ANIXTER INTERNATIONAL INC

FORM 10-Q
(Quarterly Report)

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Industry	Electronic Instr. & Controls
Sector	Technology
Fiscal Year	01/01

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JULY 4, 1997

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

Commission file number 1-5989

ANIXTER INTERNATIONAL INC.

(Exact name of registrant as specified in its charter)

Delaware	94-1658138
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2 North Riverside Plaza
Suite 1900
Chicago, Illinois 60606
(Address of principal executive offices and Zip Code)

Registrant's telephone number, including area code: (312) 902-1515

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

At August 11, 1997 there were 47,530,094 shares of Common Stock, $1.00 par value, of the registrant outstanding.

PART I. FINANCIAL INFORMATION

ANIXTER INTERNATIONAL INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	JULY 4, 1997 (UNAUDITED)	JAUARY 3, 1997
Current assets:		
Cash and equivalents	$21,600	$18,200
Accounts receivable (net of allowance for doubtful accounts of $9,000)	513,700	441,100
Inventories, primarily finished goods	387,800	397,300
Other assets	12,100	11,900
Total current assets	935,200	868,500
Property, at cost	140,500	128,400
Accumulated depreciation	(78,300)	(66,800)
Net property	62,200	61,600
Goodwill (net of accumulated amortization of $60,700 and $57,600 respectively)	183,000	183,100
Assets held for sale, net	39,400	44,000
Investment in ANTEC	81,400	77,800
Other assets	27,100	26,000
	$1,328,300	$1,261,000

See accompanying notes to the condensed consolidated financial statements.

ANIXTER INTERNATIONAL INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	JULY 4, 1997 (UNAUDITED)	JANUARY 3, 1997
Current liabilities:		
Accounts payable	$ 265,700	$209,200
Accrued expenses	95,300	97,100
Income taxes payable	6,300	7,200
Total current liabilities	367,300	313,500
Deferred taxes, net	28,600	29,800
Other liabilities	14,000	13,800
Long-term debt	477,800	468,400
Total liabilities	887,700	825,500
Stockholders' equity:		
Common stock	47,300	48,000
Capital surplus	48,500	57,100
Retained earnings	366,100	344,500
Cumulative translation adjustments	(22,100)	(14,100)
	439,800	435,500
Unrealized gain on investment in ANTEC (net of deferred income taxes)	800	-
Total stockholders' equity	440,600	435,500
	$1,328,300	$1,261,000

See accompanying notes to the condensed consolidated financial statements.

ANIXTER INTERNATIONAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE-MONTH PERIODS ENDED		SIX-MONTH PERIODS ENDED	
	JULY 4, 1997	JUNE 28, 1996	JULY 4, 1997	JUNE 28, 1996
Revenues	$682,600	$611,800	$1,341,300	$1,179,200
Cost of goods sold	(513,300)	(460,200)	(1,009,200)	(881,800)
Gross profit	169,300	151,600	332,100	297,400
Operating expenses	(141,900)	(129,700)	(278,000)	(250,600)
Amortization of goodwill	(1,500)	(1,600)	(3,100)	(3,100)
Operating income	25,900	20,300	51,000	43,700
Interest expense and other, net	(7,200)	(6,400)	(14,600)	(11,900)
Equity in ANTEC earnings	-	900	2,200	1,700
Income before income taxes	18,700	14,800	38,600	33,500
Income tax expense	(8,300)	(6,700)	(17,100)	(15,100)
Net income	$10,400	$8,100	$21,500	$18,400
Net income per common and common equivalent share:	$.22	$.16	$.45	$.36
Weighted average common and common equivalent shares	47,300	50,300	47,600	51,200

See accompanying notes to the condensed consolidated financial statements.

ANIXTER INTERNATIONAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(IN THOUSANDS)

	SIX-MONTH PERIODS ENDED	
	JULY 4, 1997	JUNE 28, 1996
Operating activities:		
Net income	$21,500	$18,400
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	12,700	9,600
Amortization of goodwill	3,100	3,100
Deferred income tax expense	(2,800)	200
Other, net	(1,500)	300
Changes in current assets and liabilities, net	(21,800)	(87,000)
Net cash provided (used) by operating activities	11,200	(55,400)
Investing activities:		
Purchases of property, net	(14,400)	(21,400)
Cash provided (used) by assets held for sale, net	4,600	(1,600)
Other investments	(1,100)	-
Net cash used by investing activities	(10,900)	(23,000)
Net cash provided (used) before financing activities	300	(78,400)
Financing activities:		
Borrowings	671,600	402,300
Reduction in borrowings	(655,400)	(268,000)
Proceeds from issuance of common stock	300	100
Purchases of treasury stock	(9,600)	(58,600)
Other, net	(3,800)	400
Net cash provided by financing activities	3,100	76,200
Cash provided (used)	3,400	(2,200)
Cash and equivalents at beginning of period	18,200	10,500
Cash and equivalents at end of period	$21,600	$8,300
Supplemental cash flow information:		
Interest paid during the period	$15,700	$11,400
Income taxes paid during the period	$19,300	$8,300

See accompanying notes to the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation: The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements included in Anixter International Inc.'s ("Company") Annual Report on Form 10-K for the year ended January 3, 1997. The condensed consolidated financial information furnished herein reflects all adjustments (consisting of normal recurring accruals) which are, in the opinion of management, necessary for a fair presentation of the condensed consolidated financial statements for the periods shown. All operating activities of the Company are carried out by its principal subsidiary, Anixter Inc. ("Anixter"), which is a leading supplier of wiring systems, networking and internetworking products for voice, data, and video networks and electrical power applications.

Principles of consolidation: The condensed consolidated financial statements include the accounts of Anixter International Inc. and its subsidiaries after elimination of intercompany transactions.

NOTE 2. SUMMARIZED FINANCIAL INFORMATION OF ANTEC

The Company's ownership interest in ANTEC at July 4, 1997 and June 28, 1996 was approximately 19% and 31%, respectively. On February 6, 1997 a wholly-owned subsidiary of ANTEC was merged into TSX Corporation. Under the terms of the transaction, TSX Corporation shareholders received one share of ANTEC Corporation stock for each share of TSX Corporation stock that they owned. The transaction was accounted for as a pooling of interests. Upon consummation of this transaction the Company's ownership interest in ANTEC was reduced to approximately 19% which resulted in a cessation of equity method accounting for this investment after that date. As a result of this change, the Company recorded a $1.2 million after tax gain in the first quarter of 1997.

NOTE 3. SUMMARIZED FINANCIAL INFORMATION OF ANIXTER INC.

The Company has an approximately 99% ownership interest in Anixter Inc. at July 4, 1997 and January 3, 1997 which is included in the consolidated financial statements of the Company. The following summarizes the financial information for Anixter Inc.

ANIXTER INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
JULY 4, 1997
(IN MILLIONS)

	JULY 4, 1997 (UNAUDITED)	JANUARY 3, 1997
Assets:		
Current assets	$933.3	$857.7
Property, net	62.2	61.6
Goodwill	183.0	183.1
Other assets	35.5	34.1
	$1,214.0	$1,136.5
Liabilities and Stockholders' Equity:		
Current liabilities	$354.8	$304.0
Other liabilities	10.7	11.4
Long-term debt	477.8	468.4
Subordinated notes payable to parent	38.0	29.0
Shareholders' equity	332.7	323.7
	$1,214.0	$1,136.5

ANIXTER INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE-MONTHS ENDED		SIX-MONTHS ENDED	
	JULY 4, 1997	JUNE 28, 1996	JULY 4, 1997	JUNE 28, 1996
	(IN MILLIONS)			
Revenues	$682.6	$611.8	$1,341.3	$1,179.2
Operating income	$ 25.1	$ 20.7	$ 48.1	$ 42.9
Income before income tax expense	$ 17.4	$ 13.3	$ 32.6	$ 29.4
Net income (loss)	$ 8.7	$ 5.9	$ 16.4	$ 14.1

NOTE 4. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In February 1997, the FASB issued Statement No. 128, Earnings per Share, which is required to be adopted on December 31, 1997. At that time, the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. The impact of Statement 128 is not expected to be material.

FINANCIAL LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW: Consolidated net cash provided by operating activities was $11.2 million for the first six months of 1997 compared to $55.4 million used for the same period in 1996. Cash provided by operating activities increased primarily due to lower working capital investments and higher net income. Consolidated cash used by investing activities was $10.9 million for the first six months of 1997 versus $23.0 million for the same period in 1996 as a result of a decrease in capital expenditures for 1997. Consolidated cash provided by net financing activities was $3.1 million for the first half of 1997 in comparison to $76.2 million in the first six months of 1996 due to the reduction in cash required for working capital investments in 1997 and lower capital expenditures. Cash provided by assets held for sale, net was $4.6 million in the first six months of 1997 versus $1.6 million used for the same period in 1996.

Consolidated interest and other expense net was $14.6 million and $11.9 million for the six months ended July 4, 1997 and June 28, 1996, respectively. The increase is the result of higher costs associated with seven year 8% Senior Notes which were issued in September 1996 and higher working capital borrowings which occurred during the previous year. In addition to the fixed rate 8% Senior Notes the Company has entered into interest rate agreements which effectively fix or cap, for a period of time, the interest rate on a portion of its floating rate obligations. As a result, the interest rate on approximately 73% of all debt obligations at July 4, 1997 is fixed or capped. The impact of interest rate swaps and caps on interest expense, net for the six months ended July 4, 1997 and June 28, 1996 was to increase interest expense by approximately $.5 million in each period.

FINANCINGS:

At July 4, 1997, $211.9 million was available under the bank revolving lines of credit at Anixter, of which $37.0 million was available to pay the Company for intercompany liabilities.

OTHER LIQUIDITY CONSIDERATIONS: Certain debt agreements entered into by the Company's subsidiaries contain various restrictions including restrictions on payments to the Company. Such restrictions have not had nor are expected to have an adverse impact on the Company's ability to meet its cash obligations.

The finance business of Signal Capital Corporation ("Signal Capital") has been included in assets held for sale since acquisition in 1988. Subsequent to the purchase, the Company sold or liquidated, through July 4, 1997, $1.4 billion of the portfolio. The $20.0 million net portfolio at July 4, 1997 represents approximately 1% of the original acquired Signal Capital portfolio. Proceeds have been used to repay indebtedness and repurchase shares of the Company's common stock. The Company continues to liquidate the acquired Signal Capital portfolio in an orderly manner that maximizes its value to shareholders and no material amounts of new loans or investments are being made by Signal Capital.

CAPITAL EXPENDITURES AND ACQUISITIONS

Consolidated capital expenditures were $14.4 million and $21.4 million for the first six months of 1997 and 1996, respectively.

RESULTS OF OPERATIONS

The Company continues to experience increased revenue growth in all major product lines, with the exception of shared media hubs in North America, and solid growth across all geographies. The Company competes with distributors and manufacturers who sell products directly or through existing distribution channels to end users or other resellers. The Company's relationship with the manufacturers for which it distributes products could be affected by decisions made by these manufacturers as the result of changes in management or ownership as well as other factors. In addition, the Company's future performance could be affected by economic downturns and possible rapid changes in applicable technologies.

EARNINGS PER SHARE: Weighted average common and common equivalent shares outstanding decreased from June 28, 1996 to July 4, 1997 as a result of the Company's treasury stock purchases. An increase in borrowing costs associated with stock purchases offset the decrease in shares resulting in no significant effect on earnings per share.

QUARTER ENDED JULY 4, 1997: Net income for the second quarter of 1997 was $10.4 million compared with $8.1 million for the second quarter of 1996.

The Company's revenues during the second quarter of 1997 increased 12% to $682.6 million from $611.8 million in 1996 due to the continued growth in demand for all major products sets worldwide, with the exception of shared media hubs in North America where industry-wide growth has been flat to slightly down. Market penetration in Asia and Latin America grew by 55% in the quarter. While Europe sales grew by 25% in the current quarter they were at the same time negatively impacted due to exchange rate fluctuations which resulted in a five percentage point lower growth rate as compared to what it would have been had 1997 exchange rates remained constant with those in 1996. Revenues by major geographic market are presented in the following table:

	QUARTERS ENDED	
	JULY 4, 1997	JUNE 28, 1996
	(IN MILLIONS)	
North America	$497.5	$471.3
Europe	138.7	110.6
Asia and Latin America	46.4	29.9
	$682.6	$611.8

Gross profits increased consistent with the 12% rate of growth in sales as gross profit margins were 24.8% for the second quarter of 1996 and 1997.

Operating expenses increased only 9% to $141.9 million, in support of a 12% increase in revenues, as a result of headcount controls and reduced investments in 1997. The operating expense ratio, before goodwill amortization, has decreased to 20.8% in the second quarter of 1997 from 21.2% in the second quarter of 1996.

Operating income increased to $25.9 million or 3.8% of sales in 1997 versus $20.3 million or 3.3% of sales in the same quarter of 1996. Operating income by major geographic markets is presented in the following table:

	QUARTERS ENDED	
	JULY 4, 1997	JUNE 28, 1996
	(IN MILLIONS)	
North America	$30.1	$26.6
Europe	1.2	(.6)
Asia and Latin America	(5.4)	(5.7)
	$25.9	$20.3

The increase in European profitability is due to 25% higher sales and resulting gross profits and the controlled increase in operating expenses partially offset by an increase in corporate allocations. The increase in corporate allocations from $1.9 million in the second quarter of 1996 to $3.6 million in the second quarter of 1997 is a result of the increased corporate expenses relating to systems and personnel required to support an increased number of transactions in 1997.

Losses in emerging markets decreased slightly as a result of increased productivity at new locations added in the later part of 1996 partially offset by an increase in corporate expense allocations from $.8 million in the second quarter of 1996 to $1.8 million in the second quarter of 1997 resulting from increased transactions.

Consolidated net interest expense for the second quarter of 1997 increased to $7.2 million from $6.4 million in 1996 due to the increase in debt resulting from working capital increases incurred in the previous year and the replacement of $100 million of short term borrowings with an average cost of 6.3% in 1996 with seven year term 8% Senior Notes.

The consolidated tax provision increased to $8.3 million in 1997 from $6.7 million due to higher pre-tax earnings partially offset by a slight decrease in the effective tax rate from the second quarter of 1996 to 1997. The 1997 effective tax rate of 44%, which is based on pre-tax book income adjusted primarily for amortization of goodwill and losses of foreign operations which are not currently deductible, approximates the overall rate for 1996.

SIX-MONTHS ENDED JULY 4, 1997: Net income for the first half of 1997 was $21.5 million compared with $18.4 million for the first half of 1996.

The Company's revenues during the first half of 1997 increased 14% to $1,341.3 million from $1,179.2 million in 1996 due to the continued growth in demand for all major products sets in all geographies, with the exception of the shared media hubs. Asia and Latin America sales grew by 55 percent year over year, the same as in the second quarter. During the current period Europe's sales growth was negatively impacted due to exchange rate fluctuations which resulted in a four percentage point lower growth rate as compared to what it would have been had 1997 exchange rates remained constant with those in 1996. Revenues by major geographic market are presented in the following table:

	SIX-MONTHS ENDED	
	JULY 4, 1997	JUNE 28, 1996
	(IN MILLIONS)	
North America	$ 980.9	$ 896.1
Europe	273.0	226.6
Asia and Latin America	87.4	56.5
	$1,341.3	$1,179.2

Gross profits for the first half of 1997 increased at a lower rate than the 14% rate of growth in sales principally due to first quarter softness in certain European and Asian countries resulting from the stronger dollar and competitive pressures. As a result gross profit margins were 24.8% versus 25.2% in 1996.

Operating expenses increased only 11% to $278.0 million, in support of a 14% increase in revenues, as a result of headcount controls and reduced foreign investments in 1997. The operating expense ratio, before goodwill amortization, has decreased to 20.7% in the first half of 1997 from 21.3% in the first half of 1996.

Operating income increased to $51.0 million in 1997 from $43.7 million in the first half of 1996. Operating income by major geographic markets is presented in the following table:

	SIX-MONTHS ENDED	
	JULY 4, 1997	JUNE 28, 1996
	(IN MILLIONS)	
North America	$ 61.9	$ 50.3
Europe	.3	3.3
Asia and Latin America	(11.2)	(9.9)
	$ 51.0	$ 43.7

The decrease in European profitability is due to the separation of the distribution business from the network integration business which occurred at the end of the first quarter of 1996, gross margin pressures and a $2.8 million increase in corporate expense allocations for services provided to foreign operations.

Increased losses in emerging markets primarily reflect the first quarter 1997 effect of increased staffing and new locations added in the later part of 1996, planned increases in headcounts in 1997 required to penetrate the Asia and Latin American markets and a $2.0 million increase in corporate expense allocations.

Consolidated net interest expense for the first half of 1997 increased to $14.6 million from $11.9 million in 1996 due to the increase in debt resulting from working capital increases incurred in the previous year and the $100 million of 8% short term borrowings previously discussed.

The consolidated tax provision increased to $17.1 million in 1997 from $15.1 million due to higher pre-tax earnings partially offset by a slight decrease in the effective tax rate from the first half of 1996 to 1997.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

27.1 Financial Data Schedule

(b) Reports on Form 8-K

None

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.

ANIXTER INTERNATIONAL INC.

Date: August 14, 1997 *By: /s/ Rod F. Dammeyer*

Rod F. Dammeyer

President and Chief Executive Officer

Date: August 14, 1997 *By: /s/ Dennis J. Letham*

Dennis J. Letham

Senior Vice President - Finance and Chief Financial Officer

ARTICLE 5

This schedule contians summary financial information extracted from Anixter International Inc.'s Consolidated Financial statements and is qualified in its entirety by reference to such finacial statements.

MULTIPLIER: 1,000

PERIOD TYPE	6 MOS
FISCAL YEAR END	JAN 02 1998
PERIOD START	JAN 04 1997
PERIOD END	JUL 04 1997
CASH	21,600
SECURITIES	0
RECEIVABLES	513,700
ALLOWANCES	9,000
INVENTORY	387,800
CURRENT ASSETS	935,200
PP&E	140,500
DEPRECIATION	78,300
TOTAL ASSETS	1,328,300
CURRENT LIABILITIES	367,300
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	47,300
OTHER SE	393,300
TOTAL LIABILITY AND EQUITY	1,328,300
SALES	1,341,300
TOTAL REVENUES	1,341,300
CGS	1,009,200
TOTAL COSTS	1,290,300
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	14,600
INCOME PRETAX	38,600
INCOME TAX	17,100
INCOME CONTINUING	21,500
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	21,500
EPS PRIMARY	.45
EPS DILUTED	.45

End of Filing