

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
SEC Accession No. **000007536-94-000005**

(HTML Version on secdatabase.com)

FILER

ARROW ELECTRONICS INC

CIK: **7536** | IRS No.: **111806155** | State of Incorpor.: **NY** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-04482** | Film No.: **94527888**
SIC: **5065** Electronic parts & equipment, nec

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1994

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 1-4482

ARROW ELECTRONICS, INC.
(Exact name of Registrant as specified in its charter)

New York
(State or other jurisdiction of
incorporation or organization)

11-1806155
(I.R.S. Employer Identifi-
cation Number)

25 Hub Drive, Melville, New York
(Address of principal executive
offices)

11747
(Zip Code)

Registrant's telephone number,
including area code

(516) 391-1300

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, \$1 par value: 31,473,528 shares outstanding at April 29, 1994.

<TABLE>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

ARROW ELECTRONICS, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 1994 AND 1993
(IN THOUSANDS EXCEPT PER SHARE DATA)
(UNAUDITED)

<CAPTION>

	1994	1993
<S>	<C>	<C>
Sales	\$820,783	\$551,391
Costs and expenses:		
Cost of products sold	660,420	431,300
Selling, general and administrative expenses	96,482	74,171
Depreciation and amortization	5,466	3,328
	762,368	508,799
Operating income	58,415	42,592
Equity in earnings of affiliated company	-	300
Interest expense	9,021	6,928
Earnings before income taxes and minority interest	49,394	35,964
Provision for income taxes	19,890	14,036

Earnings before minority interest	29,504	21,928
Minority interest	4,243	3,946
Net income	\$ 25,261	\$ 17,982
Net income used in per common share calculation (reflecting deduction of preferred stock dividends)	\$ 25,261	\$ 17,661
Net income per common share:		
Primary	\$.79	\$.59
Fully diluted	\$.74	\$.55
Average number of common shares and common share equivalents outstanding:		
Primary	31,898	29,995
Fully diluted	35,672	34,778

</TABLE>

See accompanying notes

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<TABLE>

ARROW ELECTRONICS, INC.
CONSOLIDATED BALANCE SHEET
(DOLLARS IN THOUSANDS)

<CAPTION>

	March 31, 1994 (Unaudited)	December 31, 1993
ASSETS		
<S>	<C>	<C>
Current assets:	\$ 54,748	\$ 60,730
Cash and short-term investments		
Accounts receivable, less allowance for doubtful accounts (\$22,164 in 1994 and \$16,491 in 1993)	478,635	363,084
Inventories	470,252	434,953
Prepaid expenses and other assets	14,603	10,841
Total current assets	1,018,238	869,608

Property, plant and equipment at cost:

Land	5,700	5,700
Buildings and improvements	35,251	33,709
Machinery and equipment	59,261	55,148
	100,212	94,557
Less accumulated depreciation and amortization	41,216	38,606
	58,996	55,951
Investment in affiliated company	-	13,371
Investments in net assets of acquired businesses	19,180	-
Cost in excess of net assets of companies acquired, less accumulated amortization (\$15,774 in 1994 and \$13,514 in 1993)	229,622	199,383
Other assets	43,054	52,991
	\$1,369,090	\$1,191,304

</TABLE>

See accompanying notes.

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<TABLE>

ARROW ELECTRONICS, INC.
CONSOLIDATED BALANCE SHEET
(DOLLARS IN THOUSANDS)

<CAPTION>

March 31, 1994 (Unaudited)	December 31, 1993
----------------------------------	----------------------

LIABILITIES AND SHAREHOLDERS' EQUITY

<S>	<C>	<C>
Current liabilities:		
Accounts payable	\$ 253,986	\$ 190,013
Accrued expenses	133,772	104,146
Accrued interest	6,820	5,421
Short-term borrowings, including current maturities of long-term debt	62,881	40,965
Total current liabilities	457,459	340,545
Long-term debt	172,272	153,828
Deferred income taxes and other liabilities	49,110	43,457
Subordinated debentures	125,000	125,000
Minority interest	80,450	71,459
Shareholders' equity:		
Common stock, par value \$1:		
Authorized - 60,000,000 shares		
Issued - 31,477,563 shares in 1994 and 31,298,335 shares in 1993	31,477	31,298
Capital in excess of par value	315,145	310,203
Retained earnings	149,950	124,689
Foreign currency translation adjustment	(8,623)	(7,492)
	487,949	458,698
Less: Treasury shares (10,872 in 1994 and 1993) at cost	12	12
Unamortized employee stock awards	3,138	1,671
	484,799	457,015
	\$1,369,090	\$1,191,304

</TABLE>

See accompanying notes.

<TABLE>

ARROW ELECTRONICS, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 1994 AND 1993
(IN THOUSANDS)
(UNAUDITED)

<CAPTION>

<S>	1994 <C>	1993 <C>
Cash flows from operating activities:		
Net income	\$ 25,261	\$ 17,982
Adjustments to reconcile net income to net cash provided by (used for) operations:		
Minority interest in earnings	4,243	3,946
Depreciation and amortization	6,031	3,750
Equity in undistributed earnings of affiliated company	-	(300)
Deferred taxes	2,123	973
Change in assets and liabilities, net of effects of acquired businesses:		
Accounts receivable	(46,092)	(34,592)
Inventories	(8,408)	13,041
Prepaid expenses and other assets	491	2,143
Accounts payable	41,708	(9,319)
Accrued expenses	11,931	6,675
Accrued interest payable	1,247	3,351
Other	(1,588)	856
Net cash provided by operating activities	36,947	8,506
Cash flows from investing activities:		
Acquisitions of property, plant and equipment, net	(1,936)	(713)
Repayment of loan from affiliate	7,730	-
Cash consideration paid for acquired businesses	(51,904)	(25,145)
Net cash (used for) investing activities	(46,110)	(25,858)
Cash flows from financing activities:		
Change in short-term borrowings	(13,138)	1,484
Repayment of long-term debt	(7,036)	(172)
Proceeds from exercise of stock options	1,962	639
Proceeds from long-term debt	23,351	43,892
Distributions to partners	(2,870)	(725)
Financing fees paid	(200)	(753)
Dividends paid	-	(321)
Net cash provided by financing activities	2,069	44,044
Net increase (decrease) in cash and short-term investments		
	(7,094)	26,692
Cash and short-term investments at beginning of period		
	60,730	3,393
Cash and short-term investments from affiliate at beginning of period		
	1,112	27,057
Cash and short-term investments at end of period	\$ 54,748	\$ 57,142

Supplemental disclosures of cash flow information:

Cash paid during the period:

Income taxes	\$ 14,196	\$ 96
Interest	8,141	1,125

</TABLE>

See accompanying notes.

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ARROW ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1994
(UNAUDITED)

Note A -- Basis of presentation

The accompanying consolidated financial statements reflect all adjustments, consisting only of normal recurring accruals, which are, in the opinion of management, necessary for a fair presentation of the consolidated financial position and results of operations at and for the periods presented. Such financial statements do not include all the information or footnotes necessary for a complete presentation and, accordingly, should be read in conjunction with the company's audited consolidated financial statements for the year ended December 31, 1993 and the notes thereto. The results of operations for the interim periods are not necessarily indicative of results for the full year.

Note B -- Net income per common share

Net income per common share for 1994 is based upon the weighted average number of shares of common stock and common stock equivalents outstanding. For the three months ended March 31, 1994 the average number of common stock equivalents was 500,204. Net income per common share on a fully diluted basis for 1994 assumes that the 5-3/4% convertible subordinated debentures were converted to common stock at the beginning of the period and the related interest expense, net of taxes, was eliminated.

Net income per common share for 1993 is based upon the weighted average number of common stock and common stock equivalents outstanding after deducting preferred stock dividends related to the series B \$19.375 convertible exchangeable preferred stock (the "convertible exchangeable preferred stock"), which was converted into common stock in September 1993. For the three months ended March 31, 1993 the average number of common stock equivalents was 659,354. Net income per common share on a fully diluted basis for 1993 assumes that the convertible exchangeable preferred stock and the 5-3/4% convertible subordinated debentures were converted to common

stock at the beginning of the period. The dividends related to the convertible exchangeable preferred stock and the interest expense on the 5-3/4% convertible subordinated debentures, net of taxes, were eliminated.

Note C -- Acquisition of electronics distribution businesses

In January 1994, the company acquired an additional 15% share, for approximately \$23,400,000, in Spoerle Handelsgesellschaft mbH and Co. and its general partner, Spoerle GmbH (collectively, "Spoerle"), the largest distributor of electronic components in Germany, increasing its holdings to a 70% majority interest. During the first quarter of 1994, the company acquired an additional 11% share in Silverstar Ltd. S.p.A. ("Silverstar"), the largest distributor of electronic components in Italy, increasing its holdings to a 61% majority interest. The acquisitions are being accounted for as purchase transactions, and Silverstar is consolidated with the

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company effective January 1, 1994. Prior to 1994 the company's investment in Silverstar was accounted for under the equity method.

In addition, in January 1994 the company acquired the electronic component distribution business of Field Oy, the largest distributor of electronic components in Finland, and in March 1994 the company acquired TH:s Elektronik AB and its subsidiaries, a group of electronic distribution companies serving Norway, Sweden, and Finland. The acquisitions are being accounted for as purchase transactions beginning in their respective month of acquisition.

In January 1993, the company acquired an additional 15% share, for approximately \$25,145,000, in Spoerle, increasing its holdings to a then 55% majority interest. In May 1993, the company acquired the high-reliability electronic component distribution and value-added service businesses of Zeus Components, Inc. ("Zeus"). In June 1993, the company acquired Microprocessor & Memory Distribution Limited ("MMD"), a U.K.-based electronics distributor which focuses on the distribution of high-technology semiconductor products. In August 1993, the company acquired Components Agent Limited ("CAL"), one of the largest electronics distributors in Hong Kong. During the third quarter of 1993 the company acquired a majority interest in Amitron S.A. and the ATD Group, electronics distributors serving the Spanish and Portuguese markets. In November 1993, the company augmented its French operations by acquiring CCI Electronique.

Set forth below for comparative purposes is the pro forma combined summary of operations for the three months ended March 31, 1993 as though the acquisitions in 1993 had occurred on January 1, 1993.

Three Months Ended
March 31, 1993

(In thousands except per share data)

Sales	\$612,210
Operating income	44,031
Net income	18,333
Net income per common share:	
Primary	.59
Fully diluted	.55
Average number of common shares and common share equivalents outstanding:	
Primary	30,557
Fully diluted	35,340

The unaudited pro forma combined summary of operations has been prepared utilizing the historical financial statements of Arrow and the acquired businesses. The unaudited pro forma combined summary of operations includes the effect of the purchase price allocation adjustments and the additional interest expense on debt incurred in connection with the acquisitions as if the debt had been outstanding from the beginning of the period. The purchase price allocation adjustments include the adjustment of the net assets acquired to fair market value and the estimated costs associated with the integration of the businesses. Such estimated costs include professional fees as well as real estate lease termination costs, costs associated with the elimination of certain redundant franchised lines,

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and severance and other expenses related to personnel performing duplicative functions, all of which are associated with facilities and personnel of the acquired businesses. The unaudited pro forma combined summary of operations does not purport to be indicative of the results which actually would have been obtained if the acquisitions had been made at the beginning of 1993.

The unaudited pro forma combined summary of operations does not reflect sales attrition which may result from the combination of Zeus and MMD with Arrow's businesses. It also does not reflect the cost savings the company expects to achieve from the combination of the Zeus and MMD businesses with its own.

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

Included in 1994's consolidated results is Silverstar, which was accounted for under the equity method prior to January 1994 when Arrow increased its holdings to a majority interest.

Sales

Consolidated sales of \$820.8 million in the first quarter of 1994

were 48.9% and 16.9% ahead of last year's first quarter and the immediately preceding quarter, respectively. Excluding Silverstar, sales for the first quarter were \$770 million, an increase of 39.7% and 9.6% over the first quarter of 1993 and the immediately preceding quarter, respectively. Worldwide sales, excluding the impact of acquisitions, advanced 22% over the first quarter of 1993, reflecting increased activity levels in each of the company's distribution groups.

Operating income

The company recorded operating income of \$58.4 million in the first quarter of 1994, compared to \$42.6 million in the first quarter of 1993 and \$47.7 million in the immediately preceding quarter. The improvement in operating income over the first quarter of 1993 reflects the impact of increased sales, continued economies of scale and expense containment efforts reducing operating expenses as a percentage of sales, and the consolidation of Silverstar. Excluding Silverstar, operating income was \$53.5 million and operating expenses as a percentage of sales decreased from 14.1% in the first quarter of 1993 to 12.3%.

The increase in operating income over the immediately preceding quarter reflects the consolidation of Silverstar and increased sales. Operating expenses as a percentage of sales, excluding Silverstar, decreased from 12.5% in the fourth quarter of 1993 to 12.3% in the first quarter of 1994.

Interest expense

Interest expense of \$9 million in the first quarter of 1994 increased from \$6.9 million in the comparable quarter of 1993 and \$4.9 million in the immediately preceding quarter. The increase from the first quarter of 1993 reflects the borrowings associated with the acquisition of the incremental 15% of Spoerle in 1994, the consolidation of Silverstar, and the incremental interest associated with businesses acquired subsequent to the first quarter of 1993.

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The increase in interest expense compared with the immediately preceding quarter was due to the consolidation of Silverstar and the borrowings associated with the acquisition of the incremental 15% interest in Spoerle in January 1994.

Income taxes

In the first quarter of 1994, the company recorded a provision for taxes at an effective tax rate of 40.3%, compared with 39% in the year-earlier period and 41.8% in the immediately preceding quarter.

Net income

The company recorded net income of \$25.3 million in the first quarter of 1994, compared with \$18 million in the first quarter of 1993 and \$22.7 million in the fourth quarter of 1993. The increase in net income over the year-earlier period and the immediately preceding period is due to increased sales and lower operating expenses as a percentage of sales offset in part by an increase in interest expense as previously discussed.

Liquidity and capital resources

The company maintains a high level of current assets, primarily accounts receivable and inventories. Consolidated current assets as a percentage of total assets were approximately 75% for both the first quarter of 1994 and 1993, excluding the effect of the investments in net assets of acquired businesses in 1994.

The net amount of cash provided by the company's operating activities during the first quarter of 1994 was \$36.9 million, principally reflecting higher net earnings. The net amount of cash used for investing activities was \$46.1 million, including \$51.9 million for various acquisitions.

The net amount of cash provided by the company's operating activities during the first quarter of 1993 was \$8.5 million, principally reflecting increased earnings. The net amount of cash used for investing activities was \$25.9 million, including approximately \$25.1 million for the acquisition of an additional 15% interest in Spoerle. The company financed the acquisition through borrowings under the company's U.S. credit agreement and bank borrowings in Germany.

The company believes that its working capital, funds available under its credit agreement, and additional funds generated from operations will be sufficient to satisfy its cash requirements at least through 1996.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

11 - Statement Re: Computation of Earnings Per Share

(b) Reports on Form 8-K.

During the quarter ended March 31, 1994, the company filed no Current Reports on Form 8-K.

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.

ARROW ELECTRONICS, INC.

Date: May 13, 1994

By:/s/ Robert E. Klatell
Robert E. Klatell
Senior Vice President
and Chief Financial Officer

Date: May 13, 1994

By:/s/ Paul J. Reilly
Paul J. Reilly
Controller

<TABLE>

ARROW ELECTRONICS, INC.
 STATEMENT RE: COMPUTATION OF EARNINGS PER SHARE
 (In thousands except per share data)

<CAPTION>

	Three Months Ended March 31,	
	1994	1993
Primary		
<S>	<C>	<C>
Average shares of common stock outstanding	31,398	29,336
Net effect of dilutive stock options-based on the treasury method	500	659
Total	31,898	29,995
Net income	\$25,261	\$17,982
Less preferred stock dividends	-	321
Total	\$25,261	\$17,661
Per share amount	\$.79	\$.59
Fully Diluted		
Average shares of common stock outstanding	31,398	29,336
Net effect of dilutive stock options-based on the treasury method	500	659
Assumed conversion of 5-3/4% convertible subordinated debentures	3,774	3,774
Assumed conversion of preferred stock	-	1,009
Total	35,672	34,778
Net income	\$25,261	\$17,982
Add interest on 5-3/4% convertible subordinated debentures, net of income tax effect	1,078	1,101

Total	\$26,339	\$19,083
Per share amount	\$.74	\$.55