

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

CUBIC CORP /DE/

CIK: **26076** | IRS No.: **951678055** | State of Incorp.: **DE** | Fiscal Year End: **0930**

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT

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

For the Quarter Ended March 31, 1994

1-8931

Commission File Number

CUBIC CORPORATION

Exact Name of Registrant as Specified in its Charter

Delaware

State of Incorporation

95-1678055

IRS Employer Identification No.

9333 Balboa Avenue
San Diego, California 92123
Telephone (619) 277-6780

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 No ___

As of April 25, 1994, Registrant had only one class of common stock of which there were 6,001,719 shares outstanding (after deducting 1,923,895 shares held as treasury stock).

PART I - FINANCIAL INFORMATION
ITEM 1 - FINANCIAL STATEMENTS

CUBIC CORPORATION
CONSOLIDATED CONDENSED STATEMENT OF INCOME (UNAUDITED)

(amounts in thousands, except per share data)

<TABLE>
<CAPTION>

<S>
Revenues:

Six Months Ended March 31		Three Months Ended March 31	
1994	1993	1994	1993
-----	-----	-----	-----
<C>	<C>	<C>	<C>

Net sales	\$ 98,324	\$103,219	\$49,917	\$ 50,931
Other income	4,501	2,795	2,334	1,566
	-----	-----	-----	-----
	102,825	106,014	52,251	52,497
Costs and expenses:				
Cost of sales	76,404	83,653	38,504	43,497
Selling, general and administrative expenses	23,354	22,432	12,121	11,895
Research and development	1,460	2,155	858	1,009
Interest	1,221	1,169	632	583
	-----	-----	-----	-----
	102,439	109,409	52,115	56,984
Income (loss) from continuing operations before income taxes and cumulative effect of accounting change	386	(3,395)	136	(4,487)
Income tax credit		(2,000)	(50)	(2,285)
	-----	-----	-----	-----
Income (loss) from continuing operations before cumulative effect of accounting change	386	(1,395)	186	(2,202)
Discontinued operations, net of applicable income taxes:				
Income from operations		767		359
Net gain (loss) on disposal	(153)	20,103		20,103
	-----	-----	-----	-----
Income (loss) from discontinued operations	(153)	20,870		20,462
	-----	-----	-----	-----
Income before cumulative effect of accounting change	233	19,475	186	18,260
Cumulative effect of accounting change -- Note C	1,379			
	-----	-----	-----	-----
Net income	\$ 1,612	\$ 19,475	\$ 186	\$ 18,260
	=====	=====	=====	=====
Average shares of common stock outstanding	6,056	6,105	6,031	6,087
	=====	=====	=====	=====
Per share data:				
Income (loss) from continuing operations	\$.06	\$ (.23)	\$.03	\$ (.36)
Income (loss) from discontinued operations	(.03)	3.42		3.36
Cumulative effect of accounting change	.23			
	-----	-----	-----	-----
Net income	\$.26	\$ 3.19	\$.03	\$ 3.00
	=====	=====	=====	=====
Dividends per share	\$.265	\$.265	\$.265	\$.265
	=====	=====	=====	=====

</TABLE>

See accompanying notes.

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CUBIC CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEET
(thousands of dollars)

<TABLE>
<CAPTION>

	March 31 1994 (Unaudited)	September 30 1993 (See note below)
	-----	-----
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 38,323	\$ 24,496
Marketable securities	11,376	17,383

Accounts receivable	102,044	114,288
Inventories:		
Finished products	1,285	1,330
Work in process	12,278	8,475
Raw material and purchased parts	10,439	8,108
	-----	-----
	24,002	17,913
Other current assets	5,989	6,646
	-----	-----
Total current assets	181,734	180,726
Property, plant and equipment - net	27,992	28,038
Toll equipment under operating leases - net	18,909	19,952
Preferred stock of U. S. Elevator Corp.	20,000	20,000
Net assets of discontinued operation	2,840	2,823
Other assets	15,626	13,029
	-----	-----
	\$267,101	\$264,568
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other current liabilities	\$ 64,838	\$ 62,721
Income taxes	572	1,040
Current portion of long-term debt		100
	-----	-----
Total current liabilities	65,410	63,861
Long-term debt	39,943	37,343
Deferred income taxes and other	3,797	3,812
Shareholders' equity:		
Common stock	234	234
Additional paid-in capital	12,123	12,123
Retained earnings	178,885	178,867
	-----	-----
	191,242	191,224
Less treasury stock at cost	33,291	31,672
	-----	-----
	157,951	159,552
	-----	-----
	\$267,101	\$264,568
	=====	=====

</TABLE>

Note: The balance sheet at September 30, 1993 has been derived from the audited financial statements at that date.

See accompanying notes.

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CUBIC CORPORATION
CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
(UNAUDITED)

(thousands of dollars)

<TABLE>

<CAPTION>

	Six Months Ended March 31	
	1994	1993
	-----	-----
<S>	<C>	<C>
Operating Activities:		
Net income	\$ 1,612	\$ 19,475
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		

Gain on the sale of U.S. Elevator Corp, before income taxes	(25,103)	
Depreciation and amortization	4,431	4,432
Change in accounting principle	(1,379)	
Undistributed earnings of affiliates, net of distributions	(744)	(1,427)
Changes in operating assets and liabilities	9,525	(310)
	-----	-----
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	13,445	(2,933)
Investing Activities:		
Proceeds from the sale of U.S. Elevator Corp.	40,000	
Decrease in marketable securities	6,007	13,699
Net additions to property, plant and equipment and toll equipment under operating leases	(3,313)	(12,892)
Other items - net	(1,600)	(1,573)
	-----	-----
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,094	39,234
Financing Activities:		
Principal payments on long-term debt	(2,100)	(4,850)
Long-term borrowing	4,600	
Purchases of treasury stock	(1,619)	(1,054)
Dividends paid	(1,593)	(1,613)
	-----	-----
NET CASH USED IN FINANCING ACTIVITIES	(712)	(7,517)
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,827	28,784
Cash and cash equivalents at the beginning of the period	24,496	31,126
	-----	-----
CASH AND CASH EQUIVALENTS THE END OF THE PERIOD	\$ 38,323	\$ 59,910
	=====	=====

</TABLE>

See accompanying notes.

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CUBIC CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
March 31, 1994

A. Basis for Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with the instructions 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.

The information furnished reflects all adjustments (consisting of normal recurring accruals) which are, in the opinion of management, necessary for a fair statement of the results for the interim periods. Results for the quarter are not necessarily indicative of the results to be expected for the year.

Certain prior period amounts have been reclassified to conform to current period classifications.

B. Per Share Amounts

Per share amounts are based upon the weighted average number of shares of common stock outstanding.

C. Change in Accounting for Income Taxes

Effective October 1, 1993, the Company adopted Financial Accounting Standards Board Statement No. 109, "Accounting for Income Taxes". Under the provisions of this new standard, the Company must now recognize, to a greater degree, the future tax benefits of certain expenses which previously had been recognized in the financial statements without tax benefit. As permitted by the standard, the Company has elected not to restate the financial statements of any prior periods. The change was applied retroactively to certain elements of deferred income taxes originating in prior years and resulted in a cumulative effect adjustment of \$1,379,000, which was included in net income for the quarter ended December 31, 1993.

Significant components of the Company's deferred tax assets and liabilities as of October 1, 1993 are as follows (in thousands):

<TABLE>

<CAPTION>

<S>	<C>
Deferred tax assets:	
Accrued liabilities and other	\$3,894
Inventories	2,354
Long-term contract receivables	2,355

	\$8,603
	=====
Deferred tax liabilities:	
Leveraged leases	\$3,755
Property, plant and equipment	2,585
Other - net	1,035

	\$7,375
	=====

</TABLE>

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CUBIC CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS--CONTINUED

D. Subsequent Event

On April 8, 1994, the Company acquired all of the assets and assumed certain liabilities of the Titan Applications Group and Titan Services International divisions of The Titan Corporation, for cash in the amount of \$21 million. The purchase price, which was determined by auction bid, is subject to an upward or downward post-closing adjustment based on the amount of net assets as reflected in the Closing Balance Sheet. The Company intends to devote the acquired assets to continuation of the business of these divisions, which will operate as a subsidiary of the Company, within the electronic defense systems segment.

E. Review by Independent Accountants

A review of the data presented was made by Ernst & Young, independent accountants, in accordance with established professional standards and procedures, and their report is included herein.

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CUBIC CORPORATION
ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS

March 31, 1994

Sales from continuing operations for the quarter ended March 31, 1994, were down slightly from the same quarter in the previous year due to lower sales volume in the electronic defense systems segment. This decrease was partially offset by increased sales in the automatic revenue collection systems segment. These results are consistent with the trend in recent quarters due to increased competition in the defense market caused by reduced U.S. Government spending and the Company's success in obtaining contracts in the revenue collection business.

Income from continuing operations for the three and six month periods ending March 31, 1994 were substantially improved from the losses incurred in the same periods of fiscal 1993. This improvement was the result of profits on revenue collection system contracts in the first half of fiscal 1994, compared to losses incurred by this segment during the first half of fiscal 1993. Operating profits in the electronic defense systems segment for the quarter ended March 31, 1994 were slightly lower than in the second quarter of fiscal 1993, commensurate with the decline in sales volume for the segment.

The provisions for income taxes were different from statutory income tax rates in all periods primarily as a result of the Company's tax exempt interest and dividend income, and its equity share in the net income of its 50% owned foreign subsidiary which is not subject to federal income taxes.

The Company's financial condition remains strong with working capital of \$116.5 million at March 31, 1994, compared to \$116.9 million at September 30, 1993. The Company experienced positive cash flow from operations for the first six months of fiscal 1994, resulting primarily from reductions in accounts receivable during the period.

The backlog of orders was \$288.4 million at March 31, 1994 compared to \$246.7 million at September 30, 1993 and \$236.4 million at March 31, 1993.

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PART II - OTHER INFORMATION

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) The following exhibit is included herein:

28--Independent Accountants' Review Report

(b) Registrant filed a Form 8-K as of April 8, 1994 to report the acquisition of all the assets and certain liabilities of the Titan Applications Group and Titan Services International divisions of the Titan Corporation.

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.

CUBIC CORPORATION

Date May 11, 1994

/s/ W. W. Boyle

W. W. Boyle
Vice President Finance and CFO

Date May 11, 1994

/s/ T. A. Baz

T. A. Baz
Vice President and Controller

EXHIBIT 28 -- INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Cubic Corporation
San Diego, California

We have reviewed the accompanying consolidated condensed balance sheet of Cubic Corporation as of March 31, 1994, and the related consolidated condensed statements of income for the three and six-month periods ended March 31, 1994 and 1993, and consolidated condensed statement of cash flows for the six-month periods ended March 31, 1994 and 1993. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated condensed financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Cubic Corporation as of September 30, 1993, and the related consolidated statements of income, retained earnings, and cash flows for the year then ended (not presented herein) and in our report dated December 8, 1993, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated condensed balance sheet at September 30, 1993, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

ERNST & YOUNG

May 5, 1994