

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

ENGELHARD CORP

CIK: **352947** | IRS No.: **221586002** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-08142** | Film No.: **94528330**
SIC: **3330** Primary smelting & refining of nonferrous metals

Business Address
101 WOOD AVENUE
ISELIN NJ 08830
9082056000

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

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file name 1-8142

ENGELHARD CORPORATION
(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

22-1586002
(IRS Employer Identification
Number)

101 WOOD AVENUE, ISELIN, NEW JERSEY
(Address of principal executive offices)

08830
(Zip Code)

(908) 205-5000
(Registrant's telephone number including area code)

Not Applicable
(Former name, former address and former fiscal year,
if change 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 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
----- -----

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class of Common Stock Outstanding at April 30, 1994
\$1 par value 96,607,903

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<TABLE> PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

ENGELHARD CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(thousands except per share data)

(Unaudited)

	Three Months Ended March 31,	
	1994	1993
	-----	-----
<S>	<C>	<C>
Net sales	\$ 557,737	\$ 490,183

Cost of sales	467,895	411,539
	-----	-----
Gross profit	89,842	78,644
Selling, administrative and other expenses	55,163	56,143
	-----	-----
Earnings from operations	34,679	22,501
Equity in (loss) earnings of affiliates	(147)	252
Gain on sale of investment	-	10,145
Net interest expense	4,194	3,244
	-----	-----
Earnings before income taxes and cumulative effect of an accounting change	30,338	29,654
Income tax expense	7,584	7,473
	-----	-----
Net earnings before cumulative effect of an accounting change	22,754	22,181
Cumulative effect of an accounting change	-	(16,000)
	-----	-----
Net earnings	\$ 22,754	\$ 6,181
	=====	=====
Net earnings per share		
Before cumulative effect of an accounting change	\$.24	\$.22
Cumulative effect of an accounting change	-	(.16)
	-----	-----
Net earnings	\$.24	\$.06
	=====	=====
Cash dividends paid per share	\$.11	\$.10
	=====	=====
Average number of shares outstanding	96,318	98,714
	=====	=====

See Note to Condensed Consolidated Financial Statements

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<TABLE>

ENGELHARD CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(thousands)

(Unaudited)

	March 31,	December 31,
	1994	1993
	-----	-----
<S>	<C>	<C>

Cash	\$ 24,876	\$ 25,613
Receivables	240,559	230,593
Inventories	217,925	216,279
Other current assets	49,908	44,095
	-----	-----
Total current assets	533,268	516,580
Investments	117,321	97,147
Property, plant and equipment, net	500,248	494,440
Other noncurrent assets	174,879	170,931
	-----	-----
Total assets	\$1,325,716	\$1,279,098
	=====	=====
Short-term borrowings	\$ 114,149	\$ 99,987
Current maturities of long-term debt	452	440
Accounts payable	79,262	56,342
Other current liabilities	287,011	305,968
	-----	-----
Total current liabilities	480,874	462,737
Long-term debt	112,071	112,240
Other noncurrent liabilities	171,373	170,256
Deferred income taxes	3,627	2,547
Shareholders' equity	557,771	531,318
	-----	-----
Total liabilities and shareholders' equity	\$1,325,716	\$1,279,098
	=====	=====

See Note to Condensed Consolidated Financial Statements

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<TABLE>

ENGELHARD CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(thousands)

(Unaudited)

	Three Months Ended	
	March 31,	
	1994	1993
	-----	-----
<S>	<C>	<C>
Cash flows from operating activities		
Net earnings	\$ 22,754	\$ 6,181
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation, depletion and amortization	17,224	17,291

Cumulative effect of an accounting change	-	16,000
Gain on sale of investment	-	(10,145)
Equity loss (earnings), net of dividends	147	(252)
Change in assets and liabilities	(8,895)	(24,601)
	-----	-----
Net cash provided by operating activities	31,230	4,474
	-----	-----
Cash flows from investing activities		
Capital expenditures, net	(18,344)	(18,555)
Proceeds from sale of investment	-	39,787
Acquisition of business and investment, net	(19,250)	-
Other	(3,114)	(3,500)
	-----	-----
Net cash (used in) provided by investing activities	(40,708)	17,732
	-----	-----
Cash flows from financing activities		
Net change in debt	13,950	(6,460)
Dividends paid	(10,626)	(9,898)
Other	4,861	(11,241)
	-----	-----
Net cash provided by (used in) financing activities	8,185	(27,599)
	-----	-----
Effect of exchange rate changes on cash	556	(453)
	-----	-----
Net change in cash	(737)	(5,846)
Cash at beginning of year	25,613	31,326
	-----	-----
Cash at end of period	\$ 24,876	\$ 25,480
	=====	=====

See Note to Condensed Consolidated Financial Statements

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ENGELHARD CORPORATION
INDUSTRY SEGMENT INFORMATION
(thousands)

(Unaudited)

Three Months Ended
March 31,

<S>

	1994	1993
	-----	-----
<C>		<C>

Net sales		
Catalysts and Chemicals	\$ 136,067	\$ 135,442
Pigments and Additives	88,322	91,452
Engineered Materials and Precious Metals Management	333,348	263,289
	-----	-----
	\$ 557,737	\$ 490,183
	=====	=====
Operating earnings		
Catalysts and Chemicals	\$ 20,415	\$ 14,658
Pigments and Additives	13,103	10,551
Engineered Materials and Precious Metals Management	7,447	4,343
	-----	-----
	40,965	29,552
Equity (loss) earnings	(147)	252
Gain on sale of investment	-	10,145
Interest and other expenses, net	(10,480)	(10,295)
	-----	-----
Earnings before income taxes and cumulative effect of an accounting change	\$ 30,338	\$ 29,654
	=====	=====

See Note to Condensed Consolidated Financial Statements

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Note to Condensed Consolidated Financial Statements

The unaudited condensed consolidated financial statements of Engelhard Corporation and subsidiaries (the Company) contain all adjustments which, in the opinion of management, are necessary for a fair statement of the results for the interim periods presented. The 1993 financial statements have been restated to reflect the adoption of Statement of Financial Accounting Standards No. 112 "Employers' Accounting for Postemployment Benefits" and the September 30, 1993 three-for-two stock split. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 1993 Annual Report to Shareholders.

Management's Discussion and Analysis of
Item 2. Financial Condition and Results of Operations

Results of Operations

Comparison of the First Quarter of 1994
With the First Quarter of 1993

Earnings before income taxes and cumulative effect of accounting changes for the first quarter of 1994 were \$30.3 million compared with \$29.7 million in 1993. The 1993 quarter included a pretax gain of \$10.1 million from the sale of the Company's share of M&T Harshaw, a base-metal plating business. Excluding this gain, earnings before income taxes and cumulative effect of accounting changes were up 56 percent from the prior year. The increase was primarily due to a 39 percent increase in operating earnings as all three business segments reported higher results. Higher net interest expense reflects higher average debt balances during the period.

Net earnings before the cumulative effect of an accounting change for the first quarter of 1994 were \$22.8 million compared with \$22.2 million in 1993. The effective tax rate in 1994 was 25.0 percent compared with 25.2 percent for the same period last year.

In 1993, the Company adopted the provisions of Statement of Financial Accounting Standards No. 112 "Employers' Accounting for Postemployment Benefits". The impact of the change on 1993 results was a one-time, noncash charge of \$16.0 million (\$.16 per share). After reflecting the cumulative effect in the first quarter of 1993, the restated results were \$6.2 million (\$.06 per share) compared with net earnings of \$22.8 million in 1994 (\$.24 per share).

Net sales for the first quarter of 1994 increased 14 percent to \$557.7 million from \$490.2 million for the same quarter in 1993. The increase was primarily attributable to the Engineered

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Materials and Precious Metals Management segment reflecting higher volumes.

Catalysts and Chemicals

Operating earnings increased 39 percent to \$20.4 million in the first quarter of 1994 from \$14.7 million in the same period of 1993 while net sales increased slightly to \$136.1 million in 1994 from \$135.4 in 1993.

Higher earnings were contributed by all groups. The Environmental Catalysts Group had increased earnings largely due to sales of new diesel emission control catalysts for trucks and buses in the U.S. In the Petroleum Catalysts Group strong demand resulted in higher shipments of its Fluid Catalytic Cracking Catalysts while Moving Bed volumes declined. The Chemical Catalysts Group continues to benefit from lower costs which helped to offset lower Base Metal volumes.

Operating earnings increased 24 percent to \$13.1 million in the first quarter of 1994 from \$10.6 million in the same period of 1993 while net sales decreased three percent to \$88.3 million in 1994 from \$91.5 million in 1993.

Earnings increased for both business groups. The increase in the Paper Pigments and Chemicals Group was due to lower operating costs which offset lower pricing, unfavorable volumes, and the impact of severe winter conditions. The increase in the Specialty Minerals and Colors Group was due to higher volumes, lower manufacturing costs and some higher pricing.

Engineered Materials and Precious Metals Management

Operating earnings increased 71 percent to \$7.4 million in the first quarter of 1994 from \$4.3 million in the same period of 1993 and net sales increased 27 percent to \$333.3 million in 1994 from \$263.3 million in 1993.

Earnings increased for both business groups. The Engineered Materials Group benefitted significantly from cost savings and strong domestic volumes. Current market conditions helped to increase the earnings of the Precious Metals Management Group.

Capital Resources and Liquidity

At March 31, 1994 the Company's current ratio was 1.1 and the total debt to total capital ratio was 29 percent, both the same as at December 31, 1993.

Management believes that the combination of the Company's cash on hand, ongoing cash flow and the ability to access credit

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and capital markets will be adequate to finance its working capital requirements and capital expenditure programs.

Other Matters

In early 1994, the Company and ICC Technologies, Inc. formed Engelhard/ICC, a jointly owned partnership, to develop and commercialize air conditioning and air treatment systems.

In March 1994, the Company completed its purchase of the assets of the sorbents and moving bed catalysts business of Solvay Catalysts, GmbH, in Nienburg, Germany.

Part II - Other Information

Item 4. Results of Votes of Security Holders

(a) The Company's Annual Meeting of the Shareholders was held May 5, 1994.

(b) Results of votes.

The following members were elected to the Company's Board of Directors to serve three-year terms expiring in 1997:

Nominee -----	In Favor -----	Withheld -----
Marion H. Antonini	90,749,549	61,049
Anthony W. Lea	90,787,338	23,260
Douglas G. Watson	90,808,341	2,257

Coopers & Lybrand was reappointed as Independent Public Accountants - For - 91,434,944, Against - 182,242, Abstain - 140,192.

Item 6. Exhibits and Reports on Form 8-K

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

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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.

ENGELHARD CORPORATION

(Registrant)

Date May 13 , 1994

/s/ Orin R. Smith

Orin R. Smith
President and
Chief Executive Officer

Date May 13, 1994

/s/ Robert L. Guyett

Robert L. Guyett
Senior Vice President and
Chief Financial Officer

Date May 13, 1994

/s/ Martin J. Connor, Jr.

Martin J. Connor, Jr.
Controller