

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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**GRUMMAN CORP**

CIK: **44279** | IRS No.: **110844750** | State of Incorporation: **NY** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **001-03024** | Film No.: **94528357**  
SIC: **3721** Aircraft

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(X) 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 1-3024

GRUMMAN CORPORATION  
(Exact name of Registrant as specified in its Charter)

NEW YORK  
(State or other jurisdiction of  
incorporation or organization)

11-0844750  
(I.R.S Employer  
Identification No.)

Bethpage, Long Island, New York 11714  
(Address of principal executive offices)

Registrant's telephone number, including area code  
(516) 575-0574

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, and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Number of shares of Common Stock Outstanding at April 30, 1994 - 34,348,621

## PART I FINANCIAL INFORMATION

### Item 1. Financial Statements

#### GRUMMAN CORPORATION AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENT OF INCOME (Unaudited)

	(In Thousands Except Per Share Amounts)	
	Three Months Ended March 31, 1994	1993
Revenue		
Sales	\$637,994	\$864,577
Other Income	6,161	7,194
	644,155	871,771
Costs and Expenses		
Cost of sales	564,348	781,528
Selling, administrative and other	27,213	27,776
Interest	7,056	11,147
	598,617	820,451
Income before merger related costs	45,538	51,320
Merger related costs	60,000	-
Income (loss) before income taxes	(14,462)	51,320
Provision (credit) for federal income taxes	(5,100)	17,100
Net income (loss) from continuing operations	(9,362)	34,220
Income (loss) from discontinued operations	-	(6,700)
Net Income (loss)	\$ (9,362)	\$ 27,520

Primary earnings (loss) per share:		
Continuing operations	\$ (.27)	\$1.00
Discontinued operations	-	(.19)
Net income (loss)	\$ (.27)	\$ .81
Cash Dividends per Share of Common Stock	\$ .30	\$ .25

The accompanying notes are an integral part of these financial statements.

1

GRUMMAN CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEET

	(In Thousands)	
	March 31, 1994 (Unaudited)	December 31, 1993
Assets		
Current Assets		
Cash and cash equivalents	\$ 286,939	\$ 346,090
Marketable securities	27,819	18,034
Accounts receivable	557,260	518,731
Inventories, less progress payments	517,630	499,436
Prepaid expenses	54,222	40,992
Total current assets	1,443,870	1,423,283
Property, Plant and Equipment, less accumulated depreciation	364,179	372,723
Non-Current Assets		
Deferred income taxes	111,774	120,028
Long-term receivables	11,771	6,009
Investments	52,107	52,505
Other	50,358	49,901
	226,010	228,443
Total	\$2,034,059	\$2,024,449

Liabilities and Shareholders' Equity

## Current Liabilities

Short-term debt	\$ 6,716	\$ 6,571
Accounts payable	144,968	147,576
Wages and employee benefits payable	169,142	90,229
Income taxes	74,680	88,932
Advances and deposits	70,615	95,340
Other current liabilities	112,826	89,699
 Total current liabilities	 578,947	 518,347
 Long-Term Debt	 241,093	 243,106
Liability for retiree health benefits	301,252	304,752
Restructuring reserve	65,000	85,000
Other Liabilities	31,395	37,191
 Common Stock - \$1.00 par value, authorized 80,000,000 shares; outstanding 34,000,294 and 34,049,475 shares (net of treasury stock)	 344,590	 344,589
Retained Earnings	471,782	491,464
	\$2,034,059	\$2,024,449

The accompanying notes are an integral part of these financial statements.

2

## GRUMMAN CORPORATION AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

	(In Thousands)	
	Three Months Ended March 31,	
	1994	1993
Cash flows from operating activities		
Net Income (loss)	\$ (9,362)	\$ 27,520
Items affecting cash from operations:		
Depreciation and amortization	16,472	19,298
Merger costs	60,000	-
Changes in assets and liabilities:		
Decrease/(increase) in:		
Accounts receivable	(38,529)	(51,741)
Marketable securities	(9,785)	-
Inventories	(18,194)	35,161
Prepaid expenses	(13,230)	(16,572)
Increase/(decrease) in:		

Accounts payable, wages and employee benefits	16,305	28,033
Income taxes payable	(5,998)	14,229
Other current liabilities	3,127	(21,194)
Other	(40,589)	3,988
Net cash provided/(required) by operating activities	(39,783)	38,722
Cash flows from investing activities		
Capital expenditures	(8,243)	(9,880)
Proceeds from sale of capital assets	1,738	731
Increase in investments	-	4
Net cash used in investing activities	(6,505)	(9,145)
Cash flows from financing activities		
Repayment of long-term debt	(1,868)	(76,785)
Dividends paid	(10,186)	(8,410)
Other stock transactions	(809)	7,263
Net cash required by financing activities	(12,863)	(77,932)
Decrease in cash and cash equivalents	(59,151)	(48,355)
Cash and cash equivalents - January 1,	346,090	299,077
Cash and cash equivalents - March 31,	\$286,939	\$250,722

The accompanying notes are an integral part of these financial statements.

3

GRUMMAN CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The interim financial statements include all adjustments which are, in the opinion of management, necessary to a fair statement of the financial position and results of operations for the three months ended March 31, 1994 and 1993. Such adjustments are of a normal and recurring nature. The financial statements should be read in

conjunction with the summary of significant accounting policies and notes to financial statements included in the Company's annual report to shareholders for the year ended December 31, 1993.

2. Property, Plant and Equipment (at cost) is summarized as follows:

	(In thousands)	
	March 31, 1994	December 31, 1993
Land	\$ 11,954	\$ 11,954
Buildings	316,157	316,029
Machinery and equipment	969,633	967,773
Leasehold improvements	52,400	51,437
Construction in progress	13,392	12,897
	1,363,536	1,360,090
Less accumulated depreciation and amortization	999,357	987,367
	\$ 364,179	\$ 372,723

3. Inventories are summarized as follows:

Work in process	\$1,108,525	\$1,081,923
Raw materials, purchased parts and supplies	83,061	82,158
	1,191,586	1,164,081
Less progress payments	673,956	664,645
	\$ 517,630	\$ 499,436

4. Cash flow supplemental information:

	(In Thousands)	
	Three Months Ended March 31,	
	1994	1993
Cash paid/(refunded) during the three months ended March 31, for:		
Interest (net of amount capitalized)	\$ 11,988	\$ 22,217
Federal income taxes	\$ (1,337)	\$ 500

4

5. Calculation of earnings per share:

(In Thousands Except Per  
Share Amounts)  
Three Months Ended



	March 31,	
	1994	1993
Net income from continuing operations	\$(9,362)	\$34,220
Less preferred stock dividends	-	-
Net income from continuing operations for computation of earnings per share	(9,362)	34,220
Income (loss) from discontinued operations	-	(6,700)
Net income (loss) for computation of earnings per share	\$(9,362)	\$27,520
Average shares outstanding, including common share equivalents	34,309	34,043
Primary earnings (loss) per share:		
Continuing operations	\$ (.27)	\$1.00
Discontinued operations	-	(.19)
	\$ (.27)	\$ .81
Fully diluted earnings (loss) per share:		
Continuing operations	\$ (.27)	\$ .98
Discontinued operations	-	(.19)
	\$ (.27)	\$ .79

6. Commitments and Contingencies:

See Item 6(b) - Reports on Form 8-K which summarizes a Form 8-K filed by the Registrant May 2, 1994, Items 1 and 5 of which are incorporated herein by reference.

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

On April 3, 1994, the Company entered into an agreement and plan of merger among Northrop Corporation and the Company. Pursuant to the merger agreement, Northrop commenced a tender offer for the purchase of all outstanding shares of Common Stock of the Company, par value \$1.00 per share, at a purchase price of \$62 per share net cash to the seller. The offer expired at 12:00 midnight, New York City time, on April 15, 1994.

On April 18, 1994, Northrop announced that 32,766,109 shares representing approximately 93.4% of all outstanding shares of common stock of the Company, had been tendered pursuant to the offer and accepted for purchase. The purchase of such shares resulted in Northrop acquiring control of the Company as of April 18, 1994.

As a result of the Northrop/Grumman merger, the implementation of the restructure plan, disclosed as of December 31, 1993, has been temporarily delayed. However, it is likely the bulk of the plan will be implemented during the last six months of 1994.

Merger related costs of \$60 million, charged to earnings through March 31 principally include compensation charges resulting from the acceleration of benefits under the long term incentive plans and the increase in the price of the Company stock.

### Financial Condition

During the first quarter of 1994, common shareholders' equity decreased by \$19.7 million to \$24.01 per common share from \$24.55 at December 31, 1993. At March 31, 1994, the ratio of debt to capital (debt plus shareholders' equity) was unchanged from 23 percent at December 31, 1993.

For the three months ended March 31, 1994, working capital decreased \$40.0 million from December 31, 1993. The decrease was due principally to the accrual of merger related costs, offset in part by an increase in accounts receivable and inventories. The Company had

available an aggregate of \$300 million under its credit agreement and short-term credit lines, none of which had been borrowed. This agreement was terminated on April 15, 1994.

6

### Results of Operations

A summary of the results of operations and comments thereon pertaining to the Company's business segments for the three month periods ended March 31, 1994 and 1993 follows:

	(In Millions)	
	First Quarter	
	1994	1993
SALES		
Aerospace	\$339.1	\$548.5
Electronics Systems	159.4	167.5
Information and Other Services	141.9	150.6
Special Purpose Vehicles	97.9	94.4
Corporate Items and Eliminations	(94.1)	(89.2)
	\$644.2	\$871.8
OPERATING PROFIT (LOSS) FROM CONTINUING OPERATIONS		
Aerospace	\$ 28.0	\$ 38.9
Electronics Systems	8.3	3.9
Information and Other Services	7.8	7.3
Special Purpose Vehicles	7.8	7.6
Corporate Items and Eliminations	(59.3) *	4.7
	\$ (7.4) *	\$ 62.4

\*Includes \$60 million of merger related costs.

Consolidated sales for the quarter ended March 31, 1994 of \$644.2 million decreased \$227.6 million (26%) from the comparable 1993 quarter. Operating profits from continuing operations, before interest, taxes and merger related costs decreased \$9.8 million to

\$52.6 million from \$62.4 million for the quarter. First quarter 1994 results include \$60 million pretax of merger related costs. Exclusive of these costs, operating margins for the quarter improved to 8.2 percent from 7.2 percent one year ago while net income from continuing operations decreased \$4.6 million to \$29.6 million from \$34.2 million in the 1993 quarter as a result of the decreased sales volume. Merger related costs in 1994 of \$39 million after tax resulted in a net loss of \$9.4 million for the quarter. A \$6.7 million loss from discontinued operations recorded in the first quarter of 1993, brought net income for the 1993 quarter to \$27.5 million.

7

Aerospace segment sales totaled \$339.1 million for the first quarter of 1994, a decrease of \$209.4 million (38%) from the 1993 total. Operating income decreased \$10.9 million to \$28.0 million from \$38.9 million a year ago. However, operating margins for the 1994 quarter improved to 8.3 percent from 7.1 percent in 1993. The reduction in sales and profits were attributable to lower F-14 remanufacturing and A-6 modification sales, a decrease in E-2C Foreign aircraft deliveries from one to none and fewer deliveries of aerostructures components.

Electronics Systems segment sales totaled \$159.4 million in the first quarter, a decrease of \$8.1 million (5%) from the 1993 total, due principally to lower simulation/trainers revenues, offset by improved sales on the Joint STARS program. Operating profits more than doubled from \$3.9 million to \$8.3 million in the quarter primarily due to Joint STARS program profits.

First quarter 1994 Information and Other Services segment sales of \$141.9 million decreased \$8.7 million from \$150.6 million in 1993. Operating profits of \$7.8 million increased \$500,000 from \$7.3 million in 1993. The sales decline was related to the Space Station Program Support contract which NASA scaled back and downsized significantly in December 1993, and ultimately awarded this management job to Boeing.

Special Purpose Vehicles segment sales totaled \$97.9 million in the 1994 first quarter, an increase of \$3.5 million (4%) from \$94.4 million in the year-ago quarter. The increase was due to increased revenues in Postal Truck Vehicles and higher unit deliveries of aluminum trucks. Operating profits for the first quarter were \$7.8 million compared to \$7.6 million in the 1993 quarter. The increase reflects improved

profits on the Postal Truck Vehicles program.

8

## PART II OTHER INFORMATION

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

- (a) Exhibits - See Note 5 of Notes to Consolidated Financial Statements on Page 5 for computation of earnings per share.
- (b) Reports on Form 8-K:

The Registrant filed a report on Form 8-K dated May 2, 1994 covering Item 1, Changes in Control of Registrant, of Form 8-K, relating to the Registrant entering into an Agreement and Plan of Merger among Northrop Corporation and the Registrant, pursuant to a tender offer for the purchase of all outstanding shares of Common Stock of the Registrant.

This Form 8-K also covered Item 5, Other Events, which described the current status of the five putative class actions filed against the Registrant and others dealing with various allegations related to recent merger/tender offer activities. Also disclosed was a new, sixth case similar in nature to the others as well as three more additional complaints where the registrant has yet to receive the summons and complaint.

9

#### 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.

GRUMMAN CORPORATION  
(Registrant)

Date May 13, 1994

By /s/ N. P. Busi  
N. P. Busi

Vice President and Controller  
Principal Accounting Officer