

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-04-12** | Period of Report: **1994-02-28**
SEC Accession No. **0000744106-94-000003**

([HTML Version](#) on [secdatabase.com](#))

FILER

FEDDERS CORP /DE

CIK: **744106** | IRS No.: **222572390** | State of Incorpor.: **DE** | Fiscal Year End: **0831**
Type: **10-Q** | Act: **34** | File No.: **001-08831** | Film No.: **94522399**
SIC: **3585** Air-cond & warm air heatg equip & comm & indl refrig equip

Business Address
158 HWY 206
PO BOX 265
PEAPACK NJ 07977
9082342100

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(XX) Quarterly report pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the Quarterly Period ended February 28, 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 1-8831

FEDDERS CORPORATION

(Exact name of registrant as specified in its charter)

<TABLE>

<S>	Delaware	<C>	22-2572390
	(State of incorporation)		(I.R.S. Employer Identification No.)

<TABLE>

<S>	158 Highway 206, Peapack, New Jersey	<C>	07977
	(Address of principal executive offices)		(Zip Code)

Registrant's telephone number, including area code: (908) 234-2100

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

The registrant has outstanding 18,811,649 shares of Common Stock and 2,267,609 shares of Class B Stock (which is immediately convertible into Common Stock on a share-for-share basis) as of March 29, 1994.

FEDDERS CORPORATION

INDEX

<TABLE>

<CAPTION>

	Page Number
<S>	<C>
PART I FINANCIAL INFORMATION	
Item 1. Financial Statements	
	Consolidated Statements of Operations3
	Consolidated Balance Sheets 4-5
	Consolidated Statements of Cash Flows6
	Notes to Consolidated Financial Statements7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	8-9

Part II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K 10

</TABLE>

3

FEDDERS CORPORATION
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (amounts in thousands, except per share data)
 (unaudited)

<TABLE>
 <CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>
Net sales					\$ 36,959\$ 36,625\$ 47,486\$ 49,902
Cost of sales					29,249 31,123 37,702 42,010
Selling, general and administrative expense		5,409	6,195	10,607	11,538
Operating income (loss)		2,301	(693)	(823)	(3,646)
Interest expense				(1,138)	(848) (2,025) (2,048)
Income (loss) before income taxes	1,163	(1,541)	(2,848)	(5,694)	
Federal, state and foreign income tax (benefit)				35	(655) (85) (2,247)
Income (loss) before cumulative effect of an accounting change		1,128	(886)	(2,763)	(3,447)
Cumulative effect of an accounting change			-	-	1,780 -
Net income (loss)			\$ 1,128\$	(886)\$	(983)\$ (3,447)
Earnings per share:					
Income (loss) before cumulative effect of an accounting change		\$ 0.05\$	(0.04)\$	(0.13)\$	(0.18)
Cumulative effect of an accounting change			-	-	0.08 -
Net income (loss) per share		\$ 0.05\$	(0.04)\$	(0.05) \$	(0.18)

</TABLE>

See accompanying notes

FEDDERS CORPORATION
CONSOLIDATED BALANCE SHEETS
(dollar amounts in thousands)
(unaudited)

<TABLE>						
<CAPTION>						
<S>						
<C><C> <C>						
ASSETS:						
Current assets:						
Cash						\$ 1,780\$ 8,553\$
Accounts receivable (less allowance of \$1,009, \$1,078 and \$3,354 at February 28, 1994, August 31, 1993 and February 28, 1993, respectively)	22,409	8,901	28,093			
Inventories:						
Finished goods			39,166	11,597		11,018
Work in process			1,698	842	2,709	
Raw materials and supplies	8,754	6,831		10,562		
Deferred income taxes		- 3,882	4,217			
Prepaid expenses			776	917	853	
Total current assets	74,583	41,523	59,645			
Property, plant and equipment at cost:						
Land and improvements	1,375	1,393	1,433			
Buildings					11,917	11,844 11,818
Machinery and equipment	47,157	44,799	42,960			
Less accumulated depreciation	28,270	26,399	25,660			
Net property, plant and equipment			32,179	31,637	30,551	
Other assets				8,009	8,125	10,026

</TABLE>

See accompanying notes

FEDDERS CORPORATION
CONSOLIDATED BALANCE SHEETS
(dollar amounts in thousands)
(unaudited)

<TABLE>						
<CAPTION>						
<S>						
<C><C> <C>						
LIABILITIES & STOCKHOLDERS' EQUITY:						
Current liabilities:						
Short-term borrowing		\$ 24,698	-	\$ 12,748		
Current portion of long-term debt	2,233	\$ 2,206		-		
Accounts payable			21,440	5,174	19,020	
Accrued expenses			12,749	17,184	12,542	
Total current liabilities	61,120	24,564	44,310			
Long-term debt			24,368	23,384	25,444	
Deferred income taxes		-	6,019	5,714		

Other long-term liabilities	3,049	3,089	2,859		
Stockholders' equity:					
Common Stock, \$1 par value, 30,000,000 shares authorized, 19,452,559, 18,613,559 and 18,304,359 issued at February 28, 1994, August 31, 1993 and February 28, 1993, respectively		19,452	18,614	18,304	
Class B Stock, \$1 par value, 30,000,000 shares authorized, 2,267,906 issued at February 28, 1994 and August 31, 1993, and 2,268,206 issued at February 28, 1993, respectively		2,268	2,268	2,268	
Additional paid-in capital	49,503	47,571		46,528	
Retained earnings (deficit)	(36,111)	(35,128)		(36,800)	
Cumulative translation adjustment	88	(130)		540	
					35,200 33,
Less-treasury stock, at cost	(8,966)	(8,966)	(8,945)		
Total stockholders' equity	26,234	24,229	21,895		

</TABLE>

See accompanying notes

6

FEDDERS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)
(unaudited)

<TABLE>

<CAPTION>

<S>	<C>	<C>			
Cash flows from operations:					
Net loss					
Adjustments to reconcile net loss to net cash (used in) operating activities:					
Depreciation and amortization		2,763	2,593		
Deferred income taxes				-	(74)
Changes in operating assets and liabilities:					
Accounts receivable				(13,508)	(13,618)
Inventories					(30,348)
Other current assets				4,023	(768)
Other assets					(455) (1,231)
Accounts payable					16,266 (9,205)
Accrued expenses					(4,435) (20,081)
Long-term liabilities				(6,059)	42
Other					
Net cash used in operations		(32,518)	(25,052)		
Cash flows from investing activities:					
Additions to property, plant and equipment	(2,425)		(556)		
Disposals of property, plant and equipment	12		259		
Net cash used in investing activities	(2,413)		(297)		
Cash flows from financing activities:					
Increase in short-term borrowings		24,698	12,748		
Proceeds from (repayments of) long-term debt	690		(355)		
Proceeds from stock options exercised	2,770		6,411		
Net cash provided by financing activities					28,158 18,804
Net decrease in cash and cash equivalents	(6,773)		(6,545)		
Cash and cash equivalents at beginning of period				8,553	8,738

Cash and cash equivalents at end of period	\$ 1,780	\$ 2,193
Supplemental disclosure:		
Interest paid		
Net income taxes paid (refunded)	(158)	(679)

\$ 1,2

</TABLE>

See accompanying notes

7

FEDDERS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

- A. In the first fiscal quarter of 1994, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." The adoption of SFAS No. 109 resulted in a one-time favorable cumulative effect of an accounting change amounting to \$1,780,000. It also resulted in a decrease in the effective tax rate from 39% in fiscal 1993 period to 3% in fiscal 1994.
- B. Earnings per share are computed by dividing net income by the weighted average number of shares of Common Stock, Class B Stock and other common stock equivalents outstanding: 20,982,000 and 19,900,000 in the second quarter of 1994 and 1993, and 20,679,000 and 19,600,000 for the six-month period ending February 28, 1994 and 1993, respectively.
- C. Pursuant to the Company's stock option plans, options to purchase 839,000 shares of Common Stock were exercised during the first six months of fiscal year 1994.
- D. The financial information included herein is unaudited; however, such information reflects all adjustments which, other than the cumulative effect of an accounting change, consists solely of normal recurring adjustments which are, in the opinion of management, necessary for a fair statement of results for the interim periods.

8

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

The following is management's discussion and analysis of certain significant factors which have affected the Company's financial position and operating results during the periods included in the accompanying consolidated financial statements.

Results of Operations

Net sales in the second quarter ended February 28, 1994 of \$37.0 million were comparable to sales in the prior year quarter of \$36.6 million. The gross profit margin of 20.9% of net sales increased from 15.0% in the second quarter of 1993. The increase is attributable to cost reductions.

Selling, general and administrative expense decreased 13.0%, on equivalent

sales, from \$6.2 million in the fiscal 1993 quarter to \$5.4 million in the current quarter.

Interest expense increased by \$290,000 as a result of higher borrowing levels during the quarter to build inventories required for increased demand. The backlog of orders increased by more than \$70 million from the prior-year level. The increase in orders is due, primarily, to the implementation of just-in-time relationships with major retailers. The new leaders in room air conditioner retailing require delivery during the peak season (April through July) rather than before their selling season.

Net income for the fiscal 1994 quarter amounted to \$1.1 million compared with a loss of \$886,000 in the fiscal 1993 quarter.

Six Months

In the seasonally slow six-month period ended February 28, 1994, sales were off 4.8% to \$47.5 million compared with \$49.9 million in the prior fiscal year.

Gross profit margin improved to 20.6% of net sales during the fiscal 1994 period, compared with 15.8% in fiscal 1993.

Selling, general and administrative expenses in the six months of fiscal 1994 were reduced by 8.1% to \$10.6 million from \$11.5 million in fiscal 1993.

In the six-month period, the Company reduced by 50% the seasonal pre-tax loss on 5% lower sales.

The six months of fiscal 1994 were affected by the adoption of Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." This resulted in a decrease in the effective tax rate from 39% in fiscal 1993 period to 3% in fiscal 1994, reducing the six-month tax benefit. The adoption of SFAS No. 109 also resulted in a one-time favorable cumulative effect of an accounting change for prior periods amounting to \$1.8 million.

Including the effects of SFAS No. 109, the net loss for the six-month period was \$1.1 million versus a loss of \$3.4 million in the first half of 1993.

9

Liquidity and Capital Resources

The Company's working capital requirements are seasonal, with cash peaking in the fourth quarter and the Company utilizing its credit line primarily in the second and third quarters during the height of the production cycle. Accordingly, with the industry pipeline normalized entering fiscal 1994, the Company increased production to meet product demand for delivery during the peak selling season (April through July). This seasonally increased inventories, short-term borrowing and accounts payable from August 31, 1993. Investing activities during the six-month period ended February 28, 1994 were for capital expenditures of \$2.4 million.

In October 1993, the Company received a two-year renewal, with certain more favorable terms on its revolving credit facility of \$30 million. The Company received proceeds of \$2.8 million from the exercise of employee stock options during the first six months of fiscal 1994. Management believes that the Company's earnings and borrowing capacity are adequate to meet the needs of its operations and long-term credit requirements, including capital expenditures.

10

PART II OTHER INFORMATION

Item 1. Legal Proceedings

On January 21, 1994 the parties agreed to settle the case captioned Z Edison Limited Partnership v. Fedders Corporation. The case was dismissed upon payment of \$80,000 to plaintiff on February 24, 1994.

Item 6. Exhibits and Reports on Form 8-K

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter for which this report is filed.

11

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.

FEDDERS CORPORATION

By /s/Robert L. Laurent, Jr.
Robert L. Laurent, Jr.
Executive Vice President,
Finance & Administration

Date April 12, 1994

Signing both in his capacity as
Executive Vice President on behalf
of the Registrant and as Chief
Financial Officer of the Registrant