

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

**HELLER FINANCIAL INC**

CIK: **46738** | IRS No.: **361208070** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **8-K** | Act: **34** | File No.: **001-06157** | Film No.: **98669756**  
SIC: **6153** Short-term business credit institutions

Mailing Address  
500 W MONROE ST  
CHICAGO IL 60661

Business Address  
500 W MONROE ST  
CHICAGO IL 60661  
3124417000

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report: July 20, 1998

(Date of earliest event reported)

HELLER FINANCIAL, INC.  
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(Exact name of registrant as specified in its charter)

Delaware  
-----

(State or other jurisdiction of incorporation)

1-6157  
-----

(Commission File Number)

36-1208070  
-----

(IRS Employer Identification Number)

500 West Monroe Street, Chicago, Illinois 60661  
-----

(Address of principal executive offices) (Zip Code)

(312) 441-7000  
-----

(Registrant's telephone number, including area code)

Item 5. Other Events

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On July 20, 1998, Heller Financial, Inc. (the "Registrant") issued a press release announcing its earnings for the quarter ending June 30, 1998. A copy of the press release is attached.

Item 7. Financial Statements and Exhibits  
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(c) Exhibits

99 Heller Financial, Inc. - Press Release

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: July 21, 1998  
-----

HELLER FINANCIAL, INC.

By: /s/ Lawrence G. Hund  
-----

Lawrence G. Hund

Title: Executive Vice President and  
Controller

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EXHIBIT INDEX

Exhibit  
Number  
-----

Sequentially  
Numbered Pages  
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99 Heller Financial, Inc. - Press Release

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Heller Financial, Inc. Reports Significant Increases in 1998 Second Quarter  
Net Income and New Business Volume;  
Continued Strong Credit Quality

Chicago--(July 20, 1998)--Heller Financial, Inc. (NYSE: HF) today reported net income of \$51 million for the second quarter of 1998, an increase of 16 percent over second quarter 1997, said Chairman and Chief Executive Officer Richard J. Almeida. For the six months ended June 30, 1998, net income was a record \$99 million, an increase of 19 percent over the prior year period. The earnings growth for the second quarter and first half of the year was driven by strong new business volume and continued excellent performance in the credit quality of the Company's portfolio.

Net income applicable to common stock was \$46 million for the quarter and \$89 million for the six months, increases over the prior year periods of 12 percent and 16 percent, respectively. Pro forma diluted earnings per share, adjusted for the impact of Heller's May 1, 1998 initial public offering of common stock, were \$.51 for the second quarter and \$.99 for the six months, 13 percent and 16 percent increases, respectively.

Highlights included:

New business volume totaled \$2.0 billion for the quarter and \$3.7 billion year-to-date, increases of 29 percent and 49 percent over the respective 1997 periods. New business growth was strong across nearly all of Heller's business lines, most notably in Corporate Finance and Real Estate's Commercial Mortgage Backed Securities unit (CMBS), which originates fixed rate commercial mortgages for ultimate securitization. As of June 30, Heller's total lending assets and investments grew 7 percent to \$12.8 billion since the end of 1997.

Factoring volume increased 25 percent for the quarter over the prior year period due in part to the strong performance of Factofrance, whose factoring volume increased 38 percent compared to the second quarter of 1997, and to Heller's domestic factoring business, whose factoring volume increased 14 percent in the second quarter. Year-to-date, including the impact of the consolidation of Factofrance during the second quarter of 1997, factoring volume was up 67 percent.

Operating revenues year-to-date were \$380 million, a 12 percent increase over the same period in 1997. The strong growth in operating revenue was fueled by increases in fees and other income, as well as increased factoring commissions, which reflects the consolidation of Factofrance. Operating revenues for the second quarter rose compared to the first quarter, but were down slightly compared to the prior year period due to the strength of the second quarter of 1997, which included \$24 million in income from a securitization of CMBS assets. Net interest income for the second quarter increased slightly over the first quarter, and increased slightly for the first half compared to the prior year period due to growth in the Company's portfolio of lending assets.

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Credit quality remained excellent across all lines of business. Net writedowns totaled only \$1 million during the quarter due to continued low levels of writedowns and strong recoveries. Year-to-date net writedowns totaled \$16 million, or 0.3 percent of average lending assets on an annualized basis, down over 70 percent from the prior year. Heller's nonearning assets declined to \$149 million, or 1.3 percent of total lending assets, the lowest level in ten years. The Company's loan loss reserve remained at 2.4 percent of receivables and was 188 percent of nonearning receivables.

Excluding the impact of the FactoFrance consolidation, operating expenses increased 10 percent for the quarter and 13 percent for the first six months. Expense growth was primarily related to continued investment in developing leadership positions in asset based finance and the Real Estate CMBS business, information technology expenditures including Year 2000 compliance, and investment in Heller's national brand-building marketing campaign.

"The Company's originations and credit performance for both the quarter and the first six months of the year reaffirm the strength of the strategies that we have put in place over the past months and years," said Almeida. "Our growth in new business volume reflects our client orientation and the leadership positions that we have built in many of our businesses. At the same time, we continue to emphasize credit discipline as a means to maintain a high quality portfolio."

Heller Financial, Inc., a worldwide commercial financial services organization, is listed as "HF" on the New York and Chicago Stock Exchanges. Heller provides U.S.-based clients with equipment financing and leasing, factoring and working capital loans, asset based financing, cash flow financing, real estate financing, small business lending, and project financing. The Company also operates through joint ventures and subsidiaries located in 19 countries in Europe, Asia/Pacific, and Latin America. These companies specialize in factoring, asset based financing, acquisition financing, leasing, vendor financing, and trade finance. On May 1, 1998, Heller successfully completed an initial public offering of 38.5 million shares of Class A Common Stock, representing approximately 42 percent of the Company's shares.

HELLER FINANCIAL, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS  
(in millions)

<TABLE>  
<CAPTION>

	ASSETS	
	June 30, 1998 ----	December 31, 1997 ----
	(unaudited)	
<S>	<C>	<C>
Cash and cash equivalents.....	\$ 380	\$ 821
Receivables.....	11,449	10,722
Less: Allowance for losses of receivables.....	277	261
	-----	-----
Net receivables.....	11,172	10,461
Investments.....	1,124	994
Investments in international joint ventures.....	205	198
Other assets.....	467	387
	-----	-----
Total assets.....	\$13,348	\$12,861
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Senior debt

Commercial paper and short-term borrowings.....	\$ 3,470	\$ 3,432
Notes and debentures.....	6,359	6,004
	-----	-----
Total senior debt.....	9,829	9,436
Credit balances of factoring clients.....	1,264	1,255
Other payables and accruals.....	484	405
	-----	-----
Total liabilities.....	11,577	11,096
Minority interest.....	7	87
Stockholders' equity		
Preferred stock.....	275	275
Common stockholders' equity.....	1,489	1,403
	-----	-----
Total stockholders' equity.....	1,764	1,678
	-----	-----
Total liabilities and stockholders' equity..	\$13,348	\$12,861
	=====	=====

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HELLER FINANCIAL, INC. AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF INCOME  
(in millions, except per share information)

<TABLE>  
<CAPTION>

	For the Three Months Ended June 30		For the Six Months Ended June 30,	
	1998	1997	1998	1997
	-----	-----	-----	-----
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<S>	<C>	<C>	<C>	<C>
Interest income.....	\$ 252	\$ 238	\$ 506	\$ 446
Interest expense.....	147	131	302	247
	-----	-----	-----	-----
Net interest income.....	105	107	204	199
Fees and other income.....	50	53	103	79
Factoring commissions.....	32	30	59	43
Income of international joint ventures.....	7	9	14	19
	-----	-----	-----	-----
Operating revenues.....	194	199	380	340
Operating expenses.....	99	90	193	152
Provision for losses.....	17	34	32	56
	-----	-----	-----	-----

Income before income taxes and minority interest..	78	75	155	132
Income tax provision.....	26	28	53	45
Minority interest.....	1	3	3	4
	-----	-----	-----	-----
Net income.....	\$ 51	\$ 44	\$ 99	\$ 83
	=====	=====	=====	=====
Dividends on preferred stock.....	\$ 5	\$ 3	\$ 10	\$ 6
	=====	=====	=====	=====
Net income applicable to common stock.....	\$ 46	\$ 41	\$ 89	\$ 77
	=====	=====	=====	=====
Basic and diluted net income applicable to common stock per share.....	\$ .60	\$ .80	\$1.39	\$1.51
	=====	=====	=====	=====
Pro forma basic net income applicable to common stock per share (1).....	\$ .51	\$ .46	\$ .99	\$ .85
	=====	=====	=====	=====
Pro forma diluted net income applicable to common stock per share (2).....	\$ .51	\$ .45	\$ .99	\$ .85
	=====	=====	=====	=====

</TABLE>

(1) Pro forma basic net income applicable to common stock per share is computed based on net income applicable to common stock divided by 90,070,775 shares of common stock outstanding after the Company's initial public offering.

(2) Pro forma diluted net income applicable to common stock per share is computed based on net income applicable to common stock divided by 90,123,570 shares of common shares outstanding after the offering including the impact of stock options issued to management of the Company.

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#### HELLER FINANCIAL, INC. AND SUBSIDIARIES

##### SELECTED FINANCIAL DATA

<TABLE>

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SELECTED DATA AND RATIOS

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	1998	1997	1998	1997
	<C>	<C>	<C>	<C>
Profitability:				
-----				
Pro forma net income applicable to common stock per share (1):				
Basic	\$0.51	\$0.46	\$0.99	\$0.85
Diluted	\$0.51	\$0.45	\$0.99	\$0.85
Net income applicable to common stock per share (actual):				
Basic	\$0.60	\$0.80	\$1.39	\$1.51



Diluted	\$0.60	\$0.80	\$1.39	\$1.51
Return on average common stockholder's equity (2)	14.3%	12.1%	14.1%	11.5%
Return on AFE (3)	1.8%	1.7%	1.8%	1.7%
Net interest income as a percentage of AFE (3)	3.7%	4.2%	3.6%	4.1%
Non-interest operating revenues as a percentage of AFE (3)	3.2%	3.6%	3.2%	3.0%
Total operating revenues as a percentage of AFE (3)	6.9%	7.8%	6.8%	7.1%
Salaries and general operating expenses as a percentage of AFE (3)	3.5%	3.5%	3.4%	3.2%
Operating expenses to operating revenues	51.0%	45.2%	50.8%	44.7%
Operating expenses to AMA	3.2%	3.4%	3.1%	3.0%

</TABLE>

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	June 30, 1998 ----	December 31, 1997 ----	June 30, 1997 ----
	<C>	<C>	<C>
<S>			
Credit Quality:			
-----			
Ratio of earning loans delinquent 60 days or more to receivables	1.5%	1.4%	1.8%
Ratio of total nonearning assets to total lending assets	1.3%	1.4%	2.9%
Ratio of net writedowns to average lending assets (annualized)	0.3%	1.5%	1.1%
Ratio of allowance for losses of receivables to receivables	2.4%	2.4%	2.5%
Ratio of allowance for losses to net write-offs	8.6x	1.8x	2.5x
Ratio of allowance for losses of receivables to nonearning receivables	188%	185%	97%

</TABLE>

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	June 30, 1998 ----	December 31, 1997 ----	June 30, 1997 ----
	<C>	<C>	<C>
<S>			
Leverage:			
-----			
Ratio of debt (net of short-term investments) to total stockholder's equity	5.5x	5.2x	5.0x
Ratio of commercial paper and short-term borrowings to total debt	35%	36%	45%

Other: (dollars in millions)

-----			
Total lending assets and investments	\$12,780	\$11,928	\$11,214
Total common stockholder's equity	1,489	1,403	1,368
Funds employed (3)	11,516	10,673	10,101
Average funds employed (3)	11,331	10,081	9,693
Managed assets (4)	12,714	11,800	10,614
Average managed assets (4)	12,439	10,687	10,227

</TABLE>

(1) Pro forma basic eps is based upon 90,070,775 shares of stock outstanding at 6/30/98. Pro forma diluted eps is based on 90,123,570 shares outstanding at 6/30/98 including the impact of stock options issued to management.

(2) Return on average common stockholder's equity is computed as net income less preferred stock dividends paid, divided by average total stockholders' equity net of preferred stock.

(3) Funds employed include lending assets and investments, less credit balances of factoring clients.

(4) Total managed assets include funds employed, plus receivables previously securitized or sold and currently managed by the Company. Managed assets includes approximately \$150 million from the 1997 equipment securitization in which the Company has not retained any credit risk, and \$300 million of loans which are fully guaranteed by the U.S. Government through a Small Business Administration Program.

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LENDING ASSETS AND INVESTMENTS

BY BUSINESS GROUP	June 30, 1998	March 31, 1998	December 31, 1997	June 30, 1997
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
(dollars in millions)				
Asset Based Finance				
Equipment Finance and Leasing	\$ 1,453	\$ 1,291	\$ 1,316	\$ 1,166
Sales Finance	1,366	1,248	1,228	1,231
Business Credit	1,063	1,137	1,025	1,005
Small Business Lending	760	823	766	576
Current Asset Management	510	529	391	839
	-----	-----	-----	-----
Total Asset Based	\$ 5,152	\$ 5,028	\$ 4,726	\$ 4,817
	-----	-----	-----	-----
Real Estate Finance	\$ 1,893	\$ 1,532	\$ 2,093	\$ 1,251
Corporate Finance	2,625	2,375	2,010	2,137
International Group	2,437	2,312	2,361	2,002
Project Finance	151	154	144	150
Pre-1990 Portfolio	398	444	492	790
Other	124	110	102	67
	-----	-----	-----	-----
Total lending assets and investments	\$12,780	\$11,955	\$11,928	\$11,214
	=====	=====	=====	=====

</TABLE>