FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
SEC Accession No. 0000075252-95-000002

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OWENS & MINOR INC/VA/

CIK:**75252**| IRS No.: **541701843** | State of Incorp.:**VA** | Fiscal Year End: **1231**
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SIC: **5047** Medical, dental & hospital equipment & supplies

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1995

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 1-9810

OWENS & MINOR, INC.

(Exact name of Registrant as specified in its charter)

Virginia	54-1701843
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4800 Cox Road, Glen Allen, Virginia	23060
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (804) 747-9794

(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 of the Company's Common Stock outstanding as of April 25, 1995 was 30,815,991 shares.

Owens & Minor, Inc. and Subsidiaries
Index

Part I. Financial Information

Item 1. Financial Statements

Owens & Minor, Inc. and Subsidiaries
Consolidated Balance Sheets

<TABLE>

<S> (In thousands, except per share data)	<C> March 31, 1995	<C> December 31, 1994
Assets		
Current assets		
Cash and cash equivalents	$ 261	$ 513
Accounts and notes receivable, net	306,321	290,240
Merchandise inventories	353,757	323,851
Other current assets	25,799	26,222
Total current assets	686,138	640,826
Property and equipment, net	38,743	38,620
Excess of purchase price over net assets acquired, net	174,688	175,956
Other assets	18,774	13,158
Total assets	$ 918,343	$ 868,560

Liabilities and Shareholders' Equity		
Current liabilities		
Current maturities of long-term debt	$ 236	$ 236
Accounts payable	274,279	296,878
Accrued payroll and related liabilities	9,472	11,294
Other accrued liabilities	46,935	50,630
Total current liabilities	330,922	359,038
Long-term debt	323,304	248,427
Other liabilities	5,496	4,919
Total liabilities	659,722	612,384
Shareholders' equity		
Preferred stock, par value $100 per share; authorized - 10,000 shares		
Series A; Participating Cumulative Preferred Stock; none issued	-	-
Series B; Cumulative Preferred Stock; 4 1/2%, convertible; issued - 1,150 shares	115,000	115,000
Common stock, par value $2 per share; authorized - 200,000 shares; issued - 30,808 shares in 1995 and 30,764 in 1994	61,616	61,528
Paid-in capital	1,631	1,207
Retained earnings	80,374	78,441
Total shareholders' equity	258,621	256,176
Commitments and contingencies		
Total liabilities and shareholders' equity	$ 918,343	$ 868,560

</TABLE>

See Notes to Consolidated Financial Statements

Owens & Minor, Inc. and Subsidiaries
Consolidated Statements of Income

(In thousands, except per share data)

Three Months Ended March 31,

<TABLE>

<S>	<C> 1995	<C> 1994
Net sales	$ 747,095	$ 390,794
Cost of sales	674,187	351,668
Gross margin	72,908	39,126

Selling, general and administrative expenses	53,561	28,373
Depreciation and amortization	3,516	2,302
Interest expense, net	5,391	768
Nonrecurring restructuring expenses	2,661	-
Total expenses	65,129	31,443
Income before income taxes	7,779	7,683
Provision for income taxes	3,166	2,927
Net income	4,613	4,756
Dividends on preferred stock	1,294	-
Net income attributable to common stock	$ 3,319	$ 4,756
Net income per common share	$ 0.11	$ 0.15
Cash dividends per common share	$ 0.045	$ 0.035
Weighted average common shares and common share equivalents	31,087	31,133

</TABLE>

See Notes to Consolidated Financial Statements

Owens & Minor, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

(In thousands) Three Months Ended March 31,
<TABLE>
<S> <C> <C>

	1995	1994
Operating Activities		
Net income	$ 4,613	$ 4,756
Noncash charges to income		
Depreciation and amortization	3,516	2,302
Provision for losses on accounts and		

notes receivable	121	-
Provision for LIFO reserve	962	1,381
Other, net	559	243
Cash provided by net income and noncash charges	9,771	8,682
Change in assets and liabilities		
Accounts and notes receivable	(16,202)	(661)
Merchandise inventories	(30,868)	(22,457)
Accounts payable	(65,174)	11,619
Net change in other current assets and current liabilities	(4,157)	1,198
Other, net	(3,935)	850
Cash used for operating activities	(110,565)	(769)
Investing Activities		
Additions to property and equipment	(2,363)	(662)
Other, net	(2,030)	(233)
Cash used for investing activities	(4,393)	(895)
Financing Activities		
Additions to long-term debt	74,696	11,412
Reductions of long-term debt	(59)	(361)
Other short-term financing	42,575	(8,627)
Cash dividends paid	(2,680)	(1,073)
Exercise of options	174	307
Cash provided by financing activities	114,706	1,658
Net decrease in cash and cash equivalents	(252)	(6)
Cash and cash equivalents at beginning of year	513	2,048
Cash and cash equivalents at end of period	$ 261	$ 2,042

</TABLE>

See Notes to Consolidated Financial Statements

Owens & Minor, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

1. Accounting Policies

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (which are comprised only of normal recurring accruals and the use of estimates) necessary to present fairly the consolidated financial position of Owens & Minor, Inc. and subsidiaries as of March 31, 1995 and the results of operations and cash flows for the three month periods ended March 31, 1995 and 1994.

2. Interim Results of Operations

The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

3. Interim Gross Margin Reporting

In general, the Company uses estimated gross profit rates to determine the cost of sales during interim periods. To improve the accuracy of its estimated gross margins for interim reporting purposes, the Company takes physical inventories at selected distribution centers and reported results of operations for the quarter reflect the results of such inventories, if materially different. Management will continue a program of interim physical inventories at selected distribution centers to the extent it deems appropriate to ensure the accuracy of interim reporting and to minimize year-end adjustments.

4. Nonrecurring Restructuring Expenses

During the first quarter, the Company incurred $2.7 million of nonrecurring restructuring expenses related to the Company's restructuring plan developed in connection with the Company's May 1994 combination with Stuart Medical, Inc. (Stuart) and its related decision to contract out the management and operation of its mainframe computer system. The restructuring expenses incurred during the first quarter of 1995 relate primarily to duplicate facility costs. All facility consolidations are expected to be completed during 1995 with total 1995 restructuring expenses approximating $9.0 million. At March 31, 1995, accrued restructuring expenses were $1.5 million.

Item 2.
Owens & Minor, Inc. and Subsidiaries
Management's Discussion and Analysis of
Results of Operations and Financial Condition

Net Sales

During the first quarter of 1995 net sales increased 91.2% to $747.1 million from $390.8 million in the first quarter of 1994 due primarily to the combination with Stuart. Assuming the Stuart combination had occurred January 1, 1994, the increase would have been approximately 16% for the quarter. This "same store" sales increase is due primarily to new contracts with large healthcare providers such as Columbia/HCA Healthcare Corp., Premier Health Alliance and the Department of Defense; a new distribution agreement with VHA, the Company's largest contract; and the continued product line expansion by the Company.

For the first three months of 1995, members of VHA were given the opportunity to choose one of four medical/surgical supply distributors as their authorized distribution agent (ADA). In addition to Owens & Minor, the distribution choices were Shared Service Systems of Nebraska, the Burrows Company and newly added Baxter distribution. Under terms of an agreement reached between VHA and Baxter manufacturing, all ADAs will be authorized to distribute a selected group of Baxter manufacturing products to VHA healthcare organizations. VHA has informed the Company that 95% of its membership has made their selection, and of the 911 accounts previously doing business under the ADA agreement with Owens & Minor, 88% have been retained by the Company. In terms of revenue, it is anticipated that the Company will keep approximately 85% of this VHA volume, and the Company anticipates that the loss of volume will be offset by the gain in distributing Baxter's self-manufactured products to VHA hospitals and by increasing market share within VHA facilities as a result of the expanded volume commitment of non-traditional products by these accounts. Non-traditional products, in this case, are products that have historically been sold direct to hospitals by manufacturers, but are now beginning to come through distribution, or products that have been sold through other channels of distribution that are being consolidated through one distributor. With VHA's expanded membership of 1,199 healthcare providers and their increased potential, which includes for the first time a select group of Baxter's self-manufactured products, the Company expects to service approximately two-thirds of VHA's medical/surgical volume.

Gross Margin

Gross margin as a percentage of net sales declined to 9.8% in the first quarter of 1995 from 10.0% in the first quarter of 1994. The decrease was a result of the increase in sales from large lower margin contracts. As the healthcare industry consolidates, gross margin as a percent to net sales continues to be under pressure. However, the Company should continue to be able to offset decreases in gross margin percentages with an increase in sales volume, producing an increase in gross margin dollars (86.3% for the first quarter).

Selling, General and Administrative Expenses

Selling, general and administrative expenses as a percentage of net sales decreased from 7.3% in the first quarter of 1994 to 7.2% in the first quarter of 1995. However, SG&A as a percentage of sales has increased as compared to the year 1994 (6.8%). This increase was primarily due to incremental costs associated with the VHA sign-up period ended March 31, 1995, and incremental costs of handling additional inventory. The additional inventory has been obtained to ensure product availability to customers during the distribution center combination process and the start-up of new contracts.

Depreciation and Amortization

Depreciation and amortization increased by $1.2 million in the first quarter of 1995 compared to the first quarter of 1994 due primarily to the additional goodwill amortization and depreciation expenses related to the Stuart combination and the depreciation of the Company's continued investment in new and improved technology.

Interest Expense, Net

Interest expense, net of interest income, increased from $.8 million in 1994 to $5.4 million in 1995. The increase was the result of increased borrowing to finance the combination with Stuart and the unfavorable trend in interest rates.

Nonrecurring Restructuring Expenses

During the first quarter, the Company incurred $2.7 million of nonrecurring restructuring expenses related to the Company's restructuring plan developed in connection with the Company's May 1994 combination with Stuart and its related decision to contract out the management and operation of its mainframe computer system. The restructuring expenses incurred during the first quarter of 1995 relate primarily to duplicate facility costs. All facility consolidations are expected to be completed during 1995, with total 1995 restructuring expenses approximating $9.0 million.

Net Income

During the quarter, the Company recorded lower net income than 1994 due to the anticipated nonrecurring restructuring expenses previously mentioned. Without these nonrecurring expenses and the related tax benefit, the Company earned approximately $6.2 million or $.16 per common share. The increase in net income prior to nonrecurring expenses was due primarily to increased sales.

Financial Condition

During the first quarter, the Company increased its long-term debt to finance its technology initiatives and inventory increases. As a result, the current ratio and capitalization ratio have increased and inventory turnover has decreased. Debt should decline as inventory is reduced with the consolidation of distribution centers.

<TABLE>

<S>	<C> March 31, 1995	<C> December 31, 1994
Return on Common Equity*	15.8%	16.2%
Current Ratio	2.1	1.8
Inventory Turnover	8.4	8.8
Accounts Receivable Days Sales	35.5	35.9
Capitalization Ratio	55.6%	49.2%

</TABLE>

* Excludes impact of nonrecurring restructuring expenses and related tax benefit.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit
Financial Data Schedule

(b) There were no reports on Form 8-K for the three months ended March 31, 1995.

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.

OWENS & MINOR, INC.
(Registrant)

Date

/s/ Glenn J. Dozier
Glenn J. Dozier
Senior Vice President, Finance,
Chief Financial Officer

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