

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
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FILER

HUFFY CORP

CIK: **225463** | IRS No.: **310326270** | State of Incorporation: **OH** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-05325** | Film No.: **95535947**
SIC: **3751** Motorcycles, bicycles & parts

Mailing Address
P O BOX 1204
DAYTON OH 45401

Business Address
7701 BYERS RD
MIAMISBURG OH 45342
5138666251

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1995

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 1-5325

Huffy Corporation

(Exact name of registrant as specified in its charter)

Ohio 31-0326270
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

225 Byers Road, Miamisburg, Ohio 45342
(Address of principal executive offices) (Zip Code)

(513) 866-6251
(Registrant's telephone number, including area code)

No Change
(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 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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Outstanding Shares: 13,414,931 as of May 5, 1995.

"Index of Exhibits" is page 10 herein.

Page 1 of 10

2

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED). COMPANY FOR WHICH REPORT IS FILED:

<TABLE>

HUFFY CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS
(Dollar Amounts in Thousands, Except Per Share Data)

<CAPTION>

	Three Months Ended March 31,	
	1995	1994
<S>	<C>	<C>
Net sales	\$200,653	\$189,220
Cost of sales	164,227	153,234
Gross profit	36,426	35,986
Selling, general and administrative expenses	27,006	26,381
Operating profit	9,420	9,605
Other expense		
Interest expense	2,309	1,696
Interest income	(43)	(27)
Other	(53)	(225)
Earnings before income taxes	7,207	8,161
Income taxes	2,792	3,316
Net earnings	4,415	4,845
Earnings per common share:		
Weighted average number of common shares	134,093,386	14,899,397
Net earnings per common share	\$0.33	\$0.33

</TABLE>

See accompanying notes to interim consolidated financial statements.

Page 2 of 10

3

<TABLE>

HUFFY CORPORATION
CONSOLIDATED BALANCE SHEETS
(Dollar Amounts In Thousands)

<CAPTION>

	March 31, 1995	December 31, 1994
	-----	-----
ASSETS		

<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 5,074	\$ 1,604
Accounts and notes receivable, net	149,037	105,802
Inventories	85,801	67,954
Prepaid expenses and federal income taxes	12,849	13,938
	-----	-----
Total current assets	252,761	189,298
	-----	-----
Property, plant and equipment, at cost	201,404	192,856
Less accumulated depreciation and amortization	(108,201)	(103,256)
	-----	-----
Net property, plant and equipment	93,203	89,600
Excess of cost over net assets acquired, net	25,555	25,755
Deferred federal income taxes	8,719	8,719
Other assets	8,646	8,596
	-----	-----
	\$388,884	\$321,968
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		

Current liabilities:		
Notes payable	43,020	--
Current installments of long-term obligations	5,361	5,300
Accounts payable	71,321	43,853
Accrued expenses	39,002	44,604
Other current liabilities	5,459	5,216
	-----	-----
Total current liabilities	164,163	98,973
	-----	-----
Long-term obligations, less current installments	58,561	58,611
Other long-term liabilities	31,405	30,981
	-----	-----
Total liabilities	254,129	188,565
Shareholders' equity:		
Preferred stock	--	--
Common stock	16,189	16,166
Additional paid-in capital	60,619	60,155
Retained earnings	94,401	91,089
Less: cost of treasury shares	(36,454)	(34,007)
	-----	-----
Total shareholders' equity	134,755	133,403
	-----	-----
	\$388,884	\$321,968
	=====	=====

</TABLE>

See accompanying notes to interim consolidated financial statements.

<TABLE>

HUFFY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollar Amounts in Thousands)

<CAPTION>

	Three Months Ended March 31,	
	1995	1994
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 4,415	\$ 4,845
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization	5,795	5,302
Gain on sale of property, plant and equipment	--	(18)
Changes in assets and liabilities:		
Accounts and notes receivable, net	(43,235)	(54,301)
Inventories	(17,847)	16,578
Prepaid expenses and Federal income taxes	1,089	1,670
Other assets	(355)	(371)
Accounts payable	27,468	5,916
Accrued expenses	(5,602)	(2,181)
Other current liabilities	347	865
Other long-term liabilities	424	(896)
Other	(69)	(156)
	-----	-----
Net cash used in operating activities	(27,570)	(22,747)
=====		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(8,901)	(4,350)
Proceeds from sale of property, plant and equipment	8	1,540
	-----	-----
Net cash used in investing activities	(8,893)	(2,810)
=====		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term borrowings	43,020	23,750
Issuance of long-term obligations	30	3
Reduction of long-term debt	(19)	(662)
Issuance of common shares	487	124
Purchase of treasury shares	(2,447)	(65)
Dividends paid	(1,138)	(1,247)
	-----	-----
Net cash provided by financing activities	39,933	21,903
=====		
Net change in cash and cash equivalents	3,470	(3,654)
Cash and cash equivalents:		
Beginning of the year	1,604	4,140
	-----	-----
End of the three month period	\$ 5,074	\$ 486
=====		

</TABLE>

See accompanying notes to interim consolidated financial statements.

Note 1: Footnote disclosure which would substantially duplicate the disclosure contained in the Annual Report to Shareholders for the year ended December 31, 1994 has not been included. The unaudited interim consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the periods presented and to present fairly the consolidated financial position of Huffey Corporation as of March 31, 1995. All such adjustments are of a normal recurring nature.

Note 2: Inventories of Huffey Bicycle Company and Huffey Sports Company are valued using the dollar value LIFO method and, as a result, it is impractical to separate inventory values between raw materials, work-in-process and finished products on an interim basis.

Page 5 of 10

6

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

AND RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 1995
COMPARED TO THE
THREE MONTHS ENDED MARCH 31, 1994
(Dollar Amounts in Thousands, Except Per Share Data)

NET EARNINGS

Net earnings for Huffey Corporation ("Huffey" or "Company") for the quarter ended March 31, 1995 were \$4,415, compared to \$4,845 for the same period last year. Net earnings per share for the first quarter of 1995 and 1994 were \$.33 per common share. Operating profits in the Recreation and Leisure Time Products segment were slightly above those reported for the first quarter of 1994. Operating profits in the Services for Retail and Juvenile Products segments were slightly below net earnings reported for the first quarter of 1994.

NET SALES

Net sales for the quarter ended March 31, 1995 were \$200,653, up 6.0% from the net sales level of \$189,220 for the same quarter in 1994. Net sales increased for all reportable segments with the greatest increase in the Recreation and Leisure Time Products segment. Huffey Bicycle Company had record unit shipments in February and March while True Temper Hardware Company had increased sales in long-handled lawn and garden tools. In the Services for Retail segment, Huffey Service First had record sales due primarily to increased market share in the non-bike product assembly market segment.

GROSS PROFIT

Gross profit for the quarter ended March 31, 1995 was \$36,426, up 1.2% from the \$35,986 achieved in the first quarter of 1994. Expressed as a percentage of net sales, gross profit for the first quarter of 1995 was 18.2% compared to 19.0% for the first quarter of 1994. Gross profit as a percentage of net sales was flat for the Recreation and Leisure Time Products segment. Within this segment, Huffey Bicycle Company continued to experience declining profit margins due primarily to a highly competitive retail environment and increased competition from China. Gross margins declined slightly at Huffey Sports Company as a result of a shift in mix to lower margin product.

Page 6 of 10

7

Declining gross margin percentages at Huffy Bicycle Company and Huffy Sports Company were offset by continued improvement at True Temper Hardware Company. True Temper Hardware Company benefited from additional improvements in operating efficiency and market share gains in the long-handled garden tools segment, as well as a \$1,587 reduction in environmental reserves resulting from the favorable resolution of certain contractual issues related to the Company's purchase of True Temper Hardware Company in 1990.

Soft retail sales and a strong commitment to maintain market share caused the gross profit margin percentage to decline in the Juvenile Products segment. Gross profit margin percentages decreased slightly in the Services for Retail segment due to lower sales volume and increased labor costs at Washington Inventory Service. Huffy Service First had an increase in gross margin percentage, primarily due to volume-related efficiencies and growth in the non-bike product assembly and merchandising markets.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were \$27,006 for the first quarter of 1995, compared to \$26,381 for the same period of 1994. Expressed as a percentage of net sales, selling, general and administrative expenses were 13.5% for the first quarter of 1995 versus 13.9% for the same period in 1994. The decrease in expense as a percentage of net sales is primarily due to reduced levels of promotional accruals at Huffy Bicycle Company.

LIQUIDITY AND CAPITAL RESOURCES

There have been no other significant changes in the Company's liquidity and capital resources as of March 31, 1995 from those discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 1994. The Company's balance sheet reflects fluctuations in both current assets and current liabilities attributable to seasonal changes in the operations of its businesses.

INTEREST EXPENSE

Interest expense for the first quarter of 1995 was \$2,309, which is \$613 or 36.1% higher than the first quarter of 1994. This increase is due primarily to the issuance of Industrial Development Revenue Bonds used to finance the acquisition of the Company's Farmington, Missouri bicycle facility in the third quarter of 1994.

Page 7 of 10

8

PART II -- OTHER INFORMATION

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Shareholders of the Company was held on April 28, 1995. At such meeting the Shareholders of the Company elected as Directors Linda B. Keene, Geoffrey W. Smith, and Thomas C. Sullivan, each for a three year term expiring in 1998, and Patrick W. Rooney for a one year term expiring in 1996. Shares were voted as follows: FOR: Linda B. Keene (12,037,344), Patrick W. Rooney (12,040,468), Geoffrey W. Smith (12,055,843), and Thomas C. Sullivan (12,061,167); WITHHELD (INCLUDING BROKER NON-VOTES): Linda B. Keene (297,967), Patrick W. Rooney (294,843), Geoffrey W. Smith (279,468), and Thomas C. Sullivan (274,144).

In addition, the Shareholders approved a proposal to adopt Amended Articles of Incorporation of the Company in a vote in which 11,866,311 shares were voted for adoption, 379,626 cast against, and 89,374 cast to abstain (including broker non-votes).

The Shareholders also approved a proposal to adopt an amended Code of Regulations of the Company in a vote in which 11,848,196 shares were voted for adoption, 386,033 cast against, and 101,082 cast to abstain (including broker non-votes).

Further, the Shareholders also ratified the appointment of KPMG Peat Marwick as the Company's independent public accountants for calendar year 1995. In connection with such ratification, there were 12,257,631 shares voted for ratification, 46,390 cast against, and 31,290 cast to abstain (including broker non-votes).

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

- a. Exhibits - The Exhibits, as shown in the "Index of Exhibits", attached hereto as page 10, are filed as a part of this Report.
- 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.

HUFFY CORPORATION, registrant

May 8, 1995

Date

/s/ Timothy G. Howard

Timothy G. Howard
Vice President - Corporate Controller
(Principal Accounting Officer)

INDEX OF EXHIBITS

Exhibit No.	Item
(2)	Not applicable
(4)	Not applicable
(10)	Not applicable
(11)	Not applicable
(15)	Not applicable
(18)	Not applicable
(19)	Not applicable
(22)	Not applicable

- (23) Not applicable
- (24) Not applicable
- (27) Financial Data Schedule
- (99) Not applicable

<TABLE> <S> <C>

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<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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