

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**  
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FILER

**ANTHONY INDUSTRIES INC**

CIK: **6720** | IRS No.: **952077125** | State of Incorpor.: **DE** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **001-04290** | Film No.: **94528245**  
SIC: **3949** Sporting & athletic goods, nec

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4900 S EASTERN AVE  
SUITE 200  
LOS ANGELES CA 90040

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SUITE 200  
LOS ANGELES CA 90040  
2137242800

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Quarterly Report under Section 13  
of the Securities Exchange Act of 1934

For the Quarter Ended March 31, 1994

Commission File No. 1-4290

ANTHONY INDUSTRIES, INC.

(exact name of registrant as specified in its charter)

DELAWARE

95-2077125

(State of Incorporation)

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

4900 South Eastern Avenue  
Los Angeles, California

90040

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (213) 724-2800

Former name, former address and former fiscal year, if changed since last report:

Not applicable

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, and (2) has been subject to such filing requirements for the past 90 days.

Yes X

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of April 30, 1994.

Common Stock, par value \$1

11,235,474 Shares

FORM 10-Q QUARTERLY REPORT  
PART - 1 FINANCIAL INFORMATION

Item 1. Financial Statements

STATEMENTS OF CONSOLIDATED INCOME (condensed)

(In thousands except for per share figures)  
(Unaudited)

<TABLE>  
<CAPTION>

	Three months ended March 31	
	1994	1993 (a)
<S>	<C>	<C>
Net sales	\$109,735	\$97,976
Other income	368	393
	-----	-----
	110,103	98,369
Costs and expenses		
Cost of products sold	83,053	73,329
Selling, G&A expenses	24,766	21,911
Interest expense	1,574	1,760
	-----	-----
	109,393	97,000
Pretax income	710	1,369
Provision for income taxes	250	480
	-----	-----
NET INCOME	\$460	\$889
	=====	=====
PER SHARE		
Net Income	\$.04	\$.08
Cash dividend	\$.11	\$.105
Average shares outstanding	11,342	11,178

</TABLE>

(a) Shares and per share figures have been retroactively adjusted for the 5% stock dividend paid in December 1993.

See notes to financial statements.

CONSOLIDATED BALANCE SHEETS (condensed)

<TABLE>

<CAPTION>

	March 31 1994 (Unaudited)	December 31 1993
	-----	-----
	(thousands)	
<S>	<C>	<C>
Assets		
-----		
Current Assets		
Cash and cash equivalents	\$3,692	\$5,860
Accounts receivable, less allowances of \$4,378 in 1994 and \$7,262 in 1993	95,505	90,056
Inventories		
Finished goods	57,658	55,322
Work in process	9,535	8,985
Raw materials	23,715	24,164
	-----	-----
	90,908	88,471
Less LIFO reserve	6,377	6,096
	-----	-----
	84,531	82,375
Deferred taxes	6,875	6,392
Prepaid expenses and other current assets	3,877	3,073
	-----	-----
Total current assets	194,480	187,756
Property, Plant and Equipment	123,835	122,085
Less allowance for depreciation	73,920	71,991
	-----	-----
	49,915	50,094
Intangibles, principally goodwill	15,609	15,829
Other	3,251	3,600
	-----	-----
Total Assets	\$263,255	\$257,279
	=====	=====

</TABLE>

See notes to financial statements.

CONSOLIDATED BALANCE SHEETS (condensed)

<TABLE>

<CAPTION>

March 31 1994	December 31 1993
------------------	---------------------

	(Unaudited)	
	-----	-----
<S>	<C>	<C>
Liabilities and Shareholders' Equity	(thousands)	
-----		
Current Liabilities		
Bank loans	\$ 6,687	\$ 6,288
Accounts payable	26,995	25,144
Accrued payroll and related	17,194	17,442
Other accruals	16,709	14,378
Current portion of long-term debt	6,934	6,724
	-----	-----
Total current liabilities	74,519	69,976
Long-Term Debt	88,743	87,271
Deferred Taxes	11,283	11,376
Commitments and Contingencies		
Shareholders' Equity		
Preferred Stock \$1 par value, authorized 12,500,000 shares, none issued		
Common Stock, \$1 par value, authorized \$40,000,000 shares, issued shares - 11,697,805 in 1994 and 11,681,393 in 1993	11,698	11,681
Additional paid-in capital	57,012	56,863
Retained earnings	30,120	30,895
Employee Stock Ownership Plan and stock option loans	(3,359)	(3,361)
Treasury shares at cost, 469,681 shares	(3,993)	(3,993)
Cumulative translation adjustments	(2,768)	(3,429)
	-----	-----
Total Shareholders' Equity	88,710	88,656
	-----	-----
Total Liabilities and Shareholder's Equity	\$263,255	\$257,279
	=====	=====

</TABLE>

See notes to financial statements.

STATEMENTS OF CONSOLIDATED CASH FLOWS (condensed)

<TABLE>  
<CAPTION>

Three months

	ended March 31 (Unaudited)	
	1994	1993
	(thousands)	
<S>	<C>	<C>
Operating Activities		
Net income	\$ 460	\$ 889
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,296	2,344
Deferred taxes	(576)	318
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(5,449)	(5,185)
(Increase) decrease in inventories	(2,156)	929
(Increase) decrease in prepaid expense and other current assets	(266)	682
Increase in accounts payable	1,851	964
Increase in payroll, taxes and other accruals	2,621	2,150
	-----	-----
Net cash provided by (used in) operating activities	(1,219)	3,091
Investing Activities		
Property, plant & equipment expenditures	(1,880)	(1,421)
Disposals of property, plant & equipment	37	83
Other items, net	48	(346)
	-----	-----
Net cash used in investing activities	(1,795)	(1,684)
Financing Activities		
Borrowings under long-term debt and revolving lines of credit	5,328	
Payments of long-term debt and revolving lines of credit	(3,646)	(1,829)
Dividends paid	(1,235)	(1,164)
Net increase in short-term bank loans	399	1,495
	-----	-----
Net cash provided by (used by) financing activities	846	(1,498)
	-----	-----
Net decrease in cash and cash equivalents	(2,168)	(91)
Cash and cash equivalents at beginning of year	5,860	2,123
	-----	-----
Cash and cash equivalents at end of period	\$3,692	\$2,032

	=====	=====
Supplemental disclosure of cash flow information:		
Interest paid	\$ 818	\$1,118
Income taxes paid	826	220
	-----	-----
	\$1,644	\$1,338
	=====	=====

</TABLE>

See notes to financial statements.

#### NOTE 1 - Basis of Presentation

The accompanying unaudited condensed consolidated 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 Article 10 of Regulations 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 ended December 31, 1994. For further information, refer to the Consolidated Financial Statements and Notes to Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1993.

#### NOTE 2 - Long-Term Debt Dividend Restrictions

The \$60 million revolving credit line is subject to an agreement which among other things, restricts amounts available for payment of cash dividends by the Company. As of March 31, 1994, retained earnings of \$5.1 million were free of such restrictions.

#### NOTE 3 - Change in Method of Accounting for Cash Equivalents

Effective January 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Under Statement 115, debt securities that the Company has both the positive intent and ability to hold to maturity may be carried at amortized cost. All of the Company's cash equivalents are debt securities and are classified as "hold-to-maturity." The adoption of Statement 115 had no effect on the Company's financial position or results from operations.

#### NOTE 4 - Commitments and Contingencies

The Company is subject to various legal actions and proceedings in the normal course of business. While the ultimate outcome of these matters cannot be

predicted with certainty, management does not believe these matters will have a material adverse effect on the Company's financial position or results from operations.

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## ITEM 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

### A. Comparative First Quarter Results of Operations

Consolidated net sales for the first quarter of 1994 increased 12%, to \$109.7 million from \$98.0 million in the year-earlier period. Net income for the quarter was \$460,000, or 4 cents a share, down from \$889,000 or 8 cents a share in 1993.

Net sales of the Recreational Products Group for the first quarter increased \$8.8 million, to \$69.9 million from \$61.1 million in the prior year. The increase in sales was largely the result of new products and markets entered into recently. Shipments of K2 Exotech in-line skates were delivered in the first quarter on a worldwide basis as initial orders from customers were filled. Improved sales of snowboards and Norway-produced alpine skis also contributed to the improved quarter. In its first full quarter since its acquisition by the Company, shipments of Proflex full-suspension mountain bikes and accessories were made in the U.S. and Europe. A contribution to increased sales was also the result of increased demand for several new shirt styles and jackets introduced by Hilton for the ad specialty and imprint markets. Finally, an improvement in the economy has helped increase pool and remodel sales in the East Coast, Florida and Texas. The Industrial Products Group reported sales of \$39.8 million, up \$2.9 million from the prior years total of \$36.9 million, due to sales gains in utility light poles and industrial building products partially offset by lower sales of paperweaving monofilaments.

Cost of goods sold increased \$9.7 million from the year-ago period. The 1994 period included approximately \$2.0 million of costs incurred in the development and installation of production processes capable of producing cap skis for sale under the K2, Olin, and Pre brands. These conversion costs appear to be substantially completed. The remaining increase in cost of goods sold was primarily volume-related, however, the quarter also included the favorable impact of lower costs incurred in the manufacture of active wear, jackets and flotation devices and in the construction of swimming pools. Selling, general and administrative expenses as a percent of sales increased slightly during the period. Interest expense declined \$358,000 due to lower interest rates, which was partially offset by an increase of \$172,000 on \$10.7 million of higher average borrowings. Pretax income declined \$659,000, from \$1.4 million in the prior year, reflecting

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the impact of the cap ski production conversion costs which more than offset the



volume and manufacturing gains obtained.

## B. Financial Condition

Cash used by operations for the three months ended March 30, 1994 was \$1.2 million as compared with cash provided by operations of \$3.1 million in the corresponding quarter a year ago. The change in cash flow was primarily the result of an increase in inventories from the acquisition of Girvin in October of 1993. Consistent with prior years, the allowance for doubtful items decreased as a result of a seasonal reduction in the allowance for volume discounts.

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## PART II - OTHER INFORMATION

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(c) At the Annual Meeting of the Stockholders of the Company held May 5, 1994, the following action was taken:

(1) Election of directors:

Myron P. Anthony, 9,060,816 votes for, 622,032 votes withheld;

B.I. Forester, 9,097,114 votes for, 585,734 votes withheld;

R.L. Goldberg, 9,088,911 votes for, 593,937 votes withheld.

(2) 1994 Incentive Stock Option Plan:

7,005,882 votes for, 1,031,727 votes against, 157,919 votes abstaining, 1,487,320 broker nonvotes.

(3) Ratification of Ernst & Young as the Company's independent auditors:

9,522,825 votes for, 80,695 votes against, 79,328 votes abstaining.

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

There were no reports on Form 8-K filed during the quarter ended March 31, 1994.

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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.

ANTHONY INDUSTRIES, INC.  
(registrant)

Date: May 12, 1994

/s/ Bernard I. Forester  
-----

B.I. Forester  
Chairman and Chief Executive

Date: May 12, 1994

/s/ John J. Rangel  
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John J. Rangel  
Senior Vice President - Finance