

# 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

#### STV GROUP INC

CIK: **95045** | IRS No.: **231698231** | State of Incorporation: **PA** | Fiscal Year End: **0930**  
Type: **10-Q** | Act: **34** | File No.: **000-03415** | Film No.: **95535937**  
SIC: **8711** Engineering services

Business Address  
11 ROBINSON ST  
POTTSTOWN PA 19464  
6103264600

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10Q

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

FOR QUARTER ENDED MARCH 31, 1995

COMMISSION FILE NO. 0-3415

STV GROUP, INCORPORATED  
(Exact name of registrant as specified in its charter)

Pennsylvania  
(State or other jurisdiction of  
incorporation or organization)

23-1698231  
(I.R.S. Employer Identification)

11 Robinson Street, Pottstown, Pennsylvania  
(Address of principal executive offices)

19464  
(Zip Code)

(610) 326-4600  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(g) of the Act:

Common Stock \$1.00 par value  
(Title of class)

As of March 31, 1995, there were 1,821,246 shares of common stock of the registrant outstanding.

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 twelve 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

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

STV GROUP, INC., AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

UNAUDITED

<TABLE>  
<CAPTION>

	March 31, 1995	September 30, 1994
<S>	<C>	<C>
ASSETS		
Current Assets		
Cash	\$977,000	\$640,000
Accounts Receivable less allowance for doubtful accounts of \$230,000 in 1995 and \$50,000 in 1994	20,610,000	24,413,000
Costs and Estimated Profits of Uncompleted		

Contracts in Excess of Related Billings	13,066,000	13,045,000
Income Taxes Recoverable	438,000	522,000
Deferred tax benefit	480,000	360,000
Other Current Assets	733,000	1,434,000
	-----	-----
Total Current Assets	36,304,000	40,414,000
Property and Equipment	11,770,000	11,374,000
Less Accumulated Depreciation	9,693,000	9,282,000
	-----	-----
Net Property and Equipment	2,077,000	2,092,000
Deferred Tax Benefit	430,000	430,000
Other Assets	1,016,000	1,024,000
	-----	-----
TOTAL	\$39,827,000	\$43,960,000
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes and Accounts Payable	\$17,116,000	\$22,369,000
Accrued Wages and Expenses	6,849,000	6,774,000
Billings on Uncompleted Contracts in Excess of Related Costs	3,878,000	3,800,000
	-----	-----
Total Current Liabilities	27,843,000	32,943,000
Long-Term Debt	2,250,000	1,939,000
Stockholders' Equity		
Preferred Stock	0	0
Common Stock	1,921,000	1,843,000
Capital Surplus	3,003,000	2,681,000
Retained Earnings	5,081,000	4,825,000
	-----	-----
Total	10,005,000	9,349,000
Less: Treasury Stock	271,000	271,000
	-----	-----
Total Stockholders' Equity	9,734,000	9,078,000
TOTAL	\$39,827,000	\$43,960,000
	=====	=====

</TABLE>

STV GROUP, INC., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

UNAUDITED

<TABLE>  
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	SIX MONTHS ENDED	
	March 31	
	1995	1994
<S>	<C>	<C>
Operating Activities		
Net Income	\$256,000	\$381,000
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and Amortization	440,000	360,000
Deferred Tax Benefit	0	247,000

Other	201,000	(256,000)
Stock contribution to Employee Stock Ownership Program (ESOP)	400,000	0
Changes in Operating assets and liabilities		
Accounts Receivable	3,803,000	(664,000)
Costs of uncompleted contracts in excess of billings and prepaid expenses	680,000	898,000
Accounts Payable and accrued expenses	(2,393,000)	1,466,000
Billing in excess of related costs	78,000	(224,000)
Current Income Taxes	(36,000)	134,000
	-----	-----
Net Cash provided by operating activities	\$3,429,000	\$2,342,000
Investing Activities		
Purchase of Property and Equipment	(396,000)	(337,000)
Purchase of Software	(138,000)	(9,000)
Decrease (Increase) in other assets	62,000	(1,000)
	-----	-----
Net Cash provided (used) by investing activities	(\$472,000)	(\$347,000)
Financing Activities		
Proceeds from line of credit and long term borrowings	43,505,000	37,201,000
Principal payments on line of credit and long term borrowings	(46,125,000)	(38,867,000)
	-----	-----
Net Cash (used) provided by financing activities	(\$2,620,000)	(\$1,666,000)
Increase (decrease) in cash and equivalents	337,000	329,000
Cash and equivalents at beginning of year	640,000	818,000
	-----	-----
Cash and equivalents at end of period	\$977,000	\$1,147,000
	=====	=====

</TABLE>

STV GROUP, INC., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

UNAUDITED

<TABLE>  
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	THREE MONTHS ENDED		SIX MONTHS ENDED	
	March 31		March 31	
	1995	1994	1995	1994
<S>	<C>	<C>	<C>	<C>
Revenue				
Total Revenue	\$21,092,000	\$20,687,000	\$43,909,000	\$42,494,000
Less Subcontract and Procurement Costs	3,573,000	4,759,000	9,037,000	10,186,000
	-----	-----	-----	-----
Operating Revenue	\$17,519,000	\$15,928,000	\$34,872,000	\$32,308,000
Costs and Expenses				
Costs of Services and Sales	15,648,000	14,575,000	31,116,000	29,179,000
General and Administrative	1,178,000	891,000	2,331,000	2,123,000
Interest in Joint Venture	97,000	(122,000)	201,000	(256,000)
Interest	368,000	327,000	751,000	663,000
	-----	-----	-----	-----
Total Costs and Expenses	17,291,000	15,671,000	34,399,000	31,709,000
Income Before Income Taxes	228,000	257,000	473,000	599,000
Income Taxes	104,000	113,000	217,000	218,000
	-----	-----	-----	-----

Net Income	\$124,000 =====	\$144,000 =====	\$256,000 =====	\$381,000 =====
Earnings per share:	\$0.07	\$0.08	\$0.14	\$0.22
Weighted Average Common Shares and Equivalents	1,821,246	1,762,868	1,801,746	1,756,946

## Notes to Consolidated Condensed Financial Statement

March 31, 1995

### 1 - BASIS OF PRESENTATION

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with the instruction to Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles.

It should be understood that the foregoing interim results are not necessarily indicative of the results of operations for the full fiscal year ending September 30, 1995 due in part to increased reliance on estimates at interim dates.

### 2 - ACCOUNTING CHANGES

Effective October 1, 1994, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 112, "Employers' Accounting for Postemployment Benefits," in accounting for disability benefits. Prior to October 1, 1994, the Company recognized the cost of providing these benefits on a cash basis. Under the new method of accounting, the Company accrues the benefits when it becomes probable that such benefits will be paid and when sufficient information exists to make reasonable estimates of the amounts to be paid. This accounting change had no material effect on net income or net worth. As required by the Statement, prior year financial statements have not been restated to reflect the change in accounting method.

Effective October 1, 1993, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," and Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." These accounting changes did not have a material effect on net income or net worth. Certain prior year amounts have been reclassified to conform to the presentation in the Company's 1994 Annual Report on Form 10-K. These reclassifications had no effect on the results of operations or no overall financial position.

### Item 2. Management Discussion and Analysis of the Results of Operation

Total revenues for the quarter ended March 31, 1995 (second quarter fiscal 1995) increased 1.9% as compared to the second quarter of fiscal 1994 and decreased 7.6% as compared to the previous quarter. Operating revenues (total revenues excluding pass-through costs) increased 10.0% as compared to the second quarter of fiscal 1994 and increased 1.0% as compared to the previous quarter. The increase in revenues reflects a continued demand for transportation, infrastructure and facilities engineering.

Pass-through costs, expressed as a percentage of total revenues, decreased 16.9% as compared to 23.0% in the second quarter of 1994 and 23.9% in the previous quarter. Pass-through costs will vary depending on the need for specialty subconsultants and governmental subcontract requirements.

Cost of services, expressed as a percentage of operating revenues, decreased to 89.3% for the second quarter of fiscal 1995 from 91.5% in the second quarter of fiscal 1994 and is comparable to the 89.1% in the previous quarter. The decrease in the percentage from the second quarter of 1994 to the second quarter of 1995 was due mainly to the increase in revenues. As a dollar amount, cost of services increased \$1,073,000 in the second quarter of fiscal 1995. This increase was primarily due to an increase in labor and labor related expenses in response to increased demand.

General and administrative expense, expressed as a percentage of operating revenues, increased to 6.7% in the second quarter of fiscal 1995 from 5.6% in the second quarter of fiscal 1994 and was comparable to the 6.6% in the previous quarter. The increase from the second quarter of fiscal 1994 was due to an increase in salaries and legal and accounting fees.

The interest in an architectural joint venture changed from a loss of \$122,000 in the second quarter of fiscal 1994 to a profit of \$83,000 in the second quarter of fiscal 1995. The Company has chosen to wind-down and eventually terminate the joint venture. The company expects the joint venture to break-even at the end of the wind-down phase.

Interest, expressed as a percentage of operating revenues, is 2.1% for the second quarter of fiscal 1995 which is comparable to the 2.1% of the second quarter of fiscal 1994 and the 2.2% of the previous quarter. As a dollar amount interest increased \$41,000 in the

second quarter of fiscal 1995 compared to the second quarter of fiscal 1994 due to an increase in the borrowing rate.

Income tax expense for the second quarter of fiscal 1995 was 45.6% of pre-tax income compared to 44.0% in the second quarter of fiscal 1994.

Earnings per common share for the second quarter of fiscal 1995 were 7 cents, based on 1,821,246 shares outstanding, which is comparable to the 8 cents for the second quarter of fiscal 1994, based on 1,762,868 shares outstanding.

#### Financial Condition

Working capital increased to \$8,461,000 from the \$8,266,000 in the previous quarter. Capital resources available to the Company include an existing line of credit for working capital. The current limit is a maximum of \$16.5 million based on accounts receivable and work-in-progress of which approximately \$3.5 million is currently available. The Company believes the existing line of credit is adequate to meet the financial needs of the Company. The Company is planning to continue its program of purchasing computer-assisted design and drafting equipment.

The Company's backlog remains strong at approximately \$122 million.

#### 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.

STV GROUP, INCORPORATED  
(Registrant)

May 9, 1995

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Date

By: /s/ Michael Haratunian

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Michael Haratunian  
Chairman, Chief Executive Officer

May 9, 1995

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Date

By: /s/ Peter W. Knipe

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Peter W. Knipe  
Secretary/Treasurer

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Read the entire Form 10Q for full financial picture.

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