

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
SEC Accession No. **0000909518-94-000090**

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FILER

UNITED INDUSTRIAL CORP /DE/

CIK: **101271** | IRS No.: **952081809** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-04252** | Film No.: **94527983**
SIC: **3690** Miscellaneous electrical machinery, equipment & supplies

Mailing Address
*18 E 48TH STREET
NEW YORK NY 10017*

Business Address
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NEW YORK NY 10017
2127528787*

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 March 31, 1994

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 #1-4252

UNITED INDUSTRIAL CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction
of incorporation or organization)

95-2081809
(I.R.S. Identification No.)

18 East 48th Street, New York, NY 10017
(Address of principal executive offices)

Registrant's telephone number, including area code (212) 752-8787

Not Applicable

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 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.
12,258,693 shares of common stock as of May 1, 1994.

UNITED INDUSTRIAL CORPORATION

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PART I - FINANCIAL INFORMATION
UNITED INDUSTRIAL CORPORATION & SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET - UNAUDITED
(Dollars in Thousands)

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<S>	MARCH 31 1994	DECEMBER 31 1993
<C>	<C>	<C>
ASSETS		
Current Assets		
Cash & cash equivalents	\$ 1,700	\$ 3,906
Note receivable	8,540	8,540
Trade receivables	40,244	45,233
Inventories		
Finished goods & work-in-process	48,508	46,087
Materials & supplies	3,826	3,776
	52,334	49,863
Recoverable federal income taxes	552	3,618
Deferred income taxes	8,739	8,796
Prepaid expenses & other current assets	3,341	2,480
Assets held for sale	4,014	5,439
Total Current Assets	119,464	127,875
Other assets	28,621	23,096
Note receivable	113	8,540
Deferred income taxes	10,359	10,365
Property & equipment - less allowances for depreciation (\$78,342 & \$75,714)	46,079	46,635
	\$204,636	\$216,511
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Notes payable to banks	\$ 7,000	\$ 20,700
Accounts payable	10,890	9,634
Accrued employee compensation & taxes	9,852	7,598
Customer advances	9,621	5,725
Other liabilities	3,256	6,370
Provision for contract losses	9,607	10,232
Deferred income taxes	3,402	3,493
Estimated restructuring liability	750	750
Total Current Liabilities	54,378	64,502
Long-term liabilities (less current maturities)	28,089	27,851
Deferred income taxes	16,238	18,645
Accumulated postretirement benefit obligation	20,381	20,159
Shareholders' Equity		
Common stock \$1.00 par value		

Authorized - 15,000,000 shares; outstanding		
12,258,693 shares (net of shares in treasury)	14,374	14,374
Additional capital	96,309	97,167
Retained earnings (deficit)	(7,357)	(8,411)
Treasury stock, at cost, 2,115,455 shares	(16,875)	(16,875)
Minimum pension liability adjustment	(901)	(901)
	85,550	85,354
	\$204,636	\$216,511

</TABLE>

1

See accompanying notes

<TABLE>

UNITED INDUSTRIAL CORPORATION & SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS
(Dollars in thousands except per share amounts)

<CAPTION>

	Three Months Ended March 31	
	1994	1993
<S>	<C>	<C>
Net Sales	\$ 50,076	\$ 57,399
Operating costs & expenses		
Cost of sales	38,087	49,607
Selling & administrative	10,281	11,330
Other expenses - (income)	(205)	(233)
Interest expense	596	668
Interest income	(389)	(815)
Provision for restructuring charge	-	23,000
	48,370	83,557
Income (loss) before income taxes and cumulative effect of accounting changes	1,706	(26,158)
Income taxes (benefit)	652	(8,707)
Income (loss) before cumulative effect of accounting changes	1,054	(17,451)
Cumulative effect as of December 31, 1992 of changes in method of accounting for:		
Post retirement benefits other than pensions, net of taxes	-	(12,890)
Income taxes	-	13,884

Net income (loss)	\$ 1,054	\$ (16,457)
Earnings (loss) per share:		
Earnings (loss) per share before cumulative effect of accounting changes	\$ 0.09	\$ (1.42)
Cumulative effect of accounting changes for:		
Postretirement benefits other than pensions	-	(1.05)
Income taxes	-	1.13
Net earnings (loss) per share	\$ 0.09	\$ (1.34)

</TABLE>

See accompanying notes

2

<TABLE>

UNITED INDUSTRIAL CORPORATION & SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
(Dollars in Thousands)

<CAPTION>

	THREE MONTHS ENDED MARCH 31	
	1994	1993<F1>
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net income (loss)	\$ 1,054	\$ (16,457)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Cumulative effect of changes in accounting for:		
Postretirement benefits	-	20,054
Income taxes	-	(13,884)
Depreciation and amortization	1,636	1,747
Deferred income taxes	(2,435)	(9,348)
Restructuring charge	-	23,000
Increase (decrease) in contract loss provision	(625)	2,519
Changes in operating assets and liabilities:		
Decrease in accounts receivable	5,067	14,910
Decrease (increase) in inventories	(231)	4,910
Increase in prepaid expenses and other current assets	(127)	(974)
Decreases in accounts payable, accruals, advances and other	(1,039)	(8,567)
Decrease (increase) in recoverable federal income taxes	2,963	(9,667)
Increase (decrease) in long-term liabilities	(678)	1,432
Net Cash Provided by (Used in)		

Operating Activities	5,585	9,675
INVESTING ACTIVITIES		
Decrease in note receivable	8,540	8,540
Purchase of property and equipment	(628)	(106)
Increase in other assets - net	(794)	(505)
Acquisition of business - net of cash received	(1,489)	-
Net Cash Provided by Investing Activities	5,629	7,929
FINANCING ACTIVITIES		
Increase in long-term liabilities	1,138	1,551
Proceeds from borrowings	-	6,000
Payments on long-term debt & borrowings	(13,700)	(19,991)
Dividends	(858)	(1,961)
Net Cash Used in Financing Activities	(13,420)	(14,401)
Increase (Decrease) in Cash and Cash Equivalents	(2,206)	3,203
Cash and cash equivalents at beginning of period	3,906	2,608
Cash and cash equivalents at end of period	\$ 1,700	\$ 5,811

<FN>

<F1>Restated to conform to current classifications
</TABLE>

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See accompanying notes

UNITED INDUSTRIAL CORPORATION AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

March 31, 1994

Note A - Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of

management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 1994 are not necessarily indicative of the results that may be expected for the year ending December 31, 1994. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1993.

Note B - Restructuring Charge

The Consolidated Condensed Statement of Operations for the three months ended March 31, 1993 includes a restructuring charge of \$23 million (\$14.7 million or \$1.20 per share, net of income tax benefit). The charge covers the anticipated cost of organizational and product line changes, consolidation of facilities, and work force reductions of approximately 300 at AAI and its four subsidiaries. A major portion of the charge will result from the curtailment of operations of AAI/MICROFLITE in Binghamton, New York, due to lack of significant new orders. AAI/MICROFLITE was acquired in 1991. During the three months ended March 31, 1993, AAI/MICROFLITE sales amounted to \$132,000, and losses were \$1,492,000 or \$.12 per share. At March 31, 1994, the restructuring program was substantially completed and only \$750,000 related to the consolidation and discontinuation of certain manufacturing activities, had not been expended.

Note C - Assets Held for Sale

Assets held for sale of \$4,014,000 and \$5,439,000 included on the consolidated balance sheet at March 31, 1994 and December 31, 1993, respectively, relate to the remaining assets of AAI/MICROFLITE, including the office/manufacturing complex. The company has entered into agreements to sell these assets and such transactions are expected to be consummated in 1994.

Note D - Dividends

A quarterly dividend of \$.07 per share is payable May 27, 1994.

Note E - Change in Method of Accounting for Income Taxes

Effective January 1, 1993, the Company adopted FASB Statement No. 109, decreasing net loss by \$13.9 million or \$1.13 per share. Deferred federal income taxes - current was reduced \$16.4 million and non-current was increased \$2.5 million. The effect of the change of net income for the three months ending March 31, 1993 was not material. Deferred income tax balance at March 31, 1994, consists of:

<TABLE>

<CAPTION>

(Dollars in thousands)		<C>
<S>		
Deferred Tax Assets		
Losses on long-term contracts not currently deductible		\$ 4,760
Postretirement benefits other than pensions and other employee benefits		9,247
Product warranty and other provisions		1,277
Vacation pay accruals		555
Basis differences for asset sales		3,225
Other		34
Total Deferred Tax Assets		19,098
Deferred Tax Liability		
Pension plans and other employee benefits		(9,590)
Excess tax depreciation		(7,313)
Installment gain		(2,644)
Other		(93)
Total Deferred Tax Liabilities		(19,640)
Net Deferred Tax Liability		\$ (542)

</TABLE>

Note F - Change in Method of Accounting for Postretirement Benefits Other Than Pensions

Effective January 1, 1993 the Company adopted FASB Statement No. 106 increasing net loss by \$12.9 million or \$1.05 per share. The liability for accumulated postretirement benefit obligation is \$20 million. The cost of providing postretirement benefits under the new accrual method amounted to \$204,000 (\$.02 per share) and \$408,000 (\$.03 per share) for the three months ended March 31, 1994 and 1993, respectively.

Note G - Legal Proceedings

The Company, along with various other parties, has been named in three claims (including two tort claims, one of which alleges class action) relating to environmental matters based on allegations partially related to a predecessor's operations. These tort actions seek recovery for personal injury and property damage among other damages.

The company owned and operated a small facility at a site in the State of Arizona that manufactured semi-conductors between 1959 and 1960. All such operations of the Company were sold prior to 1962. This facility may have used trichloroethylene ("TCE") in small quantities. However, to date, there is no evidence that this facility released or disposed of TCE at this site.

On May 18, 1993, the State of Arizona filed suit against the Company seeking the recovery of investigative costs, injunctive relief to require the company to perform a Remedial Investigation and Feasibility Study, and ultimately to require the remediation of alleged soil and groundwater contamination at and near a certain industrial site. In response to the State's claim the Company filed a third party complaint that seeks contribution from seventy-five identified possible responsible parties that are believed to have used solvents on and around the company's former site.

Management intends to vigorously contest these actions and believes that the resolution of these actions will not be material to the Company.

The Company is involved in various other law suits and claims, including certain other environmental matters, arising out of the normal course of its business. In the opinion of management, the ultimate amount of liability, if any, under pending litigation, including claims described above, will not have a materially adverse effect on the consolidated financial position of the Company.

Note H - Acquisitions

On January 18, 1994, the Company purchased all the outstanding shares of Symtron Systems, Inc. (Symtron), a producer of fire training simulators for the military and commercial markets. The purchase price consists of an initial payment of \$1,500,000, assumption of certain liabilities of approximately \$5,900,000 and contingent payments, not to exceed \$1,500,000, based on the net worth at specified dates and future profits on contracts existing at the acquisition date. Additionally, contingent amounts are payable if certain pretax profits, as defined in the purchase agreement, are earned for each of the years in the five year period ending December 31, 1998. As of December 31, 1993, the company had deposited \$500,000 in an escrow account in anticipation of this acquisition. Funds generated from operations and an existing line of credit were utilized to finance the purchase of Symtron.

The acquisition is to be accounted for as a purchase, accordingly, the operations of Symtron will be included in the company's 1994 financial statements.

The balance sheet of Symtron has been included in the Consolidated Condensed Balance Sheet.

NOTE I - Credit Arrangements

AAI has borrowed \$4,000,000 under \$30 million credit facility at March 31, 1994 and has letters of credit outstanding of approximately \$6,838,000. This credit facility, which expired April 30, 1994, has been renewed for \$5,000,000 and an additional 60 days. Management expects to refinance this facility with other lenders. The terms of such financing, including interest rates, guarantees and covenants, may differ from those provided

for under this credit facility.

Management's Discussion and Analysis of Financial Condition
and Results of Operations

Net sales for the first quarter of 1994 were \$7,323,000 lower than for the prior year. Sales decreased in all segments. Symtron sales of \$1,100,000 are included.

The net loss for the prior period quarter includes a restructuring charge at the AAI Corporation subsidiary of \$23 million (\$14.7 million, or \$1.20 per share net of income tax benefit). The charge covers the anticipated cost of organizational and product-line changes, the consolidation of facilities, and work force reductions of approximately 300 in AAI and its four subsidiaries. A major portion of the charge will result from the curtailment of operations of AAI/MICROFLITE in Binghamton, New York due to lack of significant new orders. AAI/MICROFLITE was acquired in 1991. Predominately a defense contractor, AAI is in the process of realigning its business to become more competitive in the marketplace with its current customers and to enter new non-DOD markets. Net income included a loss of \$1,492,000 (\$.12 per share), from operations of AAI/MICROFLITE, in the first quarter of 1993.

The cost of sales as a percent of sales decreased from 86.4 in 1993 to 76.1 in 1994, primarily due to the recognition of losses of approximately \$5.7 million on certain long-term contracts in the prior year.

Cash and cash equivalents decreased by \$2,217,000 from December 31, 1993. See Consolidated Condensed Statement of Cash Flows. The restructuring charge (\$23 million), the accumulated postretirement benefit obligation (\$20 million) and the change in the deferred federal income taxes due to a change in accounting method (\$13.9 million) are non-cash items in the first quarter of 1993 and are included in the Consolidated Condensed Statement of Cash Flows as adjustments to reconcile net income to net cash provided or used in operating activities.

AAI has borrowed \$4,000,000 under \$30 million credit facility at March 31, 1994 and has letters of credit outstanding of approximately \$6,838,000. This credit facility, which expired April 30, 1994, has been renewed for \$5,000,000 and an additional 60 days. Management expects to refinance this facility with other lenders. The terms of such financing, including interest rates, guarantees and covenants, may differ from those provided for under this credit facility.

Effective January 1, 1993 the Company adopted FASB Statement No. 109 (see Note B of the Condensed Financial Statement) decreasing net loss by \$13.9

million or \$1.13 per share. Deferred federal income taxes - current was reduced \$16.4 million and non-current was increased \$2.5 million.

Effective January 1, 1993 the Company adopted FASB Statement No. 106 (see Note B of the Condensed Financial Statement) increasing net loss by \$12.9 million or \$1.05 per share. The liability for accumulated postretirement benefit obligation is \$20.4 million and \$20 million, for the periods ending March 31, 1994 and 1993, respectively.

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UNITED INDUSTRIAL CORPORATION AND SUBSIDIARIES

PART II - Other Information

Item 4 - Submission of Matter to a Vote of Security Holders

- (a) The Annual Meeting of Stockholders of the Registrant was held on May 10, 1994.
- (b) Bernard Fein was elected a director at the meeting, for a term ending in 1997. The incumbent directors whose terms of office continued after the meeting are Rick S. Bierman, Howard M. Bloch, Maurice Rosenthal, and Myron Simons.
- (c) 8,900,723 shares were voted in favor of the election of Bernard Fein as a director of the Registrant, with 889,415 votes withheld, no abstentions or broker non-votes. 8,547,129 shares were voted in favor of the proposal to adopt the United Industrial Corporation 1994 Stock Option Plan, with 1,122,838 shares voted against, 120,170 votes abstained, and no broker non-votes. 9,694,218 shares were voted in favor of the proposal to ratify the appointment of Ernst & Young as independent auditors of the Registrant for 1994, with 54,062 shares voted against, 41,857 shares abstained and no broker non-votes. Reference is made to the Registrant's Proxy Statement dated March 30, 1994 for its 1994 Annual Meeting for additional information concerning the matters voted on at the meeting.

Item 6 - Exhibits and Reports on Form 8-K

- (a) Exhibits
 - 11 - Computation of Earnings per share
 - 20 - The Registrant's Proxy Statement dated March 30, 1994 for its 1994 Annual Meeting, which is incorporated herein by reference.

- (b) The Registrant did not file any reports on Form 8-K during the quarter ended March 31, 1994.

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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.

UNITED INDUSTRIAL CORPORATION

Date May 12, 1994

By: /s/ Howard M. Bloch

Howard M. Bloch, Treasurer and
Chief Financial Officer

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UNITED INDUSTRIAL CORPORATION AND SUBSIDIARIES

INDEX OF EXHIBITS FILED HERewith

Exhibit No.

- 11 Computation of Earnings Per Share
- 20 The Registrant's Proxy Statement dated March 30, 1994 for its
1994 Annual Meeting, which is incorporated herein by reference
- 27 Financial Data Schedule

EXHIBIT 11 - Computation of Earnings Per Share

<TABLE>

Item 6(a)
Exhibit 11
Computation of Earnings per Share
United Industrial Corporation and Subsidiaries

<CAPTION>

	THREE MONTHS ENDED MARCH 31	
	1994	1993
<S> Primary:	<C>	<C>
Average shares outstanding	12,258,693	12,258,693
Net income (loss)	\$ 1,054,000	\$ (16,457,000)
Earnings (loss) per share	\$.09	\$ (1.34)

</TABLE>

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<ARTICLE> 5

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This Schedule contains summary financial information extracted from the financial statements contained in the body of the accompanying Form 10-Q and is qualified in its entirety by reference to such financial statements.

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