

SECURITIES AND EXCHANGE COMMISSION

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. **0000031617-95-000012**

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EDO CORP

CIK: **31617** | IRS No.: **110707740** | State of Incorp.: **NY** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-03985** | Film No.: **95536131**
SIC: **3812** Search, detection, navigation, guidance, aeronautical sys

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For Quarter Ended March 31, 1995
Commission File Number 1-3985

EDO CORPORATION
(Exact name of registrant as specified in its charter)

New York No. 11-0707740
(State or other jurisdiction (I.R.S Employer
of incorporation or organization) Identification No.)

14-04 111th Street, College Point, New York 11356-1434
(Address of principal executive offices) (Zip Code)

Telephone Number (718) 321-4000

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 close of the period covered by this report.

Class	Outstanding at March 31, 1995
Common shares, par value \$1 per share	5,643,937

EDO CORPORATION

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PART I - FINANCIAL INFORMATION

Item I. Financial Statements

EDO Corporation and Subsidiaries
Consolidated Balance Sheets
(in thousands)

Assets	March 31, 1995 (unaudited)	Dec. 31, 1994
Current assets:		
Cash and cash equivalents	\$ 15,094	\$ 18,076
Recoverable Federal income taxes	2,989	3,649
Accounts receivable	26,709	24,175
Inventory	11,073	11,607
Prepayments	1,993	1,623
	-----	-----

Total current assets	57,858	59,130
Property, plant and equipment, at cost	87,305	87,467
Less accumulated depreciation and amortization	62,183	61,622
	-----	-----
Net property, plant and equipment	25,122	25,845
Cost in excess of fair value of net assets acquired	10,692	10,837
Other assets	6,818	6,265
	-----	-----
Total assets	\$100,490	\$102,077
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable & accrued liabilities	\$ 21,506	\$ 23,502
Contract advances and deposits	5,024	4,478
	-----	-----
Total current liabilities	26,530	27,980
Long-term debt	29,317	29,317
ESOT loan obligation	13,727	14,007
Postretirement obligation	13,465	13,465
Environmental Obligation	4,285	4,405
Minority interest	2,024	2,153
Shareholders' Equity		
Preferred shares, par value \$1 per share, authorized 500,000 shares, issued 75,292 shares (both periods)	75	75
Common shares, par value \$1 per share, authorized 25,000,000 shares, issued 8,453,902 shares (both periods)	8,454	8,454
Additional paid-in capital	39,330	39,330
Retained earnings	17,804	17,695
	-----	-----
	65,663	65,554
Less: Treasury shares at cost		
2,809,965 shares (both periods)	<39,937>	<39,937>
Translation adjustment	<857>	<860>
ESOT loan obligation	<13,727>	<14,007>

Total shareholders' equity	11,142	10,750
Total liabilities & shareholders' equity	\$100,490	\$102,077

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EDO Corporation and Subsidiaries
Consolidated Statements of Operations
(in thousands except per share amounts)

	For the three months ended	
	Mar. 31, 1995	Mar. 26, 1994
	(unaudited)	
Income		
Net sales	\$ 20,918	\$ 21,250
Other	164	80
	-----	-----
	21,082	21,330
Costs and Expenses		
Cost of sales	15,736	16,232
Selling, general and administrative	4,391	3,817
Research and development	322	1,170
	-----	-----
	20,449	21,219
Operating Earnings	633	111
	-----	-----
Non-Operating Income (Expense)		
Interest income	262	56
Interest expense	<568>	<591>
Other, net	<25>	385
	-----	-----
	<331>	<150>
Earnings (loss) before Federal income taxes	302	<39>
Provision for Federal income taxes	-	56
	-----	-----
Net earnings (loss) before minority interest	302	<95>
Minority interest	129	111
	-----	-----
Net earnings	431	16
Dividends on preferred shares	322	342
	-----	-----

Net earnings (loss) available for Common Shares	\$ 109 =====	\$ <326> =====
Net earnings (loss) per Common Share	\$ 0.02 =====	\$ <0.06> =====
Average shares outstanding	5,644 =====	5,477 =====
Cash dividends per Common Share	\$ -0- =====	\$ 0.07 =====

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EDO Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)

	For the three months ended	
	Mar. 31, 1995	Mar. 26, 1994
	(unaudited)	
Operating Activities:		
Net earnings	\$ 431	\$ 16
Adjustments to net earnings to arrive at cash from operations:		
Gain on sale of building	-	<427>
Depreciation and amortization	1,369	1,628
Decrease in recoverable and deferred income taxes	660	296
Common shares issued for employee benefits	-	50
Changes in:		
Accounts receivable	<2,534>	1,330
Inventories	534	<1,614>
Prepayments, other assets and other	<1,169>	<2,088>
Accounts payable and accrued liabilities	<1,996>	355
Contract advances and deposits	546	<2,119>
	-----	-----
Cash used by operations	<2,159>	<2,573>
Investing Activities:		
Purchase of property, plant and equipment	<501>	<561>
Proceeds from sale of building	-	3,084
	-----	-----
Cash provided (used) by investing activities	<501>	2,523
Financing Activities:		

Payment of common share cash dividends	-	<382>
Payment of preferred share cash dividends	<322>	<342>
Tax benefit associated with dividends paid on unallocated ESOP preferred shares	-	81
	-----	-----
Cash used by financing activities	<322>	<643>
Net decrease in cash and cash equivalents	<2,982>	<693>
Cash and cash equivalents at beginning of period	18,076	9,284
	-----	-----
Cash and cash equivalents at end of period	\$ 15,094	\$ 8,591
	=====	=====
Supplemental disclosures:		
Cash paid for: Interest	\$ 50	\$ 75
Income taxes	\$ 23	\$ 27

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Other Financial Information

Unaudited Financial Statements

The accompanying unaudited financial statements and other related financial information furnished reflect all adjustments which are, in the opinion of management, necessary to present a fair statement of the operating results for the three months ended March 31, 1995 and March 26, 1994.

Backlog Data

The dollar amount of backlog of firm orders at March 31, 1995 was \$88,995,000 compared to \$76,897,000 at March 26, 1994.

Inventories

Inventories are summarized by major classification as follows.

	March 31, 1995	Dec. 31, 1994
	(in thousands)	
Raw material and supplies	\$ 5,723	\$ 5,671
Work in process	4,221	4,762
Finished goods	1,129	1,174
	-----	-----
	\$ 11,073	\$ 11,607
	=====	=====

Reclassifications

Certain reclassifications of 1994 amounts have been made to conform with the 1995 presentation.

Item 2.

Management's Discussion and Analysis
of Financial Condition and Results of Operations

The following discussion relates to the operations of EDO Corporation in its two business segments: Defense and Space Systems; and Industrial Products.

Results of Operations

First Three Months of 1995 Compared with First Three Months of 1994

Sales in the first three months of 1995 were \$20.9 million compared with \$21.3 million in 1994. Sales in the Defense and Space Systems segment decreased by 8% to \$12.1 million. A decrease in airborne mine countermeasure systems sales in the Marine and Aircraft unit and lower sales in our Electro Optics unit were partially offset by higher command and control systems and sonar sales in the Combat Systems unit. The Industrial Products segment sales increased 8% to \$8.8 million. The higher sales were recorded in the EDO Energy product lines at EDO Canada and EDO Angi.

Earnings from operations (before general corporate expense allocations) in the first three months of 1995 were \$1.5 million, compared with \$1.3 million in the first three months of 1994. Included in the first quarter results were pension plan curtailment gains of \$645,000 and \$352,000 for 1995 and 1994, respectively, resulting from the Company's smaller consolidated work force. Operating earnings in the Defense and Space Systems segment declined to \$1.1 million in the first quarter of 1995 from \$1.7 million for the same period in 1994. This decrease resulted from losses on certain development activities at our Electro-Optics unit, partially offset by higher margins at both the Marine and Aircraft unit and Combat Systems unit. The Industrial Products segment recorded operating earnings of \$0.4 million in the first three months of 1995, compared with a loss of \$0.4 million for the same period in 1994. The increase was due primarily to higher margins in the Acoustic Products unit.

Selling, general and administrative expenses in the first three months of 1995 were \$4.4 million, compared with \$3.8 million in the first three months of 1994. This increase is primarily attributable to a reduction in such costs allocated to long term contracts where costs were inventoried.

Company sponsored research and development expenditures decreased 72% from the like 1994 period to \$0.3 million. This reduction was the same in each segment and reflects a more selective approach to development efforts.

Interest expense, net of interest income, declined to \$0.3 million in the first

three months of 1995, compared with \$0.5 million in the like period of 1994, resulting from higher interest income in 1995.

The Company reported net earnings available to common shares of \$109,000, or \$0.02 per share in the first quarter of 1995, compared to a net loss of \$326,000 or \$0.06 per share a year ago. Results in the 1994 first quarter period included a gain on the sale of real estate, which is included in "Other, net" in the Consolidated Statement of Earnings, the pro forma after tax effect of which was equal to \$282,000 or \$0.05 per share. Earnings per share calculations were based on a weighted average of 5.6 million shares outstanding for the first quarter of 1995, and 5.5 million shares for the like period in 1994.

Liquidity and Capital Resources

The Company's cash and cash equivalents decreased \$3.0 million from December 31, 1994 to \$15.1 million at March 31, 1995. The decrease was primarily attributable to an increase in accounts receivable.

The Company has an ESOT loan obligation that is currently \$13.7 million. The repayment of this obligation is funded principally through dividends on the Company's preferred shares. The Company also has outstanding \$29.3 million of 7% Convertible Subordinated Debentures Due 2011. In accordance with authorization from the Board of Directors, the Company has acquired \$5.7 million of such debentures through March 31, 1995 at prevailing market prices. These debentures will be used to satisfy approximately three years of sinking fund requirements that commence in 1996.

In February 1995, the Company renegotiated its ESOT obligation agreement with a bank to waive and or amend the covenants with which the Company was non-compliant at December 31, 1994, extend the effective date of the option to cancel or refinance the obligation to April 1, 1996, and secure the debt with its accounts receivable, inventory, machinery and equipment. In addition, the bank will provide the Company a \$5 million secured line of credit.

Capital expenditures in the first three months of 1995 amounted to \$0.5 million. The total expenditure for 1995 is expected to be about the same as 1994.

In August 1994, the Board of Directors of the Company suspended payment of cash dividends on its common shares to preserve cash and to facilitate funding of the Company's strategic business plan.

As explained in the Company's 1994 Annual Report, the Company is involved in an environmental matter for which management believes it should recover all remediation costs it incurs. The liability of the Company at March 31, 1995 associated with this matter is \$6.7 million. The majority of such costs will be expended over the next two years.

The Company modified its post retirement health care benefit plan in 1995. The effect of these changes will be to reduce its post retirement liability in the future by approximately \$8.0 million.

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The Company believes it has adequate liquidity and sufficient capital resources to fund its plans.

Backlog

The backlog of unfilled orders at March 31, 1995 stood at \$89.0 million compared with \$76.9 million a year ago and \$79.6 million at December 31, 1994. The increased backlog occurred primarily in the Company's Defense and Space systems segment.

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PART II - OTHER INFORMATION

Item 5. Other Information

None

Item 6.(a) Exhibits

27 - Financial Data Schedule

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SIGNATURE

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.

EDO Corporation
(Registrant)

by: M. J. Hegarty

Vice President-Finance and Treasurer
(Principal Financial Officer)

Dated: May 10, 1995

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