

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-01-11** | Period of Report: **1993-11-30**  
SEC Accession No. **0000091817-94-000003**

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### FILER

#### CORE INDUSTRIES INC

CIK: **91817** | IRS No.: **381052434** | State of Incorporation: **NV** | Fiscal Year End: **0831**  
Type: **10-Q** | Act: **34** | File No.: **001-05034** | Film No.: **94501035**  
SIC: **3825** Instruments for meas & testing of electricity & elec signals

Mailing Address  
00000

Business Address  
PO BOX 2000  
500 NORTH WOODWARD  
BLOOMFIELD HILLS MI 48304  
3136423400

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 November 30, 1993

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 1-5034

CORE INDUSTRIES INC  
(Exact name of registrant as specified in its charter)

Nevada	38-1052434
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

P. O. Box 2000, Bloomfield Hills, Michigan	48304
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (810) 642-3400

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

Common Stock outstanding at December 31, 1993 - 9,799,398 shares.

<TABLE>

CORE INDUSTRIES INC AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF EARNINGS  
(UNAUDITED)

<CAPTION>

	First Quarter Ended November 30	
	1993	
	-----	-----
<S>	<C>	<C>
Net sales	\$54,008,000	\$46,084,000
Cost of sales, exclusive of depreciation and amortization	\$38,288,000	\$31,537,000
Depreciation and amortization	1,266,000	1,307,000
Selling, general and administrative expenses	10,224,000	9,507,000
Interest expense	1,142,000	1,380,000
Other income	(1,530,000)	(213,000)
	-----	-----
	\$49,390,000	\$43,518,000
	-----	-----
Earnings before taxes on income	\$4,618,000	\$2,566,000
Taxes on income	1,710,000	940,000
	-----	-----
Net earnings	\$2,908,000	\$1,626,000
	-----	-----
Net earnings per share	\$ .30	\$ .17

1992

Dividends per share	\$ .06	\$ .06
Average shares of stock outstanding	9,798,000	9,775,000

<FN>  
See notes to financial statements

</TABLE>

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<TABLE>

CORE INDUSTRIES INC AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET

ASSETS

<CAPTION>

	Nov. 30, 1993 (Unaudited)	Aug. 31, 1993
	-----	-----
<S>	<C>	<C>
<b>CURRENT ASSETS:</b>		
Cash and short-term investments	\$ 10,152,000	\$ 651,000
Accounts receivable, less collection allowances of \$950,000 in November and \$970,000 in August	44,830,000	50,558,000
Inventories	50,512,000	54,092,000
Prepaid expenses	746,000	1,337,000
Deferred taxes on income	2,517,000	2,776,000
	-----	-----
TOTAL CURRENT ASSETS	\$108,757,000	\$109,414,000
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Land and land improvements	\$ 1,197,000	\$ 1,374,000
Buildings	17,013,000	18,672,000
Machinery and equipment	49,361,000	50,145,000
	-----	-----
Total	\$ 67,571,000	\$ 70,191,000
Less accumulated depreciation	40,284,000	41,304,000
	-----	-----
TOTAL PROPERTY, PLANT AND EQUIPMENT	\$ 27,287,000	\$ 28,887,000
<b>OTHER ASSETS:</b>		
Excess of cost over net assets of companies acquired	\$ 7,072,000	\$ 7,269,000
Investment in real estate partnership	1,603,000	1,432,000
Miscellaneous intangibles	4,655,000	4,275,000
	-----	-----
TOTAL OTHER ASSETS	\$ 13,330,000	\$ 12,976,000
	-----	-----
TOTAL ASSETS	\$149,374,000	\$151,277,000

<FN>  
See notes to financial statements

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<TABLE>

	LIABILITIES & STOCKHOLDERS' EQUITY	
<CAPTION>	Nov. 30, 1993 (Unaudited)	Aug. 31, 1993
<S>	<C>	<C>
CURRENT LIABILITIES:		
Notes payable to bank	-	\$ 900,000
Accounts payable	10,723,000	12,521,000
Accrued payroll and other expenses	10,409,000	12,899,000
Dividends payable	588,000	587,000
Taxes on income	1,088,000	-
Long-term debt due within one year	1,500,000	1,500,000
	-----	-----
TOTAL CURRENT LIABILITIES	\$ 24,308,000	\$ 28,407,000
LONG-TERM DEBT,		
less amount due within one year	47,132,000	47,134,000
DEFERRED TAXES ON INCOME	1,880,000	1,580,000
ACCRUED EMPLOYEE BENEFITS	2,761,000	3,190,000
STOCKHOLDERS' EQUITY:		
Preferred stock, par value \$1:		
Authorized - 100,000 shares		
Issued - none		
Common stock, par value \$1:		
Authorized - 20,000,000 shares		
Issued - 11,209,558 shares	\$ 11,210,000	\$ 11,208,000
Additional paid-in capital	734,000	728,000
Retained earnings	67,691,000	65,372,000
Cumulative translation adjustments	356,000	356,000
Treasury stock (1,410,160 shares)	(6,698,000)	(6,698,000)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	\$ 73,293,000	\$ 70,966,000
	-----	-----
LIAB. & STOCKHOLDERS EQUITY	\$149,374,000	\$151,277,000

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<TABLE>

CORE INDUSTRIES INC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	First Quarter Ended November 30	
<S>	1993	1992
<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 2,908,000	\$ 1,626,000
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	\$ 1,196,000	\$ 1,232,000
Amortization	70,000	75,000
Gain on sale of division	(915,000)	-
(Increase) decrease in assets:		
Accounts receivable	4,472,000	2,461,000
Inventories	708,000	(796,000)
Prepaid expenses	515,000	332,000
Taxes on income	667,000	427,000
Deferred taxes on income	420,000	456,000

Increase (decrease) in liabilities:		
Accounts payable	(3,025,000)	(489,000)
Accrued payroll and other expenses	(1,077,000)	(1,692,000)
	-----	-----
TOTAL ADJUSTMENTS	\$ 3,031,000	\$ 2,006,000
	-----	-----
NET CASH PROVIDED BY		
OPERATING ACTIVITIES	\$ 5,939,000	\$ 3,632,000
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(\$948,000)	(\$950,000)
Proceeds from sale of division	5,898,000	-
Proceeds from discontinued operations	-	7,062,000
Other	99,000	(61,000)
	-----	-----
NET CASH FROM INVESTING ACTIVITIES	\$ 5,049,000	\$ 6,051,000
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net payments on short-term bank loans	(\$900,000)	(\$9,700,000)
Cash dividends paid	(587,000)	(587,000)
	-----	-----
NET CASH USED IN FINANCING ACTIVITIES	(\$1,487,000)	(\$10,287,000)
	-----	-----
NET INCREASE (DECREASE) IN CASH		
AND CASH EQUIVALENTS	9,501,000	(604,000)
CASH AND CASH EQUIVALENTS,		
BEGINNING OF PERIOD	651,000	1,917,000
	-----	-----
CASH AND CASH EQUIVALENTS,		
END OF PERIOD	\$ 10,152,000	\$ 1,313,000
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Interest paid	\$ 1,588,000	\$ 1,741,000
Income taxes paid	\$ 47,000	\$ 18,000

<FN>

See notes to financial statements

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CORE INDUSTRIES INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS  
(UNAUDITED)

NOTE A

The accompanying consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the information presented therein.

NOTE B

Reference is made to the Company's Annual Report on Form 10-K for the year ended August 31, 1993, for a description of accounting policies and other detailed footnote information.

<TABLE>

NOTE C - Inventories

<CAPTION>

	November 30, 1993	August 31, 1993
<S>	<C>	<C>
Raw materials and supplies	\$ 27,456,000	\$ 26,762,000
Work in process	11,559,000	13,417,000
Finished goods	11,497,000	13,913,000
	-----	-----
	\$ 50,512,000	\$ 54,092,000

</TABLE>

NOTE D - Sale of Division

On September 23, 1993, the Company sold one of its farm equipment divisions, Du-Al Manufacturing Company, for a pretax gain of \$1,475,000 (total of \$.09 per share). Du-Al represented approximately 4% of the Company's total

NOTE E - Product Segment Information

The Company classifies its products and services into three general segments. Financial information by segment is summarized below.

<TABLE>  
<CAPTION>

	Net Sales <C>	Earnings (Loss) Before Income Taxes <C>
First quarter ended November 30, 1993:		
Electronics	\$ 25,469,000	\$ 1,674,000
Farm equipment	8,811,000	2,635,000 (1)
Fluid controls and construction products	19,728,000	2,361,000
Corporate unallocated	-	(910,000)
Interest expense	-	(1,142,000)
	-----	-----
Total	\$ 54,008,000	\$ 4,618,000
First quarter ended November 30, 1992:		
Electronics	\$ 19,543,000	\$ 1,465,000
Farm equipment	9,619,000	1,301,000
Fluid controls and construction products	16,922,000	2,007,000
Corporate unallocated	-	(827,000)
Interest expense	-	(1,380,000)
	-----	-----
Total	\$ 46,084,000	\$ 2,566,000

<F1>  
(1) Includes pretax gain of \$1,475,000 (total of \$.09 per share) related to the sale of Core's Du-Al Division.

</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Net earnings for the first quarter of fiscal 1994 were \$2,908,000, or \$.30 per share, on sales of \$54,008,000. Last year's net earnings for the first quarter were \$1,626,000, or \$.17 per share, on sales of \$46,084,000. Included in this year's first quarter results was a net favorable \$.09 per share related to the sale of the Company's Du-Al division; excluding this

gain, net earnings were up \$.04 per share or 24%.

In the first quarter of fiscal 1994, the Company's Electronics Group provided 47% of total sales; the Farm Equipment Group, 16% of total sales; and the Fluid Controls and Construction Products Group, 37% of sales. The Electronics Group reported strong improvement compared with the prior year with a 30% sales increase and a 14% pretax increase. The Farm Equipment Group, with the discontinuation of Du-Al's operations during September 1993, had an 8% decrease in sales and an 11% decrease in pretax (excluding gain on sale of Du-Al) compared to the very strong performance last year. The sales and pretax earnings of the Fluid Controls and Construction Products Group increased 17% and 18%, respectively, compared with the prior year's first quarter, primarily due to improved performance of its valve and strainer products.

Overall gross profit margins on net sales for the first quarter of fiscal 1994 decreased to 29.1% from 31.6% last year. This decrease was caused by this year's higher sales at the Company's mechanical contracting unit which had no margin contribution as the added sales involved pass-through material costs. Excluding the operations of the mechanical contracting unit the gross profit margin improved over the prior year.

Selling, general and administrative expenses decreased to 18.9% of sales from 20.6% in the prior year's first quarter as a result of focused cost reduction programs. Interest expense declined 17% in this year's first quarter compared with last year primarily due to reduced borrowings. Other income for the quarter ended November 30, 1993 includes the \$1,475,000 gain related to the sale of the Company's Du-Al division.

#### LIQUIDITY AND CAPITAL RESOURCES

During the first quarter of fiscal 1993, the Company increased its cash and short-term investments \$9,501,000. The sources of this increase were \$5,939,000 from operating activities and \$5,898,000 from the sale of the Company's Du-Al division.

At November 30, 1993, the Company had working capital of \$84,449,000 with a current ratio of 4.5 to 1 compared to working capital of \$81,007,000 and a current ratio of 3.9 to 1 at the beginning of the fiscal year. The improved current ratio reflects the Company's profitable operations and the sale of the Company's Du-Al division.

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The Company's internal sources of funds are supplemented with unsecured bank credit facilities totaling \$15 million (nothing outstanding at November 30, 1993). Management believes sufficient additional credit is available from banks and other sources should the need arise. Management also believes the Company's cash flow is more than sufficient to meet payments on maturing debt, capital expenditures and dividends.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
(continued)

Stockholders' equity amounted to \$73,293,000 or \$7.48 per share at November 30, 1993, with total capital employed (total debt and equity) amounting to \$122 million consisting of 40% debt and 60% equity. At the Company's current quarterly dividend rate of \$.06 per share, annual dividend payments would approximate \$2,350,000. Under the Company's debt agreements with insurance companies, retained earnings of approximately \$16 million are available for dividends, subject to future earnings levels.



PART II - OTHER INFORMATION

Items 1 through 5 of Part II are omitted because they are not applicable or because they are not required.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits - None
- (b) There were no reports on Form 8-K filed for the three months ended November 30, 1993.

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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.

CORE INDUSTRIES INC  
(Registrant)

Date: January 10, 1994

/s/ Raymond H. Steben, Jr.  
Raymond H. Steben, Jr.  
Vice President-Finance  
and Chief Financial  
Officer

/s/ Thomas G. Hooper

Date: January 10, 1994

Thomas G. Hooper  
Treasurer and Controller

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