

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2001-08-03** | Period of Report: **2001-06-30**
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FILER

GORMAN RUPP CO

CIK: **42682** | IRS No.: **340253990** | State of Incorporation: **OH** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-06747** | Film No.: **1696679**
SIC: **3561** Pumps & pumping equipment

Mailing Address
305 BOWMAN STREET
P.O. BOX 1217
MANSFIELD OH 44901

Business Address
305 BOWMAN ST
PO BOX 1217
MANSFIELD OH 44901
4197551011

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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 quarter ended June 30, 2001

Commission File Number 1-6747

The Gorman-Rupp Company

(Exact name of registrant as specified in its charter)

Ohio

(State or other jurisdiction of
incorporation or organization)

34-0253990

(I.R.S. Employer
Identification No.)

305 Bowman Street, P. O. Box 1217, Mansfield, Ohio

(Address of principal executive offices)

44901

(Zip Code)

Registrant's telephone number, including area code (419) 755-1011

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 No

Shares outstanding at June 30, 2001 –
common, without par value, 8,565,553

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PART I – FINANCIAL INFORMATION
THE GORMAN-RUPP COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(in thousands of dollars, except per share data)

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-----------------|------------------|-----------------|
| | June 30 | | June 30 | |
| | 2001 | 2000 | 2001 | 2000 |
| INCOME | | | | |
| Net sales | \$ 54,838 | \$ 48,008 | \$ 104,509 | \$ 97,032 |
| Other income | 114 | 229 | 376 | 399 |
| TOTAL INCOME | 54,952 | 48,237 | 104,885 | 97,431 |
| DEDUCTIONS FROM INCOME | | | | |
| Cost of products sold | 41,413 | 35,770 | 78,738 | 72,111 |
| Selling, general and administrative expenses | 6,951 | 6,427 | 13,695 | 12,576 |
| TOTAL DEDUCTIONS | 48,364 | 42,197 | 92,433 | 84,687 |
| INCOME BEFORE INCOME TAXES | 6,588 | 6,040 | 12,452 | 12,744 |
| Income taxes | 2,590 | 2,379 | 4,850 | 4,983 |
| NET INCOME | \$ 3,998 | \$ 3,661 | \$ 7,602 | \$ 7,761 |
| Basic And Diluted Earnings Per Share | \$ 0.47 | \$ 0.42 | \$ 0.89 | \$ 0.90 |
| Dividends Paid Per Share | \$ 0.16 | \$ 0.15 | \$ 0.32 | \$ 0.30 |
| Avg. Shares Outstanding | 8,565,553 | 8,591,402 | 8,565,553 | 8,591,725 |

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THE GORMAN-RUPP COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands of dollars)

| | Six Months Ended | |
|---|------------------|---------------|
| | June 30 | |
| | 2001 | 2000 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 7,602 | \$ 7,761 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 3,585 | 3,210 |
| Changes in operating assets and liabilities | (1,851) | 380 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 9,336 | 11,351 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |

| | | |
|---|----------|----------|
| Capital additions, net | (1,766) | (7,662) |
| Change in short-term investments | (2,000) | (2,587) |
| Other | 0 | 46 |
| NET CASH USED FOR INVESTING ACTIVITIES | (3,766) | (10,203) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Cash dividends | (2,741) | (2,578) |
| Change in treasury shares | 0 | (348) |
| Repayments to bank | (3,413) | (232) |
| NET CASH USED FOR FINANCING ACTIVITIES | (6,154) | (3,158) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (584) | (2,010) |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of year | 7,630 | 4,114 |
| June 30 | \$ 7,046 | \$ 2,104 |

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THE GORMAN-RUPP COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands of dollars)

| | June 30 2001 | December 31 2000 |
|---|-----------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 7,046 | \$ 7,630 |
| Short-term investments | 2,000 | 0 |
| Accounts receivable | 36,717 | 28,851 |
| Inventories | 36,999 | 39,760 |
| Other current assets and deferred income taxes | 5,118 | 6,048 |
| TOTAL CURRENT ASSETS | 87,880 | 82,289 |
| OTHER ASSETS | 2,816 | 1,593 |
| DEFERRED INCOME TAXES | 4,115 | 4,114 |
| PROPERTY, PLANT AND EQUIPMENT | 117,418 | 117,322 |
| Less allowances for depreciation | 61,352 | 59,437 |
| PROPERTY, PLANT AND EQUIPMENT – NET | 56,066 | 57,885 |
| TOTAL ASSETS | \$ 150,877 | \$ 145,881 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 5,466 | \$ 7,391 |
| Payrolls and related liabilities | 3,624 | 3,331 |
| Accrued expenses | 11,887 | 8,357 |

| | | |
|---|------------|------------|
| Income taxes | 1,778 | 0 |
| TOTAL CURRENT LIABILITIES | 22,755 | 19,079 |
| LONG TERM DEBT | 0 | 3,413 |
| POSTRETIREMENT BENEFITS | 23,270 | 23,390 |
| SHAREHOLDERS' EQUITY | | |
| Common shares, without par value at stated capital amount | 5,106 | 5,106 |
| Retained earnings | 101,278 | 96,417 |
| Accumulated other comprehensive income | (1,532) | (1,524) |
| TOTAL SHAREHOLDERS' EQUITY | 104,852 | 99,999 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 150,877 | \$ 145,881 |
| Common shares – authorized | 14,000,000 | 14,000,000 |
| * Common shares – outstanding | 8,565,553 | 8,565,553 |
| Common shares – treasury | 299,623 | 299,623 |
| * After deducting treasury shares | | |

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THE GORMAN-RUPP COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

JUNE 30, 2001

NOTE A – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended June 30, 2001 are not necessarily indicative of results that may be expected for the year ending December 31, 2001. For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10K for the year ended December 31, 2000.

NOTE B – INVENTORIES

The major components of inventories are as follows:

| (Thousands of dollars) | June 30 2001 | December 31 2000 |
|------------------------------|-----------------|---------------------|
| Raw materials and in-process | \$ 24,100 | \$ 25,898 |
| Finished parts | 10,374 | 11,148 |
| Finished products | 2,525 | 2,714 |
| | \$ 36,999 | \$ 39,760 |

During the three month periods ended June 30, 2001 and 2000, total comprehensive income was \$4,337,000 and \$3,720,000, respectively. During the six month periods ended June 30, 2001 and 2000, total comprehensive income was \$7,594,000 and \$7,807,000, respectively. Comprehensive income consists of foreign currency translation adjustments.

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THE GORMAN-RUPP COMPANY AND SUBSIDIARIES
MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Second Quarter 2001 vs Second Quarter 2000

Net sales were \$54,838,000 in 2001 compared to \$48,008,000 in 2000, an increase of 14.2%. A majority of the increase was due to increased sales of fabricated turbine diffusers.

Other income was \$114,000 in 2001 compared to \$229,000 in 2000. The decrease was due primarily to decreased currency exchange gains.

Cost of products sold in 2001 was \$41,413,000 compared to \$35,770,000 in 2000. The largest factors in the increase were material needed to support the increased sales and increased payroll related expenses. As a percentage of net sales, cost of products sold was 75.5% in 2001 compared to 74.5% in 2000. A change in product mix increased the percentage in 2001.

Selling, general and administrative expenses increased from \$6,427,000 in 2000 to \$6,951,000 in 2001 primarily as a result of an increase in professional services.

Income before income taxes was \$6,588,000 in 2001 compared to \$6,040,000 in 2000, an increase of \$548,000. Income tax expense increased from \$2,379,000 in 2000 to \$2,590,000 in 2001, primarily as a result of the increase in profit. The effective tax rate was 39.3% in 2001 compared to 39.4% in 2000.

Net income in 2001 was \$3,998,000 which resulted in an increase of \$337,000 from \$3,661,000 in 2000, an increase of 9.2%. As a percent of net sales, net income was 7.3% in 2001 and 7.7% in 2000. Net income per share was \$.47 in 2001, an increase of \$.05 from the \$.42 in 2000.

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THE GORMAN-RUPP COMPANY AND SUBSIDIARIES
MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Six Months 2001 vs Six Months 2000

Net sales were \$104,509,000 in 2001, an increase of \$7,477,000 or 7.7% over the \$97,032,000 in 2000. A majority of the increase is related to increased sales of fabricated turbine diffusers.

Other income was \$376,000 in 2000 compared to \$399,000 in 1999. The decrease was primarily due to a decrease in interest income.

Cost of products sold in 2001 was \$78,738,000 compared to \$72,111,000 in 2000. The largest factor in the increase was material needed to support the increased sales. An increase in payroll related expenses, medical expenses and depreciation also contributed to the increase. As a percentage of net sales, cost of products sold was 75.3% in 2001 compared to 74.3% in 2000. Changes in product mix are responsible for the higher percentage in 2001.

Selling, general and administrative expenses increased from \$12,576,000 in 2000 to \$13,695,000 in 2001 with an increase in professional services being the largest single item with health care costs also contributing to the increase.

Income before income taxes was \$12,452,000 in 2001 compared to \$12,744,000 in 2000, a decrease of \$292,000. Income tax expense decreased from \$4,983,000 in 2000 to \$4,850,000 in 2001. The effective income tax rate was 38.9% in 2001 compared to 39.1% in 2000.

Net income of \$7,602,000 in 2001 decreased \$159,000 from \$7,761,000 in 2000, a decrease of 2.0%. As a percent of net sales, net income was 7.3% in 2001 and 8.0% in 2000. Net income per share was \$.89 in 2001, a decrease from the \$.90 in 2000.

FINANCIAL CONDITION

The Company continues to finance most of its capital expenditures and working capital requirements through internally generated funds and bank financing. The ratio of current assets to current liabilities was 3.9 to 1 at June 30, 2001 and 4.3 to 1 at December 31, 2000.

The Company presently has adequate working capital, adequate borrowing capacity and a healthy liquidity position.

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PART II – OTHER INFORMATION THE GORMAN-RUPP COMPANY AND SUBSIDIARIES

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Reports filed on Form 8-K during the Quarter Ended June 30, 2001 – 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.

Date August 3, 2001

By: /s/Kenneth E. Dudley

Kenneth E. Dudley

Principal Financial Officer