

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-06-13** | Period of Report: **1995-04-30**
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FILER

MACNEAL SCHWENDLER CORP

CIK: **717238** | IRS No.: **952239450** | State of Incorpor.: **CA** | Fiscal Year End: **0131**
Type: **10-Q** | Act: **34** | File No.: **001-08722** | Film No.: **95546610**
SIC: **7372** Prepackaged software

Mailing Address	Business Address
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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended April 30, 1995

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 1-8722

THE MACNEAL-SCHWENDLER CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

95-2239450

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

815 Colorado Boulevard, Los Angeles, California 90041

(Address of principal executive offices)

Registrant's telephone number (213) 258-9111

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 number of shares outstanding of Registrant's Common Stock, par value \$.01
per share, was 13,385,282 shares at June 6, 1995.

THE MACNEAL-SCHWENDLER CORPORATION
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THE MACNEAL-SCHWENDLER CORPORATION
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

ASSETS	APRIL 30, 1995 ----- (UNAUDITED)	JANUARY 31, 1995 -----
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$4,389,000	\$6,944,000
Short-term investments	7,060,000	7,075,000
Trade accounts receivable, net	33,748,000	33,822,000
Other current assets	9,761,000	10,557,000
	-----	-----
Total current assets	54,958,000	58,398,000
Property and equipment, net	10,782,000	10,272,000
Capitalized software costs, net	27,250,000	26,694,000
Goodwill and other intangibles, net	19,111,000	19,451,000
Other assets	4,256,000	3,936,000
	-----	-----

	\$116,357,000	\$118,751,000
	-----	-----
	-----	-----
</TABLE>		
<TABLE>		
<CAPTION>		
LIABILITIES AND SHAREHOLDERS' EQUITY		
<S>	<C>	<C>
Current liabilities:		
Accounts payable	\$1,583,000	\$2,679,000
Note payable	2,500,000	0
Accrued liabilities	13,507,000	19,440,000
Merger related costs	4,684,000	5,817,000
Deferred income	13,026,000	12,913,000
Dividends payable	2,141,000	2,141,000
Income taxes payable	482,000	0
	-----	-----
Total current liabilities	37,923,000	42,990,000
Deferred income taxes	6,998,000	6,810,000
Convertible Subordinated Debentures	56,576,000	56,576,000
Commitments		
Shareholders' equity:		
Capital, common stock, \$0.01 par value, 100,000,000 shares authorized; 13,394,000 and 13,380,000 issued and outstanding at April 30, 1995 and January 31, 1995, respectively	29,368,000	29,366,000
Retained deficit	(15,667,000)	(16,580,000)
Accumulated translation adjustment	1,159,000	(411,000)
	-----	-----
Total shareholders' equity	14,860,000	12,375,000
	-----	-----
	\$116,357,000	\$118,751,000
	-----	-----
	-----	-----
</TABLE>		

See accompanying notes.

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THE MACNEAL-SCHWENDLER CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED APRIL 30	
	-----	-----
	1995	1994
	-----	-----
<S>	<C>	<C>
Revenue		
Solver	\$18,917,000	\$16,457,000

Modeling	9,536,000	2,293,000
Other	2,182,000	1,005,000
	-----	-----
Total revenue	30,635,000	19,755,000
Operating expenses:		
Cost of revenue	4,088,000	1,297,000
Goodwill amortization	496,000	0
Research and development	5,672,000	4,945,000
Selling, general and administrative	14,729,000	9,636,000
	-----	-----
Total operating expense	24,985,000	15,878,000
Operating income	5,650,000	3,877,000
Other income	57,000	130,000
Interest expense	(1,114,000)	0
	-----	-----
Income before income taxes	4,593,000	4,007,000
Provision for income taxes	1,539,000	1,302,000
	-----	-----
Net income	\$3,054,000	\$2,705,000
	-----	-----
	-----	-----
Earnings per share	\$0.23	\$0.20
	-----	-----
	-----	-----
Weighted average number of common shares outstanding	13,394,000	13,395,000
	-----	-----
	-----	-----
Cash dividends declared	\$0.16	\$0.16
	-----	-----
	-----	-----

</TABLE>

See accompanying notes.

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THE MACNEAL-SCHWENDLER CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

THREE MONTHS ENDED
APRIL 30

	-----	-----
	1995	1994
	-----	-----
<S>	<C>	<C>

Cash flows from operating activities:

Net income	\$3,054,000	\$2,705,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,306,000	1,231,000
Amortization of capitalized software	2,058,000	913,000
Amortization of goodwill and other intangibles	574,000	0
Deferred income taxes	188,000	132,000
Loss (gain) on disposal of property and equipment	(4,000)	(23,000)
Increase (decrease) from changes in:		
Accounts receivable, net	74,000	(3,462,000)
Other current assets	796,000	488,000
Accounts payable	(1,096,000)	(206,000)
Accrued liabilities	(3,372,000)	(1,344,000)
Merger related costs	(1,133,000)	(28,000)
Deferred income	113,000	750,000
Income taxes payable	482,000	928,000
	-----	-----
Net cash provided by operating activities	3,040,000	2,084,000
Cash flows from investing activities:		
Acquisition of property and equipment	(1,812,000)	(1,204,000)
Disposition of property and equipment	0	0
Capitalized software costs	(2,617,000)	(1,313,000)
Decrease (increase) in short-term investments	15,000	(34,000)
Decrease (increase) in other assets	(551,000)	(60,000)
	-----	-----
Net cash used in investing activities	(4,965,000)	(2,611,000)
Cash flows from financing activities:		
Proceeds from capital stock issued	2,000	36,000
Retirement of capital stock	0	0
Proceeds from short term borrowings	2,500,000	0
Interest paid on convertible subordinated debentures	(2,561,000)	0
Cash dividends paid	(2,141,000)	(2,141,000)
Foreign currency translation adjustment	1,570,000	89,000
	-----	-----
Net cash used by financing activities	(630,000)	(2,016,000)
	-----	-----
Net increase (decrease) in cash and equivalents	(2,555,000)	(2,543,000)
Cash and cash equivalents at the beginning of the period	6,944,000	10,106,000
	-----	-----
Cash and cash equivalents at the end of the period	\$4,389,000	\$7,563,000
	-----	-----

</TABLE>

See accompanying notes.

NOTE 1: BASIS OF PRESENTATION

The accompanying consolidated financial information is condensed from that which would appear in the annual financial statements and should be read in conjunction with the January 31, 1995 consolidated financial statements included in The MacNeal-Schwendler Corporation's Annual Report on Form 10-K for the year ended January 31, 1995.

Supplemental cash flow information for taxes paid during the three months ended April 30, 1995 and 1994 were \$55,000 and \$177,000, respectively. Additionally, the Company paid interest of \$2,561,000 on its Convertible Subordinated Debentures due 2004 during the three months ended April 30, 1995.

All interim financial data is unaudited but, in the opinion of management, reflects all adjustments necessary for a fair presentation thereof. However, it should be understood that accounting measurements at interim dates may be less precise than at year end. Operating results for the three month period ended April 30, 1995 are not necessarily indicative of the results that may be expected for the year ended January 31, 1996.

Certain reclassifications have been made to the financial information for the three months ended April 30, 1994 in order to conform to the April 30, 1995 presentation.

NOTE 2: CAPITALIZED SOFTWARE

The components of net capitalized software costs include:

<TABLE>
<CAPTION>

	Three Months Ended April 30,	
	1995	1994
	----	----
<S>	<C>	<C>
Software costs capitalized	\$ (2,617,000)	\$ (1,313,000)
Amortization of capitalized software	2,058,000	913,000
Net capitalized software costs	----- \$ (559,000)	----- \$ (400,000)
	-----	-----

</TABLE>

Amortization of capitalized software is included in Cost of Revenue.

NOTE 3: ACCRUED LIABILITIES

The components of accrued liabilities are as follows:

<TABLE>
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	April 30,	January 31,
	1995	1995
	----	----
<S>	<C>	<C>

Compensation and related expenses	\$3,143,000	\$3,375,000
Contribution to profit sharing plan	654,000	2,333,000
Commissions payable	2,314,000	2,500,000
Retirement benefits	1,389,000	1,338,000
Royalties payable	1,016,000	2,641,000
Debenture interest payable	571,000	1,967,000
Other	4,420,000	5,286,000
	-----	-----
	\$13,507,000	\$19,440,000
	-----	-----
	-----	-----

</TABLE>

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THE MACNEAL-SCHWENDLER CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

THREE MONTHS ENDED APRIL 30, 1995

The Company's revenue for the first quarter ended April 30, 1995 increased 55% to \$30,635,000 compared to \$19,755,000 in the same period last year. The growth in revenue is a combination of three major factors: the addition of MSC/PATTRAN and MSC/MVISION as a result of the acquisition of PDA Engineering, growth in MSC/NASTRAN, and the introduction of the Company's new PC based solver, MSC/NASTRAN for Windows. Revenue from MSC/PATTRAN and MSC/MVISION was \$7,866,000, MSC/NASTRAN revenue increased \$1,432,000 compared to the first quarter of the prior year, and MSC/NASTRAN for Windows generated revenue of \$634,000. North America revenue of \$13,097,000 accounted for 43% of total first quarter revenue and international revenue accounted for \$17,538,000, or 57% of total revenue.

Cost of revenue increased \$2,791,000, or 315%, as a result of increased amortization of capitalized software costs, increased royalty expenses associated with MSC/PATTRAN and MSC/MVISION, and production costs associated with the preparation for releases of new versions of several of the Company's products. Research and development costs increased \$727,000, or 15%, due to additional development staff added as a result of the acquisition of PDA. Selling, general and administrative costs increased \$5,093,000 due to increased staff as a result of the PDA acquisition, especially in North America and Europe, increased meeting, travel and relocation costs associated with organizing the combined sales force following the PDA acquisition. As a result of the foregoing, operating expenses for the first three months increased 57% to \$24,985,000.

The Company's resulting income from operations for the quarter ended April 30, 1995 was \$5,650,000, representing a 46% increase over \$3,877,000 during the first quarter last year.

Nonoperating income and expense increased primarily due to interest expense incurred during the current quarter related to the debentures issued in connection with the acquisition of PDA.

Net income was \$3,054,000 compared to \$2,705,000 in the prior year. Earnings per share for the three months ended April 30, 1995 were \$0.23 compared to \$0.20 for the three months ended April 30, 1994.

FINANCIAL CONDITION AND LIQUIDITY

The Company's working capital base was \$17.0 million as of April 30, 1995. Cash flows from operations were \$3.0 million during the first quarter of fiscal

1996, \$1.0 million higher than the first quarter of fiscal 1995 primarily due to increases in non-cash expenses, principally amortization of capitalized software, goodwill, and other intangibles. Cash used by investing activities increased by \$2.4 million primarily due to increased investment in capital equipment and capitalization of software costs. Cash flows from financing activities improved by \$1.4 million due to proceeds from borrowings against the Company's bank line of credit, offset against the payment of interest on the convertible subordinated debentures, and a favorable fluctuation in foreign currency translation. The Company believes that its working capital and internally generated funds and borrowings under its line of credit are sufficient to meet its working capital and capital expenditure requirements over the next twelve months.

A dividend payment of \$0.16 per share is payable on June 7, 1995 to shareholders of record on May 17, 1995.

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THE MACNEAL-SCHWENDLER CORPORATION
PART II: OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.
Exhibit 27 - Financial Data Schedule

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.

THE MACNEAL-SCHWENDLER CORPORATION

(Registrant)

Date: June 13, 1995

/s/ Louis A. Greco

Louis A. Greco, Chief Financial Officer

(Mr. Greco is the Principal Financial and Accounting Officer and has been duly authorized to sign on behalf of the registrant.)

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