MANITOWOC CO INC

FORM 10-Q
(Quarterly Report)

Filed 7/29/1998 For Period Ending 6/30/1998

Address	P O BOX 66
	MANITOWOC, Wisconsin 54221-0066
Telephone	920-684-4410
CIK	0000061986
Industry	Constr. & Agric. Machinery
Sector	Capital Goods
Fiscal Year	12/31

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10Q

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

For the quarterly period ended June 30, 1998

OR

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

For the transition period from _____ to _____

Commission File Number 1-11978

The Manitowoc Company, Inc.

(Exact name of registrant as specified in its charter)

Wisconsin	39-0448110
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

500 So. 16th Street, Manitowoc, Wisconsin	54220
(Address of principal executive offices)	(Zip Code)

(920) 684-4410

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

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 ( )

The number of shares outstanding of the Registrant's common stock, $.01 par value, as of June 30, 1998, the most recent practicable date, was 17,291,154.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE MANITOWOC COMPANY, INC.
Consolidated Statements of Earnings
For the Quarter and Six Months Ended June 30, 1998 and 1997
(Unaudited)
(In thousands, except per-share and average shares data)

	QUARTER ENDED		YEAR-TO-DATE	
	June 30, 1998	June 30, 1997	June 30, 1998	June 30, 1997
Net Sales	$ 188,899	$ 144,985	$ 343,038	$ 261,026
Costs And Expenses:				
Cost of goods sold	135,805	103,156	246,472	187,189
Engineering, selling and administrative expenses	25,501	21,108	51,388	41,815
Total	161,306	124,264	297,860	229,004
Earnings From Operations	27,593	20,721	45,178	32,022
Other Income (Expense):				
Interest expense	(2,858)	(1,608)	(5,266)	(2,732)
Interest and dividend income	48	13	39	81
Other expense	(481)	(190)	(829)	(153)
Total	(3,291)	(1,785)	(6,056)	(2,804)
Earnings Before Taxes On Income	24,302	18,936	39,122	29,218
Provision For Taxes On Income	8,894	7,007	14,377	10,811
Net Earnings	$ 15,408	$ 11,929	$ 24,745	$ 18,407
Net Earnings Per Share - Basic	$ .89	$ .69	$ 1.43	$ 1.07
Net Earnings Per Share - Diluted	$ .88	$ .69	$ 1.42	$ 1.06
Dividends Per Share	$ .11	$ .11	$ .22	$ .22
Average Shares Outstanding - Basic	17,285,236	17,267,035	17,279,930	17,267,035
Average Shares Outstanding - Diluted	17,478,751	17,391,174	17,460,963	17,359,417

See accompanying notes which are an integral part of these statements.

THE MANITOWOC COMPANY, INC.
Consolidated Balance Sheets
As of June 30, 1998 and December 31, 1997
(In thousands, except share data)

-ASSETS-

	June 30, 1998 (Unaudited)	Dec. 31, 1997
Current Assets:		
Cash and cash equivalents	$ 15,579	$ 11,888
Marketable securities	1,787	1,741
Accounts receivable	84,932	59,237
Inventories	64,303	54,701
Prepaid expenses and other	1,684	2,662
Future income tax benefits	15,287	15,287
Total current assets	183,572	145,516
Intangible assets - net	144,918	146,983
Other assets	13,472	12,678
Property, plant and equipment:		
At cost	209,923	202,831
Less accumulated depreciation	(114,952)	(111,640)
Property, plant and equipment-net	94,971	91,191
TOTAL	$ 436,933	$ 396,368

-LIABILITIES AND STOCKHOLDERS' EQUITY-

Current Liabilities:		
Current portion of long-term debt	$ 17,368	$ 15,400
Accounts payable and accrued expenses	108,563	96,540
Short-term borrowings	12,000	49,100
Product Warranties	11,981	9,772
Total current liabilities	149,912	170,812
Non-Current Liabilities:		
Long-term debt less current portion	106,557	66,359
Product warranties	5,003	4,955
Post-retirement health benefits obligations	19,853	19,699
Other	5,737	5,925
Total non-current liabilities	137,150	96,938
Stockholders' Equity:		
Common stock (24,497,655 shares issued at both dates)	245	245
Additional paid-in capital	31,014	30,980
Cumulative foreign currency translation adjustments	(29)	(192)
Retained earnings	199,943	179,088
Treasury stock at cost (7,206,501 and 7,228,480 shares)	(81,302)	(81,503)
Total stockholders' equity	149,871	128,618
TOTAL	$ 436,933	$ 396,368

See accompanying notes which are an integral part of these statements.

THE MANITOWOC COMPANY, INC.
Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 1998 and 1997
(In thousands)

	(Unaudited)	
	June 30, 1998	June 30, 1997
Cash Flows From Operations:		
Net earnings	$ 24,745	$ 18,407
Non-cash adjustments to income:		
Depreciation and amortization	6,945	5,493
Deferred financing fees	193	150
Loss on sale of fixed assets	148	143
Changes in operating assets and liabilities:		
Accounts receivable	(25,695)	(6,454)
Inventories	(9,602)	(9,078)
Other current assets	978	114
Current liabilities	14,578	(1,737)
Non-current liabilities	(188)	(874)
Non-current assets	(1,251)	185
Net cash provided by operations	10,851	6,349
Cash Flows From Investing:		
Purchase of temporary investments	(46)	(29)
Proceeds from sale of property, plant, and equipment	237	12
Capital expenditures	(8,768)	(5,886)
Net cash used for investing	(8,577)	(5,903)
Cash Flows From Financing:		
Dividends paid	(3,889)	(3,837)
Treasury stock issued	234	0
Proceeds from long-term borrowings	50,000	0
Payments on long-term borrowings	(57,834)	(5,519)
Change in short-term borrowings - net	12,900	2,200
Net cash provided by (used for) financing	1,411	(7,156)

Effect of exchange rate changes on cash	6	(27)
Net increase (decrease) in cash and cash equivalents	3,691	(6,737)
Balance at beginning of period	11,888	14,364
Balance at end of period	$ 15,579	$ 7,627
Supplemental cash flow information:		
Interest paid	$ 4,379	$ 3,504
Income taxes paid	16,832	8,966

See accompanying notes which are an integral part of these statements.

THE MANITOWOC COMPANY, INC

Notes to Unaudited Consolidated Financial Statements For the Six Months Ended June 30, 1998 and 1997

Note 1.

In the opinion of management, the accompanying unaudited condensed financial statements contain all adjustments, representing normal recurring accruals, necessary to present fairly the results of operations for the quarter and six months ended June 30, 1998 and 1997, the financial position at June 30, 1998 and the changes in the cash flows for the six months ended June 30, 1998 and 1997. The interim results are not necessarily indicative of results for a full year and do not contain information included in the Company's annual consolidated financial statements and notes for the year ended December 31, 1997.

Note 2.

The components of inventory at June 30, 1998 and December 31, 1997 are summarized as follows (dollars in thousands):

	June 30, 1998	December 31, 1997
Components:		
Raw materials	$ 23,279	$ 25,881
Work-in-process	28,468	22,331
Finished goods	34,510	27,972
Total inventories at FIFO costs	86,257	76,184
Excess of FIFO costs over LIFO value	(21,954)	(21,483)
Total inventories	$ 64,303	$ 54,701

Inventory is carried at lower of cost or market using the first-in, first-out (FIFO) method for 54% and 60% of total inventory for June 30, 1998 and December 31, 1997, respectively. The remainder of the inventory is costed using the last-in, first-out (LIFO) method.

Note 3.

The United States Environmental Protection Agency ("EPA") has identified the company as a potentially responsible party ("PRP") under the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA"), liable for the costs associated with investigating and cleaning up contamination at the Lemberger Landfill Superfund Site (the "Site") near Manitowoc, Wisconsin.

Approximately 150 PRP's have been identified as having shipped substances to the Site. Eleven of the potentially responsible parties have formed a group (the Lemberger Site Remediation Group, or LSRG) and have successfully negotiated with the EPA and the Wisconsin Department of Natural Resources to settle the potential liability at the Site and fund the cleanup.

Recent estimates indicate that the total cost to clean up the Site could be as high as $30 million. However, the ultimate allocation of costs for the Site are not yet final. Although liability is joint and several, the company's percentage share of liability is estimated to be 11% of the total cleanup costs. To date, the company has expensed $3.3 million in connection with this matter. There were no expenses incurred for the year ended December 31, 1997. The company expensed $0.2 million for each of the years ended December 31, 1996 and 1995. Remediation work at the Site has been completed, with only long-term pumping and treating of ground water and Site maintenance remaining. The remaining estimated liability for this matter, included in other current and noncurrent liabilities at June 30, 1998, is $1.1 million.

As of June 30, 1998, 22 product-related lawsuits were pending. Of these, one occurred between 1985 and 1990 when the company was

completely self-insured. The remaining lawsuits occurred subsequent to June 1, 1990, at which time the company had insurance coverages ranging from a $5.5 million self-insured retention with a $10.0 million limit on the insurer's contribution in 1990, to the current $1.0 million self-insured retention and $25.0 million limit on the insurer's contribution.

Product liability reserves at June 30, 1998 are $8.5 million; $3.3 million reserved specifically for the 22 cases referenced above, and $5.2 million for incurred but not reported claims. These reserves were estimated using actuarial methods. The highest current reserve for a non-insured claim is $25,000, and $.5 million for an insured claim. Based on the company's experience in defending itself against product liability claims, management believes the current reserves are adequate for estimated settlements on aggregate self-insured claims.

It is reasonably possible that the estimates for environmental remediation and product liability costs may change in the near future based upon new information which may arise. Presently, there is no reliable means to estimate the amount of any such potential changes.

The company is also involved in various other legal actions arising in the normal course of business. After taking into consideration legal counsel's evaluation of such actions, in the opinion of management, ultimate resolution is not expected to have a material adverse effect on the consolidated financial statements.

Note 4.

During the fourth quarter of 1996, the company's decision to consolidate and close walk-in refrigeration plants located in Iowa and Tennessee resulted in a $1.2 million charge to earnings in the Foodservice segment. The charge includes a write-down to the estimated net realizable values of the assets being abandoned and takes into consideration future holding costs and costs related to the sale of the properties. For the six months ended June 30, 1998, $.1 million was charged against the reserve, with no charges to the reserve during the second quarter of 1998. During the second quarter and first six months of 1997, $.1 million was charged against the reserve.

Assets currently held for sale include land and improvements, buildings, and certain machinery and equipment at the "Peninsula facility" located in Manitowoc, Wisconsin. The current carrying value of these assets, and the assets mentioned above, determined through independent appraisals, is approximately $3.6 million and is included in other assets. The future holding costs, included in accounts payable and accrued expenses and in other non-current liabilities, consist primarily of utilities, security, maintenance, property taxes, insurance, and demolition costs for various buildings. These reserves also include estimates for potential environmental liabilities on the Peninsula location. During the years ended December 31, 1997, 1996 and 1995, $35,000, $1.1 million and $.6 million was paid and charged against these reserves, respectively. For the first six months of 1998 and 1997, $40,000 and $600,000 were charged against the reserve, respectively. For the second quarter of 1998 there were no charges against the reserve, compared with $10,000 charged in the second quarter of 1997.

Note 5.

On May 19, 1997, the company`s board of directors authorized a three- for-two stock split of the company's common stock in the form of a 50-percent stock dividend payable on June 30, 1997 to shareholders of record on June 2, 1997. As a result of the stock split, a total of 5,755,679 shares were issued. All references in the financial statements to average number of common shares outstanding and related earnings per share amounts, market prices per share of common stock, and stock option plan data have been restated to reflect the split. The company also split its common stock on a 3-for-2 basis on July 2, 1996.

Note 6.

The following is a reconciliation of the average shares outstanding used to compute basic and diluted earnings per share. There is no earnings impact for the assumed conversions of the stock options in each of the quarters.

	Quarter Ended June 30				Six Months Ended June 30			
	1998		1997		1998		1997	
	Shares	Per Share Amount	Shares	Per Share Amount	Shares	Per Share Amount	Shares	Per Share Amount
Basic EPS	17,285,236	$.89	17,267,035	$.69	17,279,930	$1.43	17,267,035	$1.07
Effect of Dilutive Securities Stock Options	193,515		124,139		181,033		92,382	
Diluted EPS	17,478,751	$.88	17,391,174	$.69	17,460,963	$1.42	17,359,417	$1.06

Note 7.

During February 1998, the FASB issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefit," which revises disclosures about pension and other postretirement benefits plans. This Statement is effective for the Company's 1998 financial

statements and restatement of disclosures for earlier years provided for comparative purposes will be required unless the information is not readily available. The company is currently evaluating the extent to which its financial statements will be affected by SFAS No. 132.

In March 1998, the AICPA issued SOP 98-1, "Accounting For the Costs of Computer Software Developed or Obtained for Internal Use," which specifies the accounting treatment provided to computer software costs depending upon the type of costs incurred. This Statement is effective for the company's 1999 financial statements and restatement of prior years will not be required. The company does not believe that the adoption of this Statement will have a significant impact on its financial position or results of operations.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which requires that an entity recognize derivative instruments, including certain derivative instruments embedded in other contracts as either assets or liabilities and measure those instruments at fair value. This Statement is effective for the Company's fiscal year 2000 first quarter financial statements and restatement of prior years will not be required. The Company is currently evaluating the extent to which its financial statements will be affected by SFAS No. 133.

Note 8.

On April 2, 1998, the company privately placed, with Prudential Insurance Company, $50 million principal amount of the company's Series A Senior Notes (the "Notes"). The company used the proceeds from the sale of the Notes to pay down borrowings under the current term loan.

The Notes are unsecured and bear interest at the fixed annual rate of 6.54%. The Notes mature in 12 years, and require principal payments beginning in the eighth year after issuance, resulting in an average life of ten years. The agreement between the company and Prudential Insurance Company pursuant to which the Notes were issued (the "Note Agreement") includes covenants which require the company to maintain certain debt ratios and certain levels of net worth. These covenants are no more restrictive than covenants made by the company in connection with certain other credit facilities. Under the terms of the Note Agreement, the company may offer additional senior notes to Prudential Insurance Company up to a maximum principal amount of $25 million, although Prudential Insurance Company is not obligated to purchase any additional notes.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations for the Quarter and Six Months Ended June 30, 1998 and 1997

Net sales and earnings from operations by business segment for the quarter and six months ended June 30, 1998 and 1997 are shown below (in thousands):

	QUARTER ENDED		YEAR-TO-DATE	
	June 30, 1998	June 30, 1997	June 30, 1998	June 30, 1997
NET SALES:				
Foodservice products	$ 87,230	$ 65,941	$ 154,237	$ 118,450
Cranes and related products	86,145	63,866	162,337	120,209
Marine	15,524	15,178	26,464	22,367
Total	$ 188,899	$144,985	$ 343,038	$ 261,026
EARNINGS (LOSS) FROM OPERATIONS:				
Foodservice products	$ 15,627	$ 11,437	$ 24,943	$ 17,613
Cranes and related products	12,928	9,493	22,690	16,430
Marine	2,751	2,880	5,056	3,907
General corporate expense	(2,542)	(2,309)	(5,168)	(4,368)
Amortization	(1,171)	(780)	(2,343)	(1,560)
Total	$ 27,593	$ 20,721	$ 45,178	$ 32,022

Net sales for the quarter ended June 30, 1998 were $188.9 million, up 30 percent compared with the second quarter of 1997. Net earnings grew to $15.4 million, or 89 cents per share (88 cents diluted), a 29 percent increase from the $11.9 million, and 69 cents per share (basic and diluted), earned in the second quarter of 1996. Operating earnings for the quarter were $27.6 million, up 33 percent from a year earlier. The improved operating margin resulted from higher profitability in the company's foodservice segment.

For the first six months of 1998, net sales totaled $343.0 million, compared with sales of $261.0 million in the first half of last year. Net earnings through the end of June were $24.7 million, or $1.43 per share ($1.42 diluted). In the first half of 1997, net earnings were $18.4 million, or $1.07 per share ($1.06 diluted).

Second quarter sales of foodservice equipment were $87.2 million, up 32 percent from a year ago, while the operating profit for this segment rose 37 percent to $15.6 million. Year to date sales and earnings were $154.2 million and $24.9 million, respectively, compared with $118.5 million and $17.6 million in 1997.

Cranes and related products sales for the second quarter increased 35 percent over the same period last year. Operating earnings were $12.9 million and $22.7 million for the second quarter and first six months of 1998, respectively, compared with earnings of $9.5 million and $16.4 million for the same periods last year. The $172.4 million backlog of unfilled crane orders remains at an all-time high, reflecting the strength of the construction industry, and active replacement cycle, and broad market acceptance of its new crane platforms.

Sales and earnings for the marine segment were relatively flat for the second quarter of 1998. However, both remain at historically high levels for this time of year. Year to date sales were $26.5 million, up 18 percent from a year earlier. Operating earnings were $5.0 million for the first half of 1998, compared with $3.9 million for the same period in 1997.

Operations continue to generate significant cash flow. In the most recent quarter, the company had positive cash flow of $32.1 million, compared with a negative $21.2 million in the first three months of 1998 and positive $15.8 million in the second quarter last year.

Interest expense in the quarter and for the first half of 1998 are significantly higher than in the corresponding 1997 periods due to increased debt resulting from the acquisition of SerVend in 1997 and greater working capital needs.

Financial Condition at June 30, 1998

The Company's financial condition remains strong. Cash and marketable securities of $17.4 million and future cash flows from operations are expected to be adequate to meet the Company's liquidity requirements for the foreseeable future, including payments for long-term debt, line of credit, costs associated with the plant opening and consolidations, and anticipated capital expenditures of between $12-$15 million.

This report on Form 10-Q includes forward-looking statements based on management's current expectations. Reference is made in particular to the description of the company's plans and objectives for future operations, assumptions underlying such plans and objectives and other forward-looking statements in this report. Such forward-looking statements generally are identifiable by words such as "believes," "intends," "estimates," "expects" and similar expressions.

These statements involve a number of risks and uncertainties and must be qualified by factors that could cause results to be materially different from what is presented here. This includes the following factors for each business:
Foodservice Equipment - demographic changes affecting the number of women in the workforce, general population growth, and household income; serving large restaurant chains as they expand their global operations; specialty foodservice market growth; and the demand for equipment for small kiosk-type locations. Cranes and Related Products - market acceptance of innovative products; cyclicality in the construction industry; growth in the world market for heavy cranes; demand for used equipment in developing countries. Marine - shipping volume fluctuations based on performance of the steel industry; five-year drydocking schedule; reducing seasonality through non-marine repair work.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

There have been no material changes in market risks faced by the company as compared to those reported in its Annual Report on Form 10-K for the year ended December 31, 1997.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

At the annual meeting of the company's shareholders on May 5, 1998, pursuant to Proposal 1, management's nominees named below were elected as directors of the class whose term expires in 2001, by the indicated votes cast for and withheld with respect to each nominee. Of the 14,903,573 shares of Common Stock which were represented at the meeting, at least 97.8 percent of the shares voting were voted for the election of each of management's nominees, as follows:

Name of Nominee	For	Withheld
George E. Fischer	14,574,949	328,624
Gilbert F. Rankin, Jr.	14,579,657	323,916

There were no abstentions or broker non-votes with respect to the election of directors. In addition to the directors elected at the meeting, the company's continuing directors are Dean H. Anderson, James P. McCann, Guido R. Rahr, Jr. and Robert S. Throop.

Proposal 2, amending the company's Articles of Incorporation to increase the company's authorized shares of Common Stock from 35,000,000 to 75,000,000, was approved as follows:

Shares Voted For	10,953,735
Shares Voted Against	3,795,972
Shares Abstaining	153,866

Further information concerning the matters voted upon at the 1998 Annual Meeting of Shareholders is contained in the company's proxy statement dated March 16, 1998 with respect to the 1998 Annual Meeting.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits: See exhibit index following the signatures on this Report, which is incorporated herein by reference.

(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.

THE MANITOWOC COMPANY, INC.
(Registrant)

/s/ Terry D. Growcock

Terry D. Growcock
President and Chief Executive Officer

/s/ Robert R. Friedl

Robert R. Friedl
Senior V.P. and Chief Financial Officer

/s/ E. Dean Flynn

E. Dean Flynn
Secretary

July 28, 1998

THE MANITOWOC COMPANY, INC.

EXHIBIT INDEX

TO FORM 10-Q

FOR QUARTERLY PERIOD ENDED

June 30, 1998

Exhibit No	Description	Filed Herewith
27	Financial Data Schedule	X

ARTICLE 5

MULTIPLIER: 1000

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD END	JUN 30 1998
CASH	15579
SECURITIES	1787
RECEIVABLES	86086
ALLOWANCES	1154
INVENTORY	64303
CURRENT ASSETS	183572
PP&E	209923
DEPRECIATION	114952
TOTAL ASSETS	436933
CURRENT LIABILITIES	149912
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	245
OTHER SE	149626
TOTAL LIABILITY AND EQUITY	436933
SALES	343038
TOTAL REVENUES	343038
CGS	246472
TOTAL COSTS	297860
OTHER EXPENSES	829
LOSS PROVISION	0
INTEREST EXPENSE	5266
INCOME PRETAX	39122
INCOME TAX	14377
INCOME CONTINUING	24745
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	24745
EPS PRIMARY	1.43
EPS DILUTED	1.42

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