

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

VWR CORP

CIK: **788043** | IRS No.: **911319190** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-14139** | Film No.: **94527782**
SIC: **5040** Professional & commercial equipment & supplies

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the 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 No. 0-14139

VWR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

91-1319190

(State of Incorporation)

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

1310 Goshen Parkway, West Chester, PA 19380

(Address of principal executive offices) (Zip Code)

Registrant's telephone number: (610) 431-1700

(Former name, address, and fiscal year, if changed since last report)

Indicate by a 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 (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.
(x) Yes () No

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

| Class ----- | Outstanding at April 30, 1994 ----- |
|--------------------------------|--|
| Common stock, par value \$1.00 | 11,044,665 shares |

VWR CORPORATION

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VWR CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

| (Thousands of dollars) | March 31, 1994 (Unaudited) | December 31, 1993 |
|--|-------------------------------|-------------------|
| | ----- | ----- |
| ASSETS | | |
| <S> | <C> | <C> |
| Receivables | \$ 70,472 | \$ 64,178 |
| Inventories | 36,967 | 30,243 |
| Other | 8,159 | 8,484 |
| | ----- | ----- |
| Total Current Assets | 115,598 | 102,905 |
| Property and Equipment-net | 41,152 | 41,562 |
| Other Assets | 8,220 | 5,727 |
| | ----- | ----- |
| | \$164,970 | \$150,194 |
| | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Bank checks outstanding, less cash in bank | \$ 5,708 | \$ 1,062 |
| Current portion of long-term debt | | 150 |
| Accounts payable and other | 42,397 | 36,496 |
| | ----- | ----- |
| Total Current Liabilities | 48,105 | 37,708 |
| Long-term Debt | 66,161 | 61,757 |
| Deferred Income Taxes and Other | 9,717 | 9,672 |
| Shareholders' Equity | 40,987 | 41,057 |
| | ----- | ----- |
| | \$164,970 | \$150,194 |
| | ===== | ===== |

</TABLE>

See notes to condensed consolidated financial statements.

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VWR CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

| (Thousands of dollars, except per-share data) | Three Months Ended March 31, | |
|---|------------------------------|-----------|
| | 1994 | 1993 |
| <S> | <C> | <C> |
| Sales | \$122,044 | \$125,485 |
| Cost of sales | 95,538 | 96,931 |
| Gross margin | 26,506 | 28,554 |
| Operating expenses | 25,088 | 25,452 |
| Operating income | 1,418 | 3,102 |
| Interest expense | 1,111 | 996 |
| Income before income taxes and cumulative effect of accounting change | 307 | 2,106 |
| Income taxes | 124 | 801 |
| Income before cumulative effect of accounting change | 183 | 1,305 |
| Cumulative effect of change in accounting for postretirement benefits, net of income taxes of \$860 | | (1,400) |
| Net Income (Loss) | \$ 183 | \$ (95) |
| Earnings (Loss) per share: | | |
| Income before cumulative effect of accounting change | \$ 0.02 | \$ 0.12 |
| Cumulative effect of accounting change | | 0.13 |
| Net Income (Loss) | \$ 0.02 | \$ (0.01) |
| Weighted average number of common shares outstanding | 11,124 | 11,165 |

</TABLE>
See notes to condensed consolidated financial statements.

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VWR CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

| (Thousands of dollars) | Three Months Ended March 31, | |
|---|------------------------------|---------|
| | 1994 | 1993 |
| <S> | <C> | <C> |
| Net Income (Loss) | \$ 183 | \$ (95) |
| Adjustments to reconcile net income (loss) to net cash used by operating activities: | | |
| Depreciation and amortization | 2,440 | 2,179 |
| Cumulative effect of accounting change | | 1,400 |
| Changes in assets and liabilities: | | |
| Receivables | (6,294) | (5,506) |
| Inventories | (6,724) | 427 |

| | | |
|--|------------|------------|
| Other current assets | (144) | (1,407) |
| Accounts payable and other | 7,044 | (64) |
| | ----- | ----- |
| Cash Used by Operating Activities | (3,495) | (3,066) |
| | ----- | ----- |
| Investing Activities | | |
| Additions to property and equipment | (1,117) | (8,296) |
| Investment in joint venture | (2,881) | |
| Other | 18 | (193) |
| | ----- | ----- |
| Cash Used by Investing Activities | (3,980) | (8,489) |
| | ----- | ----- |
| Financing Activities | | |
| Proceeds from long-term debt | 43,283 | 94,216 |
| Repayment of long-term debt | (39,029) | (86,383) |
| Cash dividends | (1,098) | (1,095) |
| Proceeds from exercise of stock options | 22 | 28 |
| Other | (349) | 102 |
| | ----- | ----- |
| Cash Provided by Financing Activities | 2,829 | 6,868 |
| | ----- | ----- |
| Net Decrease In Cash | (4,646) | (4,687) |
| Bank checks outstanding, less cash in bank at beginning of year | (1,062) | (1,803) |
| | ----- | ----- |
| Bank checks outstanding, less cash in bank at end of period | \$ (5,708) | \$ (6,490) |
| | ===== | ===== |
| Supplemental disclosures of cash flow information: | | |
| Cash paid (received) during period for: | | |
| Interest (net of capitalized interest) | \$ 1,138 | \$ 827 |
| Income taxes | (986) | 635 |

See notes to condensed consolidated financial statements.

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VWR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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 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 only 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 which may be expected for the year ended December 31, 1994. Refer to the consolidated financial statements and footnotes thereto included in the Company's 1993 annual report on Form 10-K for further information.

2. Joint Venture

On January 1, 1994 the Company formed a joint venture with E. Merck of Germany to acquire an interest in Bender & Hobein GmbH, a distributor of laboratory supplies and equipment in Germany. The investment will be accounted for using the cost method of accounting and was funded through the Company's revolving credit line.

3. Dividends

For the three months ended March 31, 1994, and 1993, dividends of \$.10 per

share were paid.

4. Inventory Pricing

The LIFO method of determining inventory cost is used for substantially all of the Company's inventory. Because the actual inventory determination under the LIFO method is an annual calculation, interim financial results are based on estimated LIFO amounts and are subject to final year-end LIFO inventory adjustments. Inventory values under the LIFO method at March 31, 1994 and December 31, 1993 were approximately \$27.6 million and \$26.8 million, respectively, less than current cost.

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VWR CORPORATION

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

This discussion and analysis of financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and Notes thereto for the year ended December 31, 1993, and Management's Discussion and Analysis included in the Company's 1993 Annual Report on Form 10-K.

RESULTS OF OPERATIONS

Sales decreased 2.7% for the three months ended March 31, 1994, when compared to the three months ended March 31, 1993. Among the reasons for this decrease were the harsh winter weather in the east and midwest; continued low levels of industry growth; conservative posture toward R&D spending in the pharmaceutical and biotech industries resulting from uncertainties in U.S. healthcare policies; and continued downsizing in both government and industry. Although our Canadian operations showed strong sales growth, competitive pressures adversely affected Canadian profits, while our Sargent-Welch business continued to show strong sales growth during the quarter.

Gross margin of 21.7% for the three months ended March 31, 1994, was below the 22.8% achieved in the comparable 1993 period. The decrease is a result of customer mix and competitive price pressures.

Operating expenses for the three months ended March 31, 1994 decreased 1.4% compared to the three months ended March 31, 1993, due primarily to lower personnel related costs, but increased as a percentage of sales to 20.6% for the three months ended March 31, 1994 compared to 20.3% in the comparable 1993 period.

Operating income for the three months ended March 31, 1994 was 1.2% of sales compared to the 2.5% achieved in the comparable 1993 period. The decrease is due to the Company's lower gross margin.

Interest expense for the three months ended March 31, 1994 increased 11.5% when compared to the three months ended March 31, 1993. The increase is due to increased borrowing levels which occurred primarily from the Company's investment in a joint venture with E. Merck in Germany, and working capital requirements.

Income before the cumulative effect of an accounting change decreased 86.0% from the comparable 1993 period. The decrease is primarily due to a 54.3% decrease in operating income along with higher interest costs and a higher effective tax rate of 40.4% in 1994 compared to 38.0% in 1993.

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FINANCIAL CONDITION AND LIQUIDITY

For the three months ended March 31, 1994, Income before Cumulative Effect of Accounting Change, plus depreciation and amortization, was 2.4 times interest expense. VWR continued to have a liquid financial position. VWR's current

ratio was 2.4 at March 31, 1993 and 2.7 at December 31, 1993. Accounts receivable and inventory accounted for approximately 65% of total assets. The increase in accounts receivable is due to transition issues related to the consolidation of the Company's credit department. The increase in inventory is primarily due to maintaining duplicate inventory at locations until the facilities consolidation is complete, and to supporting our new three-year supplier partnership with Glaxo Pharmaceutical in Research Triangle Park, North Carolina.

The Company has unsecured revolving credit agreements, expiring in 1996, with three banks which provide for committed facilities of \$75 million. Our revolving credit agreements give us the option to convert up to \$37.5 million to a five-year term loan. As a result of the increase in inventory and accounts receivable levels during the first quarter of 1994 and lower profits, the Company's liabilities at March 31, 1994 exceeded a limit for such date contained in the Company's credit agreement with its banks. The banks waived compliance with that covenant as of such date. Interest rate collars of \$25 million expired and were replaced with an interest rate swap which fixes our rate of interest on \$10 million of revolving credit debt.

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PART II. OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

a. Exhibits

Exhibit 11--Computation of Earnings per Share

b. Reports on Form 8-K

None.

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SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

(REGISTRANT) VWR CORPORATION

BY (SIGNATURE)
(NAME AND TITLE)

WALTER S. SOBON
VICE-PRESIDENT FINANCE
(Principal Financial and Accounting Officer)

DATE May 13, 1994

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EXHIBIT INDEX

EXHIBIT NUMBER

DESCRIPTION

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Computation of Earnings per Share

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Since the effect of full dilution is not material, such amount is not included in the Quarterly Report to Shareholders.