

BARNES GROUP INC

FORM 10-Q (Quarterly Report)

Filed 11/14/94 for the Period Ending 09/30/94

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 11/14/1994 For Period Ending 9/30/1994

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 September 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

November 8, 1994 - 6,423,238

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)

	Three months ended September 30		Nine months ended September 30	
	1994	1993	1994	1993
Net sales	\$140,261	\$123,103	\$425,520	\$377,633
Cost of sales	89,688	79,259	272,160	240,836
Selling and administrative expenses	40,401	39,012	124,766	120,343
Plant closings and restructurings	--	--	--	3,400
	-----	-----	-----	-----
	130,089	118,271	396,926	364,579
	-----	-----	-----	-----
Operating income	10,172	4,832	28,594	13,054
Other income	1,056	957	3,319	2,803
Interest expense	1,320	1,256	3,996	3,837
Other expenses	865	490	1,989	2,132
	-----	-----	-----	-----
Income before income taxes	9,043	4,043	25,928	9,888
Income taxes	3,671	1,276	10,138	3,896
	-----	-----	-----	-----
Net income	\$ 5,372	\$ 2,767	\$ 15,790	\$ 5,992
	=====	=====	=====	=====
Per common share:				
Net Income	\$.84	\$.44	\$ 2.49	\$.96
Dividends	\$.35	\$.35	\$ 1.05	\$ 1.05
Average common shares outstanding	6,371,543	6,259,538	6,331,867	6,241,267

See accompanying notes.

BARNES GROUP INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)

	September 30, 1994	December 31, 1993
	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 19,018	\$ 24,129
Accounts receivable, less allowances (1994 - \$2,834; 1993 - \$2,217)	91,635	77,651
Inventories		
Finished goods	27,948	25,527
Work-in-process	17,779	17,117
Raw materials and supplies	8,030	7,847
	-----	-----
Deferred income taxes and prepaid expenses	53,757	50,491
	16,591	16,469
	-----	-----
Total current assets	181,001	168,740
Deferred income taxes	23,438	22,277
Property, plant and equipment	272,906	256,606
Less accumulated depreciation	164,167	153,563
	-----	-----
	108,739	103,043
Goodwill, net	20,761	21,201
Other assets	16,972	18,035
	-----	-----
	\$350,911	\$333,296
	=====	=====

See accompanying notes.

BARNES GROUP INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)

	September 30, 1994	December 31, 1993
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes and overdrafts payable	\$ 7,019	\$ 10,553
Accounts payable	31,387	27,165
Accrued liabilities	45,575	42,003
Guaranteed ESOP obligation - current	2,130	2,008
	-----	-----
Total current liabilities	86,111	81,729
Long-term debt	70,000	70,000
Guaranteed ESOP obligation	10,398	12,011
Deferred income taxes and other liabilities	11,327	12,369
Accrued retirement benefits	66,572	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	27,901	28,745
Retained earnings	116,935	107,668
Foreign currency translation adjustments	(5,870)	(6,464)
Treasury stock at cost,		
1994 - 944,811 shares		
1993 - 1,052,440 shares	(35,672)	(39,818)
	-----	-----
	119,031	105,868
Guaranteed ESOP obligation	(12,528)	(14,019)
	-----	-----
	106,503	91,849
	-----	-----
	\$350,911	\$333,296
	=====	=====

See accompanying notes.

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

	1994	1993
	-----	-----
Operating Activities		
Net income	\$ 15,790	\$ 5,992
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	18,456	17,895
Gain on sale of property, plant and equipment	(176)	(443)
Translation losses	490	1,195
Changes in assets and liabilities:		
Accounts receivable	(15,247)	(7,767)
Inventories	(3,028)	(1,487)
Accounts payable and accrued liabilities	8,695	(965)
Deferred income taxes	81	946
Other liabilities and assets	(921)	(3,012)
	-----	-----
Net Cash Provided by Operating Activities	24,140	12,354
Investing Activities		
Proceeds from sale of property, plant and equipment	2,647	3,604
Capital expenditures	(21,913)	(17,973)
Other	(1,754)	(2,292)
	-----	-----
Net Cash Used by Investing Activities	(21,020)	(16,661)
Financing Activities		
Net decrease in notes and overdrafts payable	(3,548)	(2,870)
Proceeds from the issuance of common stock	3,058	1,046
Dividends paid	(6,654)	(6,554)
	-----	-----
Net Cash Used by Financing Activities	(7,144)	(8,378)
Effect of exchange rate changes on cash flows	(1,087)	(2,090)
	-----	-----
Decrease in cash and cash equivalents	(5,111)	(14,775)
Cash and cash equivalents at beginning of period	24,129	39,068
	-----	-----
Cash and cash equivalents at end of period	\$ 19,018	\$ 24,293
	=====	=====

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 nine-month period ended September 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 (net of tax benefits), 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 fabrication units.

3. Contingency

In December, 1991, the company was notified that McDonnell Douglas Corp. 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 effective tax rates for the first nine months of both 1994 and 1993 were approximately 39%. In the third quarter of 1993, the company recorded a tax benefit of \$800,000, resulting from the revaluation of deferred tax assets related to an increase in the federal tax rate applicable to corporations. Without this tax benefit in 1993, the rate would have been 47%.

The 1994 effective rate (39%), compared to the 1993 rate without the \$800,000 tax benefit (47%), was lower primarily because foreign losses, for which there are no tax benefits, comprise a much smaller percentage of consolidated income before income taxes in 1994 than 1993. Also contributing to the lower effective tax rate in 1994 is a higher level of income in 1994 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 nine months sales were \$425.5 million, up 13% from \$377.6 million in 1993. Third quarter 1994 sales were up 14% to \$140.3 million from the third quarter of 1993 level of \$123.1 million. These results reflect continued sales gains by Associated Spring's worldwide operations and at Bowman.

Associated Spring's 1994 first nine month sales increased 18% to \$205.6 million from \$174.0 million in 1993. Third quarter sales were \$68.3 million, up 22% from last year's \$56.0 million. Sales were strong in all market sectors, especially transportation and electronics.

Bowman Distribution's sales were up 11% for the first nine months of 1994 to \$162.7 million from 1993's level of \$145.9 million. Third quarter sales were \$53.7 million, up 9% from \$49.2 million in 1993. The 1994 sales gains were primarily a result of the progress made in its U.S. industrial maintenance supply business.

Barnes Aerospace 1994 nine month sales were down slightly to \$57.7 million versus \$58.4 million in 1993. Third quarter sales improved however to \$18.4 million from \$18.1 million in 1993's third quarter. The Aerospace segment continues to suffer from soft commercial and military markets.

Operating Income

Operating income in 1994 improved substantially over the same 1993 periods. 1993's operating income included a first quarter provision of \$3.4 million for the consolidation of the Aerospace machining business. Eliminating the effect of this provision, operating income for the first nine months of 1994 increased 74%, to \$28.6 million from \$16.5 million in 1993. Operating income of \$10.2 million for the third quarter of 1994 was \$5.3 million higher than 1993.

Both Associated Spring and Bowman Distribution reported significant improvements in operating income. Associated Spring benefited significantly from sales volume increases, gains in manufacturing productivity and tight control of administrative expenses.

Bowman Distribution's improvement in operating income in 1994 resulted from higher sales volume and from cost cutting. However, the cost of expansion of the Bowman System business in Europe continues to dampen overall segment operating income.

Barnes Aerospace sharply reduced its operating losses in 1994. Consolidation of manufacturing facilities, workforce reductions and improvements in manufacturing efficiencies all contributed to the improvement in operating results. However, new project start-up expenses and excess costs at its advanced fabrication business partially offset these gains. Additional measures are being taken to enhance performance in all of the group's operations.

Consolidated selling and administrative expenses, expressed as a ratio to sales, decreased in 1994 compared to 1993 as a result of excellent expense control.

Non-operating Income/Expense

Other income in 1994 increased over 1993 primarily due to an increase in interest income and an increase in equity income from NASCO, the company jointly-owned by Barnes Group and NHK Ltd of Japan.

The primary reason for the decrease in other expenses for the first nine months of 1994 compared to 1993 was lower foreign exchange losses.

Cash Flows

In the first three quarters of 1994, operating activities provided \$24.1 million of net cash flow, a substantial increase over the \$12.4 million provided in the same 1993 period. The improvement was due to the company's strong earnings in 1994. The higher level of receivables, payables and accrued liabilities is a result of sales growth at Associated Spring and Bowman Distribution in 1994.

Net cash used by investing activities in 1994 increased \$4.4 million over 1993 due to increased capital expenditures at Associated Spring. These expenditures are primarily for state-of-the-art equipment that will increase both productivity and product quality and enhance the group's competitiveness in the world market.

Financing activities in both 1994 and 1993 used cash to reduce notes and overdrafts payable and to fund dividend payments, partially offset by proceeds from the issuance of common stock.

Liquidity and Capital Resources

The company's liquidity, measured in terms of working capital, increased \$7.9 million to \$94.9 million at September 30, 1994 from the December 31, 1993 level. The current ratio approximated 2.1 at September 30, 1994 and December 31, 1993.

The ratio of interest bearing debt to total capitalization was down slightly to 28% at September 30, 1994 from 31% 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 September 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 \$26.0 million was borrowed at September 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 No reports on Form 8-K were filed during the quarter ended September 30, 1994.

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 November 11, 1994

By John E. Besser

John E. Besser
Senior Vice President
Finance and Law

Date November 11, 1994

By George J. Crowley

George J. Crowley
Vice President, Controller

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1993
PERIOD START	JAN 01 1994
PERIOD END	SEP 30 1994
CASH	19,018
SECURITIES	0
RECEIVABLES	91,635
ALLOWANCES	2,834
INVENTORY	53,757
CURRENT ASSETS	181,001
PP&E	272,906
DEPRECIATION	164,167
TOTAL ASSETS	350,911
CURRENT LIABILITIES	86,111
BONDS	0
COMMON	15,737
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	90,766
TOTAL LIABILITY AND EQUITY	350,911
SALES	425,520
TOTAL REVENUES	425,520
CGS	272,160
TOTAL COSTS	272,160
OTHER EXPENSES	124,766
LOSS PROVISION	0
INTEREST EXPENSE	3,996
INCOME PRETAX	25,928
INCOME TAX	10,138
INCOME CONTINUING	15,790
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	15,790
EPS PRIMARY	2.49
EPS DILUTED	2.49

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