

BARNES GROUP INC

FORM 10-Q (Quarterly Report)

Filed 08/08/94 for the Period Ending 06/30/94

Address	123 MAIN ST BRISTOL, CT 06010
Telephone	8605837070
CIK	0000009984
Symbol	B
SIC Code	3490 - Miscellaneous Fabricated Metal Products
Industry	Misc. Fabricated Products
Sector	Basic Materials
Fiscal Year	12/31

BARNES GROUP INC

FORM 10-Q (Quarterly Report)

Filed 8/8/1994 For Period Ending 6/30/1994

Address	123 MAIN ST BRISTOL, Connecticut 06010
Telephone	860-583-7070
CIK	0000009984
Industry	Misc. Fabricated Products
Sector	Basic Materials
Fiscal Year	12/31

**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 June 30, 1994

or

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

For transition period from _____
to _____

Commission File Number 1-4801

BARNES GROUP INC.

(a Delaware Corporation)

I.R.S. Employer Identification No. 06-0247840

123 Main Street, Bristol, Connecticut 06010

Telephone Number (203) 583-7070

Number of common shares outstanding at

August 2, 1994 - 6,357,065

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 X No

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BARNES GROUP INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per share data)

	(Unaudited)		Six months ended	
	Three months ended June 30	June 30	June 30	June 30
	1994	1993	1994	1993
Net sales	\$143,157	\$127,534	\$285,259	\$254,530
Cost of sales	91,770	80,432	182,472	161,577
Selling and admin- istrative expenses	41,763	40,342	84,365	81,331
Plant closings and restructurings	--	--	--	3,400
	133,533	120,774	266,837	246,308
Operating income	9,624	6,760	18,422	8,222
Other income	1,142	825	2,263	1,846
Interest expense	1,296	1,290	2,676	2,581
Other expenses	743	963	1,124	1,642
Income before income taxes	8,727	5,332	16,885	5,845
Income taxes	3,204	2,425	6,467	2,620
Net income	\$ 5,523	\$ 2,907	\$ 10,418	\$ 3,225
Per common share:				
Net Income	\$.87	\$.47	\$ 1.65	\$.52
Dividends	.35	.35	.70	.70
Average common shares outstanding	6,327,109	6,238,915	6,311,701	6,231,979

See accompanying notes.

BARNES GROUP INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)

ASSETS	June 30, 1994	December 31, 1993
	-----	-----
Current assets		
Cash and cash equivalents	\$ 16,650	\$ 24,129
Accounts receivable, less allowances (1994 - \$2,508; 1993 - \$2,217)	92,661	77,651
Inventories		
Finished goods	27,732	25,527
Work-in-process	13,922	17,117
Raw materials and supplies	7,798	7,847
	-----	-----
Deferred income taxes and prepaid expenses	49,452	50,491
	-----	-----
Total current assets	175,504	168,740
Deferred income taxes	22,767	22,277
Property, plant and equipment	267,599	256,606
Less accumulated depreciation	160,724	153,563
	-----	-----
	106,875	103,043
Goodwill, net	20,907	21,201
Other assets	17,438	18,035
	-----	-----
	\$343,491	\$333,296
	=====	=====

See accompanying notes.

BARNES GROUP INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, 1994	December 31, 1993
	-----	-----
Current liabilities		
Notes and overdrafts payable	\$ 7,849	\$ 10,553
Accounts payable	31,516	27,165
Accrued liabilities	43,079	42,003
Guaranteed ESOP obligation - current	2,088	2,008
	-----	-----
Total current liabilities	84,532	81,729
Long-term debt	70,000	70,000
Guaranteed ESOP obligation	10,946	12,011
Deferred income taxes and other liabilities	11,652	12,369
Accrued retirement benefits	66,368	65,338
Stockholders' equity		
Common stock - par value \$1.00 per share		
Authorized: 20,000,000 shares		
Issued: 7,345,923 shares		
stated at	15,737	15,737
Additional paid-in capital	28,129	28,745
Retained earnings	113,756	107,668
Foreign currency translation adjustments	(7,153)	(6,464)
Treasury stock at cost,		
1994 - 990,873 shares		
1993 - 1,052,440 shares	(37,442)	(39,818)
	-----	-----
	113,027	105,868
Guaranteed ESOP obligation	(13,034)	(14,019)
	-----	-----
	99,993	91,849
	-----	-----
	\$343,491	\$333,296
	=====	=====

See accompanying notes.

BARNES GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Six Months ended June 30, 1994 and 1993
(Dollars in thousands)
(Unaudited)

	1994	1993
	-----	-----
Operating Activities		
Net income	\$ 10,418	\$ 3,225
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	12,351	12,259
Gain on sale of property, plant and equipment	(149)	(176)
Translation losses	597	834
Changes in assets and liabilities:		
Accounts receivable	(14,588)	(5,962)
Inventories	969	(3,252)
Accounts payable and accrued liabilities	4,022	3,144
Deferred income taxes	625	139
Other liabilities and assets	(42)	(2,290)
	-----	-----
Net Cash Provided by Operating Activities	14,203	7,921
Investing Activities		
Proceeds from sale of property, plant and equipment	1,338	2,484
Capital expenditures	(14,886)	(12,090)
Other	(1,252)	(1,694)
	-----	-----
Net Cash Used by Investing Activities	(14,800)	(11,300)
Financing Activities		
Net decrease in notes and overdrafts payable	(2,704)	(4,099)
Proceeds from the issuance of common stock	1,522	675
Dividends paid	(4,419)	(4,363)
	-----	-----
Net Cash Used by Financing Activities	(5,601)	(7,787)
Effect of exchange rate changes on cash flows	(1,281)	(852)
	-----	-----
Decrease in cash and cash equivalents	(7,479)	(12,018)
Cash and cash equivalents at beginning of period	24,129	39,068
	-----	-----
Cash and cash equivalents at end of period	\$ 16,650	\$ 27,050
	=====	=====

See accompanying notes.

Notes to Condensed Consolidated Financial Statements:

1. Summary of Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. For additional information, please refer to the consolidated financial statements and footnotes included in the company's Annual Report on Form 10-K for the year ended December 31, 1993. In the opinion of management, all adjustments, including normal recurring accruals considered necessary for a fair presentation, have been included. All material, non-recurring accruals and adjustments are disclosed below. Operating results for the six-month period ended June 30, 1994 are not necessarily indicative of the results that may be expected for the year ending December 31, 1994.

2. Plant closings and restructurings

In the first quarter of 1993, the company took a pre-tax charge of \$3.4 million, or 33 cents per share, related to a consolidation in its Aerospace business segment. The consolidation involved moving the Central Metals Products division from a leased facility in East Windsor, CT to owned space at the Windsor Manufacturing division in Windsor, CT and an associated reduction in the workforce. The charge also provided for a reduction in employment at its Jet Die fabrication unit.

3. Contingency

In December, 1991, the company was notified by McDonnell Douglas Corporation that they was terminating for default an \$8.2 million contract with the company's Flameco division. In the fourth quarter of 1992, the company wrote off \$4.0 million of net assets related to this contract. The company believes it has legitimate defenses to the default claim. While no reasonable estimate of possible loss or range of loss can be made at this time, management believes that it is unlikely that the ultimate resolution of this dispute will have a material effect on future results of operations of the company. In management's opinion, the ultimate resolution of this dispute, regardless of the outcome, will not have a material effect on the financial position of the company.

4. Income Taxes

The Company's first half of 1994 effective tax rate was 38% compared to 45% for the first six months of 1993. The percentage of foreign losses, for which there are no tax benefits, to consolidated income before income taxes was significantly smaller in 1994 than 1993, resulting in a lower effective tax rate in 1994. In addition, the effective tax rate

was positively impacted in 1994 by the higher level of income in certain foreign tax jurisdictions where the tax rate is lower than the U.S. federal statutory income tax rate.

Item 2. Management's Discussion and Analysis

Sales

The company's 1994 first half sales were \$285.3 million, up 12% from \$254.5 million in 1993. Second quarter 1994 sales were also up 12% to \$143.2 million from the 1993 level of \$127.5 million. These results reflect continued sales gains at Associated Spring and improvements in Bowman Distribution.

Associated Spring's 1994 first half sales increased 16% to \$137.3 million from \$118.0 million in 1993. Second quarter sales were \$69.8 million, up 15% from a year ago. Growth was driven by increased penetration of a strong automotive market and by significant increases in sales to industrial markets, particularly electronics.

Bowman Distribution's 1994 sales were up 12% for both the first half and second quarter over the same 1993 periods. First half sales in 1994 were \$108.9 million versus \$96.8 million in 1993, and \$54.6 million in the second quarter of 1994 versus \$48.7 million in the second quarter of 1993. The 1994 sales gains were a result of steady improvement in the Bowman U.S. industrial maintenance supply business.

Barnes Aerospace 1994 first half sales were \$39.3 million, down 3% from 1993 sales of \$40.3 million. For the second quarter of 1994, sales of \$18.8 million were slightly ahead of last year. Barnes Aerospace sales continue to be impacted by soft commercial and military markets.

Operating Income

Operating income in 1994 improved substantially over the same 1993 periods. Operating income for the first half of 1993 included a first quarter charge of \$3.4 million for the consolidation of the Aerospace machining business. After removing the effect of this charge, operating income for the first half of 1994 increased 59%, to \$18.4 million from \$11.6 million in 1993. For the second quarter of 1994, operating income of \$9.6 million rose 42% from the prior year level.

Associated Spring sales volume increase, as well as cost reductions and productivity improvements, contributed substantially to the increase in operating income. Bowman Distribution's operating income also improved, the result of higher sales and expense reductions. Barnes Aerospace, despite slightly lower sales, reported a significantly reduced operating loss for both the first half and second quarter when compared to the comparable 1993 period. This is attributed to the consolidation of manufacturing facilities, workforce reductions and improvements in manufacturing efficiencies. Of its three businesses, only Advanced Fabrications reported a year over year decline in results. Significant efforts are being made to improve the performance of this business.

Selling and administrative expenses, expressed as a ratio to sales, decreased when compared to 1993, a result of the increased sales volume in 1994 combined with strong expense controls.

Non-operating Income/Expense

Other income increased in the first half of 1994 when compared to 1993 primarily due to higher equity income from NASCO, the company's joint venture.

The decrease in other expenses in 1994 compared to 1993 was due to lower foreign exchange losses.

Cash Flows

In the first half of 1994, operating activities provided \$14.2 million of net cash flow. Strong earnings, adjusted for depreciation and amortization, and a increase in accounts payable and accrued liabilities more than offset an increase in accounts receivable. The increase in accounts receivable resulted from sales growth at Associated Spring and Bowman Distribution. Net cash provided by operating activities was substantially higher then in the same 1993 period, due primarily to higher earnings.

Net cash used by investing activities in 1994 was \$3.5 million higher then in 1993 due primarily to higher capital expenditures. Associated Spring's strategy to boost productivity and product quality through the acquisition of state-of-the-art equipment and technology is the main driver of the capital expenditure increase.

Net cash used by financing activities in the first half of 1994 was \$5.6 million compared to \$7.8 million in 1993. In both years, cash was used to reduce notes and overdrafts payable and to fund dividend payments.

Liquidity and Capital Resources

The company's liquidity, measured in terms of working capital, increased \$4.0 million to \$91.0 million at June 30, 1994 from the December 31, 1993 level. The current ratio approximated 2.1 at June 30, 1994 and December 31, 1993.

The ratio of interest bearing debt to total capitalization was down slightly to 29.0% at June 30, 1994 from 30.5% at December 31, 1993. For this purpose, total capitalization is defined as total interest-bearing debt, plus deferred income taxes and other long-term liabilities, accrued retirement benefits and stockholders' equity excluding the guaranteed ESOP obligation.

The company maintains substantial bank borrowing facilities to supplement internal cash generation. At June 30, 1994, the company had \$100.0 million of borrowing capacity available under its revolving credit agreement.

In addition, the company maintains approximately \$200.0 million in uncommitted short-term bank credit lines, of which \$30.8 million was borrowed at June 30, 1994. The company believes these credit facilities coupled with cash generated from operations are adequate for its anticipated future requirements.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K One report on Form 8-K, Item 4, Change in Certifying Accountants, was filed during the quarter ended June 30, 1994. The report was dated April 11, 1994 and addressed the selection of Price Waterhouse by stockholders as the new certifying accountants at the April 6, 1994 Annual Meeting.

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.

Barnes Group Inc.
(Registrant)

Date August 8, 1994

By John E. Besser

John E. Besser
Senior Vice President
Finance and Law

Date August 8, 1994

By George J. Crowley

George J. Crowley
Vice President, Controller

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End of Filing

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