

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-04-02**
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FILER

INTERNET CORP

CIK: **745287** | IRS No.: **581563873** | State of Incorpor.: **GA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-13787** | Film No.: **95536224**
SIC: **3320** Iron & steel foundries

Mailing Address
*2859 PACES FERRY ROAD
SUITE 1600
ATLANTA GA 30339*

Business Address
*2859 PACES FERRY RD STE
1600
ATLANTA GA 30339
4044316000*

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

For the period ended April 2, 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 0-13787

INTERMET CORPORATION

(Exact name of registrant as specified in its charter)

Georgia

58-1563873

(State or other jurisdiction
of incorporation or
organization)

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

Suite 1600, 2859 Paces Ferry Road, Atlanta, Georgia 30339

(Address of principal executive offices and zip code)

(404) 431-6000

(Registrant's telephone number, including area code)

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

Shares outstanding of each of the issuer's classes of common stock at May 9, 1995: 24,671,225 shares of Common Stock, \$0.10 par value per share.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

<TABLE>

INTERMET CORPORATION
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands of dollars)

<CAPTION>

	Dec 31 1994 -----	April 2 1995 -----
ASSETS		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 13,718	\$ 12,704
Accounts receivable:		
Trade, less allowance for doubtful accounts of \$687 in 1994 and 1995	65,851	79,733
Other	7,176	5,264
	-----	-----
	73,027	84,997
Inventories	32,626	31,968
Other current assets	3,246	4,214
	-----	-----
Total current assets	122,617	133,883
Property, plant and equipment, at cost	349,097	360,409
Less:		
Foreign industrial development grants, net of amortization	5,280	5,829
Accumulated depreciation and amortization	177,934	190,105
	-----	-----
Net property, plant and equipment	165,883	164,475

Other noncurrent assets	17,764	17,091
	-----	-----
	\$306,264	\$315,449
	=====	=====

</TABLE>

See accompanying notes.

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<TABLE>

INTERMET CORPORATION
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands of dollars)

<CAPTION>

	Dec 31	April 2
	1994	1995
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		

<S>	<C>	<C>
Current liabilities:		
Accounts payable	\$ 39,034	\$ 34,056
Income taxes	3,257	8,830
Accrued liabilities	31,553	39,281
Notes payable	7,670	6,035
Long-term debt due within one year	12,017	13,145
	-----	-----
Total current liabilities	93,531	101,347
Noncurrent liabilities:		
Long-term debt due after one year	87,698	79,585
Retirement benefits	43,906	44,249
Other noncurrent liabilities	10,321	10,811
	-----	-----
Total noncurrent liabilities	141,925	134,645
Minority interests	2,837	2,837
Shareholders' equity:		
Common stock	2,464	2,466
Capital in excess of par value	52,150	52,245
Retained earnings	11,730	18,250
Accumulated translation adjustments	2,959	4,976

Minimum pension liability adjustment	(1,164)	(1,164)
Unearned restricted stock	(168)	(153)
	-----	-----
Total shareholders' equity	67,971	76,620
	-----	-----
	\$306,264	\$315,449
	=====	=====

</TABLE>

See accompanying notes.

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<TABLE>

INTERMET CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands of dollars, except per share data)

<CAPTION>

	Three months ended	

	April 3	April 2
	1994	1995
	-----	-----
<S>	<C>	<C>
Net sales	\$118,889	\$153,278
Cost of sales	105,302	131,628
	-----	-----
Gross profit	13,587	21,650
Operating expenses:		
Selling	1,416	1,316
General and administrative	7,069	6,427
	-----	-----
	8,485	7,743
	-----	-----
Operating profit	5,102	13,907
Other income and expenses:		
Interest income	67	30
Interest expense	(1,397)	(2,155)
Other, net	92	(61)
	-----	-----
	(1,238)	(2,186)

	-----	-----
Income before income taxes	3,864	11,721
Provision for income taxes	2,154	5,201
	-----	-----
Net income	\$ 1,710	\$ 6,520
	=====	=====
Earnings per share	\$0.07	\$0.26
	=====	=====

</TABLE>

See accompanying notes.

4

<TABLE>

INTERMET CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
CASH FLOWS
(In thousands of dollars)

<CAPTION>

	Three months ended	
	April 3	April 2
	1994	1995
	-----	-----
<S>	<C>	<C>
Operating activities:		
Net income	\$ 1,710	\$ 6,520
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,623	8,081
Other	75	(693)
Changes in assets and liabilities:		
Accounts receivable	(6,344)	(9,651)
Inventories	3,876	1,271
Accounts payable and accrued liabilities	(331)	6,654
Other assets and liabilities	2,492	(805)
	-----	-----
Net cash provided by operating activities	8,101	11,377
	-----	-----
Investing activities:		

Additions to property, plant and equipment	(7,232)	(3,691)
Other	(294)	888
	-----	-----
Net cash used in investing activities	(7,526)	(2,803)
	-----	-----
Financing activities:		
Reduction in borrowings	(8,569)	(9,516)
Other	48	97
	-----	-----
Net cash used in financing activities	(8,521)	(9,419)
Effect of exchange rate changes on cash and cash equivalents	(24)	(169)
	-----	-----
Net decrease in cash and cash equivalents	(7,970)	(1,014)
Cash and cash equivalents at beginning of period	11,240	13,718
	-----	-----
Cash and cash equivalents at end of period	\$ 3,270	\$12,704
	=====	=====

</TABLE>

See accompanying notes.

INTERMET CORPORATION
NOTES TO INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

1. The condensed consolidated balance sheet at December 31, 1994 has been derived from audited consolidated financial statements. The interim condensed consolidated financial statements at April 2, 1995 and for the periods ended April 3, 1994 and April 2, 1995 are unaudited; however, in the opinion of management, all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation have been included. The results of operations for the interim period ended April 2, 1995 are not necessarily indicative of the results to be expected for the full year.

2. Inventories consist of the following (in thousands of dollars):

<TABLE>

<CAPTION>

	Dec 31 1994 -----	April 2 1995 -----
<S>	<C>	<C>
Finished goods	\$ 4,350	\$ 5,299
Work in process	4,032	3,524
Raw materials	6,566	5,401
Supplies and patterns	17,678	17,744
	-----	-----
	\$ 32,626	\$31,968
	=====	=====

</TABLE>

3. Property, plant and equipment consist of the following (in thousands of dollars):

<TABLE>

<CAPTION>

	Dec 31 1994 -----	April 2 1995 -----
<S>	<C>	<C>
Land	\$ 3,699	\$ 3,716
Buildings and improvements	77,514	79,772
Machinery and equipment	253,518	260,742
Construction in progress	14,366	16,179
	-----	-----
	\$ 349,097	\$ 360,409
	=====	=====

</TABLE>

4. Long-term debt consists of the following (in thousands of dollars):

<TABLE>

<CAPTION>

	Dec 31 1994 -----	April 2 1995 -----
<S>	<C>	<C>
Intermet	\$ 85,162	\$ 80,797
Subsidiaries	14,553	11,933
	-----	-----

Total long-term debt	99,715	92,730
Less amounts due within one year	12,017	13,145
	-----	-----
	\$ 87,698	\$ 79,585
	=====	=====

</TABLE>

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5. The provision for income taxes differs from the amount computed by applying the statutory U.S. federal income tax rate to income before income taxes for the following reasons (in thousands of dollars):

<TABLE>

<CAPTION>

	Three months ended	
	-----	-----
	April 3	April 2
	1994	1995
	-----	-----
<S>	<C>	<C>
Provision for income taxes at U.S. statutory rate	\$ 1,352	\$ 4,102
Charges with no tax effect	292	167
Difference between U.S. and foreign tax rates	189	551
State income taxes net of federal benefit	286	389
Other	35	(8)
	-----	-----
	\$ 2,154	\$ 5,201
	=====	=====

</TABLE>

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

Material Changes in Financial Condition

The Company's financial position improved during the first quarter. Due in large part to higher earnings and a reduced level of capital expenditures, funded debt was reduced by \$9.6 million and the debt-to-capital ratio dropped to 56% from 61% at the end of 1994. Management expects further reductions in funded debt as the year progresses.

In the first quarter of 1995 the Company charged a total of \$1.3 million against reserves established in 1993 and 1994 for restructuring, severance and retirement pay. This activity was funded by cash from operations, and will continue throughout the year.

Material Changes in Results of Operations

Sales in the first quarter rose more than \$34 million (29%) over the first quarter of 1994. Sales were higher both in the U.S. and Europe as the Company's principal market, automobiles and light trucks, remained strong. Almost \$14 million of the domestic sales growth was a result of a new production line added at the Company's New River foundry in Virginia. This line was not operating in the first half of last year. Sales in the second quarter of 1995 are expected to be well above prior year amounts as well, for the same reasons noted above. However, the sales growth rate is expected to be much lower in the last half of 1995 as most plants are now operating at full capacity on all production lines. In addition, the U.S. automotive market is showing signs it may be softening.

Gross profit was up significantly compared to the prior year. Margins were also better, improving to 14.1% of sales from 11.4% in the first quarter of 1994. Almost all plants experienced better margins than last year.

Operating expenses dropped to \$7.7 million in the first quarter from \$8.5 million in 1994, due largely to a reduced salaried workforce.

The decrease in operating expenses combined with higher gross margins resulted in operating profit more than doubling, both in dollars and as a percent of sales, compared to last year. If sales remain near current levels, management expects operating profit to remain well above prior year levels for the balance of the year.

Interest expense in the first quarter increased \$758,000 from the same period last year. Over \$400,000 of this increase was the result of interest capitalized in 1994 related to the expansion of the New River foundry. The balance was due primarily to higher domestic borrowing rates.

The Company's effective income tax rate varied for the reasons set forth in Note 5 to the interim condensed consolidated financial statements.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In August 1991 Lynchburg Foundry Company ("Lynchburg"), a wholly-owned subsidiary of the Registrant, was served with a complaint (the "Complaint") by the United States Environmental Protection Agency (the "EPA"). The Complaint alleged certain violations by Lynchburg of the Resource Conservation and Recovery Act, the most significant of which related to the treatment of certain hazardous waste at two of Lynchburg's foundries. In November 1994 Lynchburg signed a consent order agreeing to pay a penalty of \$330,000. The Registrant expects to pay the penalty in 1995, but has not yet been required to do so.

The Registrant has entered into negotiations with the Office of the Ohio Attorney General with respect to certain past violations by the Registrant's Ironton, Ohio foundry of Ohio water pollution laws regulations. The Attorney General's office has advised

the Registrant that it could avoid litigation with respect to such violations by entering into a consent order. In April 1995 the Attorney General's office proposed a penalty of approximately \$228,000. The Registrant intends to try to negotiate a lower settlement.

Item 2. Changes in Securities

None

Item 3. Defaults upon Senior Securities

None

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

None

Item 5. Other Information

None

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Item 6. Exhibits and Reports on Form 8-K

(a) The following Exhibit is filed as a part of this report:

Exhibit Number	Description
-----	-----
11.1	Computation of Earnings per Common Share
27.1	Financial Data Schedule

(b) None

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.

INTERMET CORPORATION

By:/s/ Peter C. Bouxsein

Peter C. Bouxsein
Controller
(Principal Accounting Officer)

DATE: May 10, 1995

EXHIBIT INDEX

Exhibit Number	Description
-------------------	-------------

11 Computation of Earnings per Common
Shares

27 Financial Data Schedule

EXHIBIT 11

<TABLE>

INTERMET CORPORATION

COMPUTATION OF EARNINGS PER COMMON SHARE

(In thousands, except per share data)

<CAPTION>

	Three months ended	
	April 3 1994	April 2 1995
	-----	-----
<S>	<C>	<C>
Net income	\$ 1,710 =====	\$ 6,520 =====
Weighted average number of shares outstanding	24,577	24,652
Dilutive effect of outstanding options	124 -----	55 -----
Weighted average number of shares and equivalent shares outstanding	24,701 -----	24,707 -----
Earnings per share	\$ 0.07 =====	\$ 0.26 =====

</TABLE>

<TABLE> <S> <C>

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