FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-04-11** | Period of Report: **1994-02-26**
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FILER

TEKTRONIX INC
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SIC: **3825** Instruments for meas & testing of electricity & elec signals

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

[X] Quarterly Report Pursuant to Section 12 or 15(d) of the Securities Exchange Act of 1934 for the 13 weeks ended February 26, 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 1-4837

TEKTRONIX, INC.

(Exact name of registrant as specified in its charter)

OREGON	93-0343990
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

26600 S.W. PARKWAY WILSONVILLE, OREGON	97070-1000
(Address of principal executive offices	(Zip Code)

Registrant's telephone number, including area code: (503) 627-7111

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report)

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 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______

AT MARCH, 31, 1994 THERE WERE 30,204,919 COMMON SHARES OF TEKTRONIX, INC. OUTSTANDING.
(Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.)

TEKTRONIX, INC. AND SUBSIDIARIES

INDEX

TEKTRONIX, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

<TABLE>
<CAPTION>

(In thousands)	Feb. 26, 1994	May 29, 1993
<S>	<C>	<C>
Assets		
Current assets:		
Cash and cash equivalents	$ 32,471	$ 30,004
Accounts receivable - net	239,715	248,514
Inventories	177,351	171,416
Other current assets	58,402	65,778
Total current assets	507,939	515,712
Property, plant, and equipment	749,892	793,174
Accumulated depreciation and amortization	(531,499)	(557,340)
Property, plant, and equipment - net	218,393	235,834
Property held for sale	41,221	38,489
Long term deferred tax assets	84,938	88,629
Other long-term assets	100,247	105,841
Total assets	$ 952,738	$ 984,505
Liabilities and shareholders' equity		
Current liabilities:		
Short-term debt	$ 61,756	$ 69,481
Accounts payable	145,236	157,555
Accrued compensation	80,828	106,464
Total current liabilities	287,820	333,500
Long-term debt	100,034	70,073
Other long-term liabilities	128,353	145,988
Shareholders' equity:		
Common stock	173,912	190,984
Retained earnings	216,299	193,221
Currency adjustment	46,320	50,739
Total shareholders' equity	436,531	434,944
Total liabilities and shareholders' equity	$ 952,738	$ 984,505

</TABLE>

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

TEKTRONIX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

<TABLE>
<CAPTION>

(In thousands (except for per share amounts)	13 weeks to Feb. 26, 1994	13 weeks to Feb. 27, 1993	39 weeks to Feb. 26, 1994	39 weeks to Feb. 27, 1993
<S>	<C>	<C>	<C>	<C>
Net sales	$ 332,825	$ 311,233	$ 940,060	$ 949,342
Operating costs and expenses:				
Cost of sales	180,922	160,071	507,074	489,834
Research and development	38,402	38,269	111,639	116,312
Selling, general, and administrative	89,657	94,460	262,292	290,769
Total operating costs and expenses	308,981	292,800	881,005	896,915
Equity in joint venture (losses)	(1,049)	(825)	(2,465)	(2,376)
Operating income	22,795	17,608	56,590	50,051
Other (income) expense - net	(657)	3,768	4,486	14,105
Earnings before taxes	23,452	13,840	52,104	35,946
Income taxes	7,973	4,706	15,439	12,222
Earnings before cumulative effects of accounting changes	15,479	9,134	36,665	23,724
Cumulative effects of accounting changes:				
Income taxes	--	--	--	38,100
Postretirement benefits (net of tax)	--	--	--	(34,775)
Net earnings	$ 15,479	$ 9,134	$ 36,665	$ 27,049
Earnings per share before cumulative effects of accounting changes	$ 0.51	$ 0.30	$ 1.20	$ 0.79
Earnings per share	0.51	0.30	1.20	0.90
Dividends per share	0.15	0.15	0.45	0.45
Average shares outstanding	30,269	30,084	30,441	29,902

</TABLE>

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

TEKTRONIX, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

<TABLE>
<CAPTION>

(In thousands)	39 weeks to Feb. 26, 1994	39 weeks to Feb. 27, 1993
<S>	<C>	<C>
Cash flows from operating activities:		
Net Earnings	$ 36,665	$ 27,049
Adjustments to reconcile net earnings to cash flows from operating activities:		
Cumulative effect of accounting changes:		
Income taxes	--	(38,100)
Postretirement benefits	--	34,775
Depreciation expense	40,871	46,498
Accounts receivable	1,530	3,190
Inventories	(7,900)	7,625
Other Current Assets	6,006	(9,469)
Accounts Payable	(9,205)	(21,083)
Income taxes payable	121	(22,343)
Accrued compensation	(24,504)	(11,129)
Other long-term liabilities	(16,318)	40
Other - net	(63)	(1,099)
Net cash provided by operating activities	27,203	15,954
Cash flows from investing activities:		
Acquisition of property, plant, and equipment	(39,118)	(38,226)
Proceeds from sale of assets	9,711	7,907
Proceeds from sale of investments	13,442	--
Net cash used in investing activities	(15,965)	(30,319)
Cash flows from financing activities:		
Net (decrease) increase in short-term debt	(6,692)	24,265
Issuance of long-term debt	100,000	70,000
Repayment of long-term debt	(70,039)	(75,052)
Issuance of common stock	7,067	7,112
Repurchase of common stock	(25,964)	--
Dividends	(13,587)	(13,440)
Net cash provided (used) by financing activities	(9,215)	12,885
Effect of exchange rate changes on cash	444	(2,350)
(Decrease) increase in cash and cash equivalents	(2,467)	(3,830)
Cash and cash equivalents at beginning of year	30,004	18,402
Cash and cash equivalents at end of quarter	$ 32,471	$ 14,572
Supplemental disclosures of cash flows:		
Income taxes paid	$ 4,504	$ 33,042
Interest paid	8,721	9,862

</TABLE>

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

TEKTRONIX, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PRESENTATION

The condensed consolidated financial statements and notes have been prepared by the Company without audit. Certain information and footnote disclosures normally included in annual financial statements, prepared in accordance with generally accepted accounting principles, have been condensed or omitted. Management believes that the condensed statements include all necessary adjustments (which are of a normal and recurring nature, except for the adjustment to deferred tax assets described below under 'Income Taxes' and the prior year's changes in accounting methods) and are adequate to present financial position, results of operations and cash flows for the interim periods. The condensed information should be read in conjunction with the financial statements and notes incorporated by reference in the Company's latest annual report on Form 10-K.

INVENTORIES

Inventories consisted of:
<TABLE>
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(In thousands)	February 26, 1994	May 29, 1993
<S>	<C>	
Materials and work in process	$ 96,501	$ 87,867
Finished goods	80,850	83,549
Inventories	$ 177,351	$ 171,416

</TABLE>
SHORT-TERM AND LONG-TERM DEBT

In the first quarter of 1994, the Company issued $100.0 million of 7.5% Notes due August 1, 2003. Proceeds were used to repay bridge financing of $70.0 million and to reduce short term revolving credit debt.

INCOME TAXES

The provision for income taxes consisted of:
<TABLE>
<CAPTION>

(In thousands)	13 weeks to Feb. 26, 1994	13 weeks to Feb. 27, 1993	39 weeks to Feb. 26, 1994	39 weeks to Feb. 27, 1993
<S>	<C>	<C>	<C>	<C>
United States	$ 5,110	$ 3,087	$ 10,512	$ 5,031
State	1,278	772	2,628	1,258
Foreign	1,585	847	2,299	5,933
Income taxes	$ 7,973	$ 4,706	$ 15,439	$ 12,222

</TABLE>
The provision for income taxes was calculated at an estimated annual effective rate of 34%. The provision for the quarter ended August 28, 1993

was reduced by a gain of $2.2 million on recalculation of deferred income tax benefits, primarily as a result of the enactment of federal tax legislation increasing the corporate income tax rate from 34% to 35%.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION

The Company believes that its financial condition is strong. Cash flow from operating activities and borrowing capacity from existing lines of credit are sufficient to meet current and anticipated future needs. At the end of the third quarter (February 26, 1994), the Company maintained bank credit facilities totalling $283.4 million, of which $221.8 million was unused. The unused facilities include $71.8 million in lines of credit and $150.0 million under a revolving credit agreement from United States and foreign banks. On August 10, 1993 the Company issued $100.0 million of 7.5% notes due August 1, 2003. Proceeds were used to repay bridge financing of $70.0 million and to pay down short term revolving credit debt.

Current assets decreased by $7.8 million, or 2%, from the prior year end, primarily due to reductions in accounts receivable and other current assets, partly offset by an increase in inventories. The reduction in accounts receivable resulted from a lower weekly average sales rate compared to the prior year's fourth quarter rate. Inventories increased by $5.9 million primarily in anticipation of higher levels of sales. Other current assets declined due to amortization of prepaid taxes and other expenses.

Net property, plant and equipment declined by $17.4 million as depreciation, dispositions and currency effects exceeded new capital additions. Long-term deferred tax assets decreased by $3.7 million because of the reclassification of $6 million to current assets, partially offset by a $2.2 million addition in the first quarter due to the recently enacted federal tax legislation which raised the corporate tax rate from 34% to 35% and thus enhanced the value of the Company's deferred tax assets. In order for the Company to realize all deferred tax assets currently recognized, future taxable income must be at least comparable to recent amounts. Although the Company believes such taxable income levels will be achieved, lower amounts could negatively affect the provision for income taxes in future years. Other long-term assets decreased by $5.6 million due primarily to the sale of a portion of the Company's investments in Credence Systems Corporation, TriQuint Semiconductor, Inc and Planar Systems, Inc.

Current liabilities declined by $45.7 million or 14%. Short-term debt decreased $7.7 million as part of the proceeds from issuance of the 7.5% notes due August 1, 2003 was applied to repayment of revolving credit debt. Accounts payable decreased $12.3 million primarily because of the timing of trade payables. Accrued compensation decreased $25.6 million due to the payment of employee severance charged against restructuring reserves, the payment of year-end accruals for incentives and commissions, and seasonal reductions in vacation accruals.

Other long-term liabilities were reduced by the reclassification of $18 million of restructuring reserves from long-term to current.

Shareholders' equity increased by $1.6 million as the increase in retained earnings was partially offset by declines in common stock and currency adjustment. Retained earnings increased by $23.1 million as net earnings exceeded dividends paid. Common stock decreased $17.1 million due to the repurchase of approximately one million shares, partly offset by issuances of shares under the Company's stock incentive plans. The reduction in currency adjustment of $4.4 million resulted from the effect on the Company's investments in subsidiaries and affiliates of decreases in the value of European currencies versus the U.S. dollar, partly offset by the strength in the Japanese Yen.

RESULTS OF OPERATIONS

39 WEEKS ENDED FEBRUARY 26, 1994

VS.

39 WEEKS ENDED FEBRUARY 27, 1993

In the first nine months of fiscal 1994, net earnings were $36.7 million, or $1.20 per share compared with $27.0 million, or $0.90 per share in the first half of fiscal 1993. The current year includes a gain of $2.2 million or $0.07 per share from recalculation of deferred tax benefits because of the enactment of tax legislation increasing the corporate income tax rate, and gains of $4.4 million after taxes, or $0.14 per share, from the sale of a portion of the Company's investments in TriQuint Semiconductor, Inc and Planar Systems, Inc. The prior year includes the net effect of two accounting changes which increased earnings by $3.3 million, or $0.11 per share.

Net Sales were $940.1 million, or 1% below the prior year's total of $949.3 million. Test and Measurement sales and Television Systems sales declined, while Computer Graphics sales continued to show good growth compared to the same period of the prior year.

Test and Measurement sales of $461.5 million were down 8% from the prior year reflecting the impacts of recessionary economies in Europe and Japan and weakness in some major industrial markets.

Computer Graphics sales increased 16% to $292.9 million, with strong growth in both color printers and X terminals, partly offset by the continuing decline in revenue from older graphics terminals and related service.

Television Systems sales declined 6% to $185.6 million, with most of the decline coming in television production equipment. Both television production equipment and television test equipment sales were impacted by the weak economies in Europe and Japan. Television production equipment sales were particularly strong early in the prior year, reflecting high initial shipments of the Model 3000 digital switcher which was introduced in the spring of 1992.

Sales to customers in the United States increased 2%, from $514.8 million to $526.1 million, representing 56% of total sales. International sales of $413.9 million were down 5%, due to the weak economies mentioned above.

Cost of sales increased as a percentage of net sales from 51.6% to 53.9%. The increase was caused by the geographic mix of sales, a reduction in the historically higher margin on international sales, a continuing shift in the mix of sales toward products with lower margins due to the use of alternative distribution channels, and by impacts of a stronger Yen on certain component costs.

Research and development expenses declined by 4% to $111.6 million as the Company continues to focus its resources on its three core businesses. R&D expense represented 11.9% of sales, down slightly from 12.2% in the prior year.

Selling, general, and administrative expenses declined by 10% to $262.3 million resulting from infrastructure reductions, process improvements, the increasing use of alternative distribution channels and the accrual of severance payments in the prior year. S,G,&A expenses represented 27.9% of sales, down from 30.6% in the prior year.

Other expenses declined $9.6 million due primarily to the gains on sales of investments in TriQuint Semiconductor, Inc. and Planar Systems, Inc. discussed above.

The Company recorded taxes on current results at the estimated annual effective rate of 34%, but showed a gain of $2.2 million on recalculation of deferred tax benefits in the first quarter of this year because of the enactment of tax legislation increasing the corporate income tax rate. The current year provision was primarily for United States taxes, while the prior year provision was primarily for foreign taxes, reflecting the shift in net earnings from foreign to United States sources.

Net earnings were 36% higher than the prior year, as lower sales and gross margins were more than offset by lower R&D, S,G,&A and other expenses.

13 WEEKS ENDED FEBRUARY 26, 1994

VS.

13 WEEKS ENDED FEBRUARY 27, 1993

In the third quarter, net earnings were $15.5 million, or $0.51 per share compared with $9.1 million, or $0.30 per share in the prior year. The current quarter included after tax gains of $2.9 million, or $0.10 per share, from the sale of a portion of the Company's investments in TriQuint Semiconductor, Inc. and Planar Systems, Inc.

Net Sales were $332.8 million, an increase of 7% over the prior year's total of $311.2 million. Computer Graphics sales and Television Systems sales increased, while Test and Measurement sales declined slightly, compared to the third quarter of the prior year.

Test and Measurement sales of $161.2 million were down 2% from the prior year reflecting the impact of recessionary economies in Europe and Japan and weakness in some major industrial markets. T&M sales include a portion of the revenue from technology royalties discussed below.

Computer Graphics sales increased 27% to $108.7 million, with strong growth in both color printers and X terminals, partly offset by the continuing decline in revenue from older graphics terminals and related service.

Television Systems sales increased 3% to $62.9 million, as an improvement in television test equipment was partially offset by a decline in television production equipment.

Sales to customers in the United States increased 7% to $177.6 million, and represented 53% of total sales. International sales increased 6% to $155.2 million with strong growth in Asia partly offset by weakness in Europe.

Product orders were up 15% from the prior year's quarter. While the Company's product backlog improved in the current quarter, it remains relatively low. Consequently, the Company's future quarterly results are dependent on new orders that can be shipped in the same quarter.

The Company realized royalty revenue from two technology transactions in the quarter of $10.1 million, which is significantly higher than prior quarters. The Company also experienced higher operating expenses related to the unusually large number of new product introductions in the quarter, plus higher results sharing expense. These factors together resulted in net pre-tax operating income approximately $2 million higher than the prior year's quarter.

Cost of sales increased as a percentage of net sales from 51.4% to 54.4%. The increase was caused by a continuing shift in the mix of sales toward products with lower margins due to the use of alternative distribution channels, by a reduction in the historically higher margin on international sales, by the higher production costs related to new product introductions discussed above, and by impacts of a stronger Yen on certain component costs, partially offset by the positive margin effect of the revenue from technology royalties.

Research and development expenses of $38.4 million were flat with the same period of the prior year, but declined as a percentage of sales from 12.3% to 11.5%. R&D expenses were impacted by the high level of new product introductions in the quarter.

Selling, general, and administrative expenses declined by 5% to $89.7 million resulting from infrastructure reductions, process improvements, the increasing use of alternative distribution channels and the accrual of severance payments in the prior year. S,G,&A expenses represented 27.0% of sales, down from 30.4% in the prior year.

Other income of $0.7 million compared to other expense of $3.8 million due primarily to the gain on sale of a portion of the Company's investments in TriQuint Semiconductor, Inc. and Planar Systems, Inc. discussed above.

Income taxes increased from $4.7 million to $8.0 million, reflecting the higher earnings before taxes.

Net earnings were $6.3 million higher than the prior year due to higher sales (substantially offset by lower margins), lower S,G,&A expenses and the gains in other income.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(b) No reports on Form 8-K have been filed during the quarter for which this report is filed.

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.

(REGISTRANT)	TEKTRONIX, INC.
BY (SIGNATURE)	/s/Carl W. Neun
(NAME AND TITLE)	Vice President and Chief Financial Officer
(DATE)	April 11, 1994