

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-07-28** | Period of Report: **1995-06-30**
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FILER

CALIFORNIA BELL INDUSTRIES INC

CIK: **945489** | IRS No.: **954530889** | State of Incorpor.: **CA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-11471** | Film No.: **95557111**

Mailing Address

11812 SAN VICENTE BLVD
LOS ANGELES CA 90049-5069

Business Address

11812 SAN VICENTE BLVD
LOS ANGELES CA 90049-5069
3108262355

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

Quarter ended June 30, 1995

Commission file number 1-11471

BELL INDUSTRIES, INC.
(Exact name of Registrant as specified in its charter)

<TABLE>		<C>
<S>	California	95-4530889
	-----	-----
	(State or other jurisdiction	(I.R.S. Employer
	of incorporation or organization)	Identification No.)
</TABLE>		

<TABLE>		<C>
<S>	11812 San Vicente Blvd., Los Angeles, California	90049-5069
	-----	-----
	(Address of principal executive offices)	(Zip Code)
</TABLE>		

Registrant's telephone number, including area code: (310) 826-2355

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
	-----	-----

Indicate the number of shares outstanding of the Registrant's class of common stock, as of July 17, 1995: 6,849,169 shares.

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

Bell Industries, Inc.
Consolidated Statement of Income
(In thousands, except per share data)

<TABLE>				
<CAPTION>				
		Three months ended	Six months ended	
		June 30	June 30	
		-----	-----	
		1995	1995	1994
				1994

<S>	<C>	<C>	<C>	<C>
Net sales	\$141,575	\$128,687	\$268,520	\$242,194
Cost and expenses				
Cost of products sold	108,984	99,611	206,967	187,675
Selling, general and administrative expenses	24,497	21,883	48,131	42,604
Interest expense	822	1,068	1,730	2,167
	134,303	122,562	256,828	232,446
Income before income taxes	7,272	6,125	11,692	9,748
Income tax provision	3,051	2,572	4,911	4,112
Net income	\$ 4,221	\$ 3,553	\$ 6,781	\$ 5,636
Net income per share	\$.60	\$.51	\$.96	\$.81
Weighted average common shares outstanding	7,056	6,904	7,059	6,916

</TABLE>

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Bell Industries, Inc.
Consolidated Balance Sheet

<TABLE>

<CAPTION>

(Dollars in thousands)

	June 30 1995	December 31 1994	June 30 1994
<S>	<C>	<C>	<C>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 8,011	\$ 3,631	\$ 4,370
Accounts receivable, less allowance for doubtful accounts of \$1,450, \$1,041 and \$884	71,812	68,914	65,835
Inventories	93,690	95,910	80,179
Prepaid expenses and other	4,530	5,324	6,259
Total current assets	178,043	173,779	156,643
Properties, at cost			
Land	443	443	443
Buildings and improvements	8,555	8,857	8,750
Equipment	30,513	31,362	31,269
Less accumulated depreciation	(24,991)	(25,722)	(24,284)
Total properties	14,520	14,940	16,178
Other assets	11,745	11,648	11,892
	\$ 204,308	\$ 200,367	\$ 184,713
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable	\$ 41,110	\$ 34,705	\$ 28,885
Accrued payroll and liabilities	15,148	12,123	11,368
Current portion of long-term liabilities	6,710	9,662	7,616
Income taxes payable	1,554	1,171	1,319
Total current liabilities	64,522	57,661	49,188
Long-term liabilities			
Notes payable	23,714	33,857	32,857

Obligations under capital leases	1,667	2,463	3,234
Deferred compensation and other	5,460	4,616	3,881
	-----	-----	-----
Total long-term liabilities	30,841	40,936	39,972
	-----	-----	-----
Shareholders' equity			
Preferred stock			
(\$1 par value prior to June 30, 1995)			
Authorized - 1,000,000 shares			
Outstanding - none			
Common stock			
(\$.25 par value prior to June 30, 1995)			
Authorized - 10,000,000 shares			
Outstanding - 6,849,169, 6,497,557			
and 6,453,412 shares	62,621	1,624	1,537
Other paid-in capital		54,080	47,167
Reinvested earnings	46,324	46,066	46,849
	-----	-----	-----
Total shareholders' equity	108,945	101,770	95,553
Commitments and contingencies			
	-----	-----	-----
	\$ 204,308	\$ 200,367	\$ 184,713
	=====	=====	=====

</TABLE>

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Bell Industries, Inc.
Consolidated Statement of Cash Flows
(In thousands)

<TABLE>
<CAPTION>

	Six months ended June 30	
	1995	1994
	----	----
<S>	<C>	<C>
Cash flows from operating activities:		
Cash received from customers	\$ 264,860	\$ 229,854
Cash paid to suppliers and employees	(239,966)	(216,760)
Interest paid	(1,901)	(2,366)
Income taxes paid	(4,401)	(1,365)
	-----	-----
Net cash provided by operating activities	18,592	9,363
	-----	-----
Cash flows from investing activities:		
Purchase of business		(5,864)
Additions to properties and other	(893)	(1,519)
	-----	-----
Net cash used in investing activities	(893)	(7,383)
	-----	-----
Cash flows from financing activities:		
Bank borrowings (payments), net	(9,000)	2,000
Payments on notes payable	(4,143)	(5,000)
Other	(176)	(756)
	-----	-----
Net cash used in financing activities	(13,319)	(3,756)
	-----	-----
Net increase (decrease) in cash and cash equivalents	4,380	(1,776)
Cash and cash equivalents at beginning of period	3,631	6,146
	-----	-----
Cash and cash equivalents at end of period	\$ 8,011	\$ 4,370
	=====	=====

Reconciliation of net income to net cash
provided by operating activities:

Net income	\$ 6,781	\$ 5,636
Depreciation and amortization	2,576	2,550
Amortization of intangibles	279	293
Provision for losses on accounts receivable	761	138
Changes in assets and liabilities		
Accounts receivable	(3,660)	(12,340)
Inventories	2,220	4,912
Accounts payable	6,405	3,454
Income taxes payable	510	2,823
Other	2,720	1,897
	-----	-----
	\$ 18,592	\$ 9,363
	=====	=====

</TABLE>

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Bell Industries, Inc.
Notes to Consolidated Financial Statements

Accounting Principles

The financial information included herein has been prepared in conformity with the accounting principles reflected in the financial statements included in the Transition Report on Form 10K filed with the Securities and Exchange Commission for the transition period from July 1, 1994 to December 31, 1994.

In the opinion of management, all adjustments, consisting of normal recurring adjustments considered necessary for a fair presentation, have been included. The operating results for the interim periods presented are not necessarily indicative of results for the full year.

Per Share Data

Operating results data per share is based upon the weighted average number of common and common equivalent shares outstanding. Common equivalent shares represent the net number of shares which would be issued assuming the exercise of dilutive stock options and stock warrants, reduced by the number of shares which could be repurchased from the proceeds of such exercises.

Stock Dividend

In May 1995, the Board of Directors declared a 5% stock dividend payable to shareholders of record on May 26, 1995. Share and per share amounts were adjusted to give effect to the stock dividend.

Change in State of Incorporation

At the 1995 Annual Meeting, the shareholders approved a plan to change the Company's state of incorporation from Delaware to California. Effective June 30, 1995, the plan was completed and each share of Bell Delaware common stock (\$.25 par value) was converted to one share of Bell California common stock. This change resulted in the transfer of \$60.9 million from other paid-in capital to common stock on that date.

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

Results of operations by business segment for the three and six months ended June 30, 1995 and 1994 were as follows (in thousands):

<TABLE>
<CAPTION>

	Three months ended June 30		Six months ended June 30	
	1995	1994	1995	1994
<S>	<C>	<C>	<C>	<C>
Net sales				
Electronics	\$110,471	\$102,162	\$212,955	\$194,016
Graphic Arts	19,267	15,472	34,862	29,312
Recreational Products	11,837	11,053	20,703	18,866
	-----	-----	-----	-----
	\$141,575	\$128,687	\$268,520	\$242,194
	=====	=====	=====	=====

</TABLE>

<TABLE>
<CAPTION>

	Three months ended June 30		Six months ended June 30	
	1995	1994	1995	1994
<S>	<C>	<C>	<C>	<C>
Operating income				
Electronics	\$ 8,475	\$ 7,176	\$ 15,149	\$ 13,085
Graphic Arts	574	560	986	926
Recreational Products	1,168	1,526	1,662	1,994
	-----	-----	-----	-----
Operating income	10,217	9,262	17,797	16,005
Corporate costs	(2,123)	(2,069)	(4,375)	(4,090)
Interest expense	(822)	(1,068)	(1,730)	(2,167)
Income tax provision	(3,051)	(2,572)	(4,911)	(4,112)
	-----	-----	-----	-----
Net income	\$ 4,221	\$ 3,553	\$ 6,781	\$ 5,636
	=====	=====	=====	=====

</TABLE>

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For the six months ended June 30, 1995, the Company's net sales increased 11% to \$268.5 million and operating income increased 11% to \$17.8 million over the comparable period in the prior year. Net income increased 20% to \$6.8 million, or \$.96 per share, compared to \$5.6 million, or \$.81 per share, in the prior year.

For the three months ended June 30, 1995, the Company's net sales increased 10% to \$141.6 million and operating income increased 10% to \$10.2 million over the corresponding quarter in the prior year. The Company recorded net income of \$4.2 million, or \$.60 per share, compared to \$3.6 million, or \$.51 per share, in the prior year quarter.

Sales of the Electronics Group for the six months increased 10% to \$213.0 million and operating income increased 16% to \$15.1 million. Sales for the quarter increased 8% over the prior year quarter to \$110.5 million and operating income increased 18% to \$8.5 million. The improved performance was attributed to substantially stronger shipments of the Group's core electronic components, partially offset by reduced sales of memory and microprocessor products. The availability of these products, which are provided primarily by one supplier, cannot be predicted due to capacity and allocation issues at that supplier. In addition, the group recorded increased sales of microcomputer systems and services. Customer bookings for electronic components continued to be strong during the quarter.

Graphic Arts Group sales for the six months increased 19% to \$34.9 million and

operating income increased 6% to \$1 million. Group sales for the quarter increased 25% to \$19.3 million while operating income increased 3% to \$0.6 million. Sales growth was attributed to a stronger California market for graphic supplies, increased sales of electronic imaging equipment and geographic expansion. Operating income growth was more limited as a result of costs to enter new markets.

Recreational Products Group sales for the six months increased 10% to \$20.7 million while operating income decreased 17% to \$1.7 million. Sales for the quarter increased 7% to \$11.8 million while operating income decreased 23% to \$1.2 million. The decline in operating margins was primarily attributed to competitive pressures on gross margins and costs incurred to penetrate new markets. In addition, during the first quarter, mild winter weather in the upper Midwest affected sales of higher margin snowmobile supplies and other winter-related products.

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Cost of products sold as a percentage of sales for the six months decreased to 77.1% from 77.5% as a result of product mix changes, primarily decreased sales of lower margin memory products, while selling, general and administrative expenses increased slightly to 17.9% of sales from 17.6%. Corporate costs increased over the prior year periods primarily as a result of deferred compensation expenses. The decrease in interest expense was attributed to reductions in long-term debt. The Company's income tax rate was approximately 42% for all periods presented.

The Company's financial position continued to be strong at June 30, 1995 as set forth in the table below (dollars in thousands, except per share amounts):

<TABLE>
<CAPTION>

	June 30, 1995	December 31, 1994	June 30, 1994
	-----	-----	-----
<S>	<C>	<C>	<C>
Cash and cash equivalents	\$ 8,011	\$ 3,631	\$ 4,370
Working capital	\$113,521	\$116,118	\$107,455
Current ratio	2.8:1	3.0:1	3.2:1
Ratio of long-term liabilities to total capitalization	22.0%	28.7%	29.5%
Shareholders' equity per share	\$ 15.91	\$ 14.91	\$ 14.10
Days' sales in receivables	47	50	47
Days' sales in inventories	78	87	73

</TABLE>

Cash provided by operating activities totaled \$18.6 million during the six months ended June 30, 1995 compared to \$9.4 million in the prior year period. The change in operating cash flows was attributed to increased profits during 1995 and increased cash collections. Cash used in investing activities in the prior year included the purchase of a business. Cash used in financing activities included payments on notes payable, bank borrowings and capital lease obligations.

The Company believes that sufficient cash resources exist to support short-term requirements, including debt and lease payments, and longer term objectives, either through available cash, bank borrowings, or cash generated from operations.

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PART II - OTHER INFORMATION

Items 1 through 3.

Not applicable

Item 4. Submission of Matters to a Vote of Security Holders.

The Annual Meeting of Shareholders of Bell Industries was held on May 9, 1995 to act on the following matters.

1. Election of Directors.

The seven incumbent directors - John J. Cost, Anthony L. Craig, Gordon M. Graham, Bruce M. Jaffe, Charles S. Troy, Milton Rosenberg and Theodore Williams - were re-elected. Directors elected will serve until the next Annual Meeting of Shareholders and until their successors are elected and have qualified. The vote was as follows:

<TABLE>
<CAPTION>

Directors -----	Votes for -----	Votes against -----	Withhold authority -----
<S>	<C>	<C>	<C>
John J. Cost	5,565,295	-0-	39,743
Anthony L. Craig	5,563,324	-0-	41,714
Gordon M. Graham	5,566,387	-0-	38,651
Bruce M. Jaffe	5,566,387	-0-	38,651
Charles S. Troy	5,563,275	-0-	41,763
Milton Rosenberg	5,562,675	-0-	42,363
Theodore Williams	5,565,444	-0-	39,594

</TABLE>

2. The plan to change the Company's state of incorporation from Delaware to California received the following vote:

<TABLE>
<CAPTION>

	Votes for -----	Votes against -----	Withhold authority -----
<S>	<C>	<C>	<C>
State of incorporation	4,148,469	386,678	1,069,891

</TABLE>

Item 5. Other Information

Not applicable

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

- (a) Exhibits:
None
- (b) Reports on Form 8-K:
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.

<TABLE>		<C>
<S>	<C>	BELL INDUSTRIES, INC.

By:

DATE:	July 28, 1995	THEODORE WILLIAMS
-----	-----	-----
		Theodore Williams, Chairman and Chief Executive Officer

DATE: July 28, 1995

BRUCE M. JAFFE

Bruce M. Jaffe,
President and
Chief Operating Officer

DATE: July 28, 1995

TRACY A. EDWARDS

Tracy A. Edwards,
Vice President and
Chief Financial Officer

</TABLE>

<TABLE> <S> <C>

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