolidated results for the September 2004 quarter include total net revenues of \$73.2 million, net income before interest, taxes, depreciation and amortization of \$2.1 million, and net income of \$420,000, or \$0.02 per share. The net income result was a substantial improvement from the \$1.1 million loss reported for the same period of the prior year. The consolidated balance sheet as of September 30, 2004, reflects \$114.9 million in total assets, including \$15.9 million in cash, of which \$1 million is restricted, and shareholders' equity of \$27.7 million, or \$1.29 per share.

"I am extremely pleased with our results this quarter," continued Layton.

"These results indicate significant milestones for our company, including:

- - Record net service fee revenues - Our service fee business segment reported \$13.5 million of fee revenues, the highest level in our Company's history. This represents a 33% increase over the same quarter of the prior year.
- - Consecutive profitable quarters - This is the first time that we have reported back-to-back profitable quarters. Additionally, three of the past six quarters have been profitable. We believe sustainable profitability is now in sight.
- - Continued strong new business activity - We have been very successful again this past quarter in new contract signings. The projected annual service fees from this year's new and expanded client signings are already at a record pace. In addition, our lead and proposal pipeline remains robust, including outstanding proposals for more than \$30 million in annual service fees."

"Our service fee business segment continues to perform well, both in terms of revenues and costs," stated Tom Madden, Senior Partner and Chief Financial Officer of PFSweb. "The service fee business segment benefited this quarter from several incremental projects with both existing and new clients and also includes service fees from certain new clients recently implemented. Our gross margin percentage for this business segment improved slightly over the prior year, but was down sequentially from the June 2004 quarter. This decline was primarily due to implementation costs on new contracts and lower overall gross margin percentage on certain incremental projects. We continue to target a gross margin percentage performance on our service fee clients between 30-40%, but we have and we may continue to accept lower than this targeted range on certain

larger contracts and projects depending on contract scope and other factors.

"SG&A levels were relatively consistent with the same period from the prior year, yet lower than the June 2004 quarter. This decrease was primarily due to timing of certain expenditures, including professional fees and sales and marketing costs. We continue to review our operating expenses to ensure they align with our targeted growth levels, and we plan to make further investments in areas that will help continue to fuel and support our growth plans. Additionally, we expect to experience growth in SG&A due to increased professional fees applicable to the Sarbanes Oxley Act."

"In addition to the positive financial performance," Layton said, "PFSweb continues to experience outstanding results in new client additions. During 2004, we have gained many new client relationships. These new relationships include Raytheon Aircraft Company, FLAVIA(R) Beverage Systems, Rene Furterer USA, and unnamed clients including a Fortune 500 consumer products firm, a major nutraceutical company, a prepaid wireless provider, a healthcare payment provider and other clients. Due to contractual agreements, we often are not allowed to mention new clients by name.

"To meet the needs of this growth, we recently leased an additional facility in Southaven, Miss., just a short distance from our distribution hub in Memphis, Tenn. We expect this facility to become operational during the first quarter of 2005. We are continually evaluating the need for additional distribution facilities.

"Due to the time estimated to fully implement our new contract relationships, we do not expect to fully realize the majority of the financial revenue and gross margin benefit of these new contracts until calendar year 2005. However, based on our current projections, we expect to post significant year-on-year service fee revenue growth and overall financial improvement for both the December 2004 and March 2005 quarters. However, the March quarter has been and is expected to continue to be our weakest quarter due to seasonal fluctuations of certain clients. Our current targets for the full calendar year 2005 call for positive cash flow from operating activities and accelerating growth of our service fee revenue business segment.

"Along with our pursuit of leased distribution space to support our new client relationships, we also will incur additional capital expenditures to support the incremental business. Our new Southaven distribution center will include approximately \$4 million to \$5 million in capital expenditures. We also expect to incur further capital expenditures, estimated to be approximately \$2 million, to support other recent client additions. To finance these expenditures, we are seeking bank financing, state bond financing, or lease financing.

"Combined with a continuing improvement in the U.S. economic environment, PFSweb's many strengths are contributing to our recent new business successes. Everything we offer is 'world class,' which has allowed us to develop a reputation as a high quality service provider. Our business solutions are custom tailored to meet each client's specific needs. Our systems can easily converse with virtually any IT platform. And most importantly, our people are experts in their fields of discipline. From finance to technology to logistics to customer retention, we offer our clients the world's leading solutions design talent," Layton emphasized.

CONFERENCE CALL INFO:

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PFSweb will hold a conference call Monday, November 8, 2004 at 3:30 p.m. Central Time. To ensure attendance on the call, plan to dial in by 3:20 p.m. to (973) 582-2741. Ask to be placed on the PFSweb Earnings Release Conference Call. The call also can be heard "live" by accessing the Company's website, [www.pfsweb.com](http://www.pfsweb.com), at the time of the call. Two hours after the conference, a recorded playback can be heard for 14 days at (877) 519-4471, using the confirmation number 5348274. Check [www.pfsweb.com](http://www.pfsweb.com) and our November 2, 2004 investor conference call press release for more details on the call.

ABOUT PFSWEB, INC.

When the world's brand names need proven, fast and secure business infrastructure to enable traditional and e-commerce strategies, they choose PFSweb for comprehensive outsourcing solutions. The PFSweb team of experts designs diverse solutions for clients around a flexible core business infrastructure. PFSweb provides solutions that include: professional consulting services, order management, web-enabled customer contact centers, customer relationship management, international distribution services, kitting and assembly services, managed web hosting and site design, billing and collection services and ERP information interfacing utilizing the Entente Suite (SM).

Our services are provided to a multitude of industries and company types, including such clients as Adaptec (NASDAQ: ADPT), Dupont Fluoroproducts, FLAVIA(R)Beverage Systems, Hewlett-Packard (NYSE: HPQ), iGo/Mobility Electronics (NASDAQ: MOBE), International Business Machines (NYSE: IBM), Nokia (NYSE: NOK), Pfizer, Inc. (NYSE: PFE), Raytheon Aircraft Company, Rene Furterer USA, Roots, Inc., Shell Energy Services Company, Smithsonian Institution and Xerox (NYSE: XRX).

The matters discussed in this news release (except for historical information) and, in particular, information regarding estimates, future revenue, earnings and business plans and goals, consist of forward-looking information under the Private Securities Litigation Reform Act of 1995 and are subject to and involve risks and uncertainties, which could cause actual results to differ materially from the forward-looking information. These forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. These risks and uncertainties include, but are not limited to, our ability to retain and expand relationships with existing clients and attract new clients; our dependence upon our agreements with IBM; our reliance on the fees generated by the transaction volume or product sales of our clients; our reliance on our clients' projections or transaction volume or product sales; our client mix and the seasonality of their business; our ability to finalize pending contracts; the impact of strategic alliances and acquisitions; trends in the market for our services; trends in e-commerce; whether we can continue and manage growth; changes in the trend toward outsourcing; increased competition; our ability to generate more revenue and achieve sustainable profitability; effects of changes in profit margins; the customer concentration of our business; the unknown effects of possible system failures and rapid changes in technology; trends in government regulation both foreign and domestic; foreign currency risks and other risks of operating in foreign countries; potential litigation involving our e-commerce intellectual property rights; our dependency on key personnel; our ability to raise additional capital or obtain additional financing; our relationship with and our guarantees of the working capital indebtedness of our subsidiary, Supplies Distributors; and our ability or the ability of our subsidiaries to borrow under current financing arrangements and maintain compliance with debt covenants; and whether outstanding warrants issued in a prior private placement will be exercised in the future. A description of these factors, as well as other factors, which could affect the Company's business, is set forth in the Company's Form 10-K for the year ended December 31, 2003.

In addition, some forward-looking statements are based upon assumptions as to future events that may not prove to be accurate. Therefore, actual outcomes and results may differ materially from what is expected or forecasted in such forward-looking statements. We undertake no obligation to update publicly any forward-looking statement for any reason, even if new information becomes available or other events occur in the future. There may be additional risks that we do not currently view as material or that are not presently known.

To find out more about PFSweb, Inc. (NASDAQ: PFSW), visit our Web site at [www.pfsweb.com](http://www.pfsweb.com). The PFSweb web site is not part of this release. PFSweb and GlobalMerchant CommerceWareTM are registered trademarks of PFSweb, Inc. IBM is a registered trademark of International Business Machines Corp. All rights reserved.

- FINANCIAL STATEMENTS FOLLOW -

EXHIBIT A

PFSWEB, INC. AND SUBSIDIARIES  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (A)  
 (In Thousands, Except Per Share Data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Revenues:				
Product revenue, net .....	\$ 61,561	\$ 60,300	\$ 195,435	\$ 183,156
Service fee revenue .....	15,456	9,100	39,087	27,908
Total gross revenues .....	77,017	69,400	234,522	211,064
Less pass-through charges .....	3,856	880	9,327	2,325
Net revenues .....	73,161	68,520	225,195	208,739
Costs of revenues:				
Cost of product revenue .....	58,126	56,988	184,302	172,980
Cost of net service fee revenue .....	7,648	5,790	19,610	17,253
Total costs of revenues .....	65,774	62,778	203,912	190,233
Gross profit .....	7,387	5,742	21,283	18,506
Selling, general and administrative expenses .	6,451	6,336	20,493	19,029
Income (loss) from operations .....	936	(594)	790	(523)
Interest expense, net .....	373	475	1,125	1,589
Income (loss) before income taxes .....	563	(1,069)	(335)	(2,112)
Income tax provision .....	143	72	533	336
Net income (loss) .....	\$ 420	\$ (1,141)	\$ (868)	\$ (2,448)
Net income (loss) per share:				
Basic .....	\$ 0.02	\$ (0.06)	\$ (0.04)	\$ (0.13)
Diluted .....	\$ 0.02	\$ (0.06)	\$ (0.04)	\$ (0.13)
Weighted average number of shares outstanding:				
Basic .....	21,386	18,761	21,270	18,537
Diluted .....	23,071	18,761	21,270	18,537
EBITDA (LBITDA)(B) .....	\$ 2,109	\$ 548	\$ 4,299	\$ 2,974

(A) The financial data above should be read in conjunction with the audited consolidated financial statements of PFSweb, Inc. included in its Form 10-K for the year ended December 31, 2003.

(B) "EBITDA (LBITDA)," or earnings (loss) before interest, taxes, depreciation, and amortization, and excluding equity in earnings of affiliate, is widely used by analysts, investors and other interested parties. We present EBITDA (LBITDA) because we believe it is useful in evaluating our operating performance compared to that of other companies in our industry, as the calculation of EBITDA eliminates the effect of financing, income taxes and the accounting effects of capital spending, which items may vary from different companies for reasons unrelated to overall operating performance. EBITDA (LBITDA) is not a financial measure determined by generally accepted accounting principles and should not be considered as an alternative to net loss as a measure of operating results or to cash flows as a measure of funds available for discretionary or other liquidity purposes. EBITDA (LBITDA) may not be comparably calculated from one company to another. A reconciliation of Net income (loss) to EBITDA (LBITDA) is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net income (loss) .....	\$ 420	\$(1,141)	\$ (868)	\$(2,448)
Income tax provision .....	143	72	533	336
Interest expense, net .....	373	475	1,125	1,589
Depreciation and amortization	1,173	1,142	3,509	3,497

EBITDA (LBITDA) .....	----- \$ 2,109	----- \$ 548	----- \$ 4,299	----- \$ 2,974
	=====	=====	=====	=====



## EXHIBIT A (CONTINUED)

## PFSWEB, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(In Thousands, Except Share Data)

	September 30, 2004	December 31, 2003
	----- (Unaudited) -----	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents .....	\$ 14,941	\$ 14,743
Restricted cash .....	329	1,091
Accounts receivable, net of allowance for doubtful accounts of \$436 and \$339 at September 30, 2004 and December 31, 2003, respectively .....	37,219	31,658
Inventories, net .....	42,908	44,589
Other receivables .....	4,679	3,091
Prepaid expenses and other current assets .....	3,327	2,417
	-----	-----
Total current assets .....	103,403	97,589
	-----	-----
PROPERTY AND EQUIPMENT, net .....	10,453	9,589
RESTRICTED CASH .....	675	900
OTHER ASSETS .....	339	281
	-----	-----
Total assets .....	\$ 114,870	\$ 108,359
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt and capital lease obligations .....	\$ 54,972	\$ 57,085
Trade accounts payable .....	19,767	11,996
Accrued expenses .....	8,914	7,101
	-----	-----
Total current liabilities .....	83,653	76,182
	-----	-----
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current portion .....	2,781	2,762
OTHER LIABILITIES .....	778	998
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock, \$1.00 par value; 1,000,000 shares authorized; none issued and outstanding .....	--	--
Common stock, \$0.001 par value; 40,000,000 shares authorized; 21,486,146 and 21,247,941 shares issued at September 30, 2004 and December 31, 2003, respectively; and 21,399,846 and 21,161,641 outstanding at September 30, 2004 and December 31, 2003, respectively .....	21	21
Additional paid-in capital .....	56,473	56,156
Accumulated deficit .....	(30,171)	(29,303)
Accumulated other comprehensive income .....	1,420	1,628
Treasury stock at cost, 86,300 shares .....	(85)	(85)
	-----	-----
Total shareholders' equity .....	27,658	28,417
	-----	-----
Total liabilities and shareholders' equity .....	\$ 114,870	\$ 108,359
	=====	=====

EXHIBIT B  
 -----

PFSWEB, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATING STATEMENTS OF OPERATIONS FOR THE THREE MONTHS ENDED  
 SEPTEMBER 30, 2004  
 (In Thousands)

	PFSweb, Inc.	Business Supplies Distributors Holdings, LLC	Eliminations	Consolidated
	-----	-----	-----	-----
<b>REVENUES:</b>				
Product revenue, net.....	\$ --	\$ 61,561	\$ --	\$ 61,561
Service fee revenue.....	15,456	--	--	15,456
Service fee revenue, affiliate.....	1,883	--	(1,883)	--
	-----	-----	-----	-----
Total gross revenues.....	17,339	61,561	(1,883)	77,017
Less pass-through charges.....	3,887	--	(31)	3,856
	-----	-----	-----	-----
Net revenues.....	13,452	61,561	(1,852)	73,161
<b>COSTS OF REVENUES:</b>				
Cost of product revenue.....	--	58,126	--	58,126
Cost of service fee revenue.....	8,198	--	(550)	7,648
	-----	-----	-----	-----
Total costs of revenues.....	8,198	58,126	(550)	65,774
	-----	-----	-----	-----
Gross profit.....	5,254	3,435	(1,302)	7,387
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....</b>				
	5,591	2,162	(1,302)	6,451
	-----	-----	-----	-----
Income (loss) from operations.....	(337)	1,273	--	936
EQUITY IN EARNINGS OF AFFILIATE.....	527	--	(527)	--
INTEREST EXPENSE (INCOME), NET.....	(97)	470	--	373
	-----	-----	-----	-----
Income (loss) before income taxes.....	287	803	(527)	563
<b>INCOME TAX PROVISION (BENEFIT).....</b>				
	(133)	276	--	143
	-----	-----	-----	-----
NET INCOME (LOSS).....	\$ 420	\$ 527	\$ (527)	\$ 420
 A reconciliation of Net income (loss) to EBITDA (LBITDA) follows:				
Net income (loss).....	\$ 420	\$ 527	\$ (527)	\$ 420
Income tax expense (benefit).....	(133)	276	--	143
Interest expense (income).....	(97)	470	--	373
Equity in earnings of affiliate.....	(527)	--	527	--
Depreciation and amortization.....	1,173	--	--	1,173
	-----	-----	-----	-----
EBITDA (B).....	\$ 836	\$ 1,273	\$ --	\$ 2,109
	=====	=====	=====	=====

(B) See Exhibit A for description and discussion of EBITDA (LBITDA)

EXHIBIT B (CONTINUED)  
PFSWEB, INC. AND  
SUBSIDIARIES  
UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEETS AS OF SEPTEMBER 30, 2004  
(In Thousands)

Business Supplies Distributors PFSweb, Inc.	
Holdings, LLC Eliminations Consolidated -----	
----- ASSETS	
CURRENT ASSETS: Cash and cash	
equivalents.....	\$ 12,826
\$ 2,115 \$ - \$ 14,941 Restricted	
cash.....	225
104 - 329 Accounts and other receivables,	
net.....	10,002 27,413 (196) 37,219
Inventories,	
net.....	- 42,908
- 42,908 Prepaid expenses and other current	
assets.....	1,391 6,615 - 8,006 -----
----- Total	
current assets.....	24,444
79,155 (196) 103,403 -----	
----- PROPERTY AND EQUIPMENT,	
net.....	10,453 - -
10,453 NOTE RECEIVABLE FROM	
AFFILIATE.....	7,005 -
(7,005) - RESTRICTED CASH 675 - - 675 INVESTMENT	
IN AFFILIATE.....	
6,125 - (6,125) - OTHER ASSETS 339 - - 339 -----	
----- Total	
assets.....	\$ 49,041
\$ 79,155 \$ (13,326) \$ 114,870 =====	
=====	
===== LIABILITIES	
AND SHAREHOLDERS' EQUITY CURRENT LIABILITIES:	
Current portion of long-term debt and capital	
lease	
obligations.....	
\$ 5,778 \$ 49,194 \$ - \$ 54,972 Trade accounts	
payable.....	6,190
13,773 (196) 19,767 Accrued	
expenses.....	
5,910 3,004 - 8,914 -----	
----- Total current	
liabilities.....	17,878 65,971
(196) 83,653 -----	
----- LONG-TERM DEBT AND CAPITAL LEASE	
OBLIGATIONS, less current	
portion.....	
2,781 - - 2,781 NOTE PAYABLE TO	
AFFILIATE.....	- 7,005
(7,005) - OTHER LIABILITIES 778 - - 778	
COMMITMENTS AND CONTINGENCIES SHAREHOLDERS'	
EQUITY: Common stock 21 - - 21 Capital	
contributions.....	-
1,000 (1,000) - Additional paid-in	
capital.....	56,473 - -
56,473 Retained earnings (accumulated	
deficit).....	(30,225) 3,463 (3,409)
(30,171) Accumulated other comprehensive	
income.....	1,420 1,716 (1,716) 1,420
Treasury	
stock.....	(85)
- - (85) -----	
----- Total shareholders'	
equity.....	27,604 6,179 (6,125)
27,658 -----	
----- Total liabilities and shareholders'	
equity.....	\$ 49,041 \$ 79,155 \$ (13,326) \$ 114,870
=====	
=====	