

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-01-12** | Period of Report: **1993-11-28**
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FILER

PARK ELECTROCHEMICAL CORP

CIK: **76267** | IRS No.: **111734643** | State of Incorporation: **NY** | Fiscal Year End: **0228**
Type: **10-Q** | Act: **34** | File No.: **001-04415** | Film No.: **94501094**
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Business Address
*5 DAKOTA DR
LAKE SUCCESS NY 11042
5163544100*

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

F O R M 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 November 28, 1993

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 number 1-4415

PARK ELECTROCHEMICAL CORP.

(Exact name of registrant as specified in its charter)

New York

11-1734643

(State or other jurisdiction of
incorporation or organization)

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

5 Dakota Drive, Lake Success, N.Y.

11042

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (516) 354-4100

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 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. Yes [X] No []

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes [] No []

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 3,986,184 as of December 30, 1993.

PARK ELECTROCHEMICAL CORP.
AND SUBSIDIARIES

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PARK ELECTROCHEMICAL CORP.
AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

<CAPTION>

	November 28, 1993	February 28, 1993
<S>	<C>	<C>
ASSETS	(Unaudited)	*
Cash and cash equivalents	\$ 14,067	\$ 9,006
Marketable securities	21,995	23,762
Accounts receivable, net	26,169	26,114
Inventories (Note 2)	16,762	14,233
Prepaid expenses & other current assets	1,852	1,853
	-----	-----
TOTAL CURRENT ASSETS	80,845	74,968
Property, plant and equipment, net	49,575	50,478
Other assets (Note 3)	3,287	3,563
	-----	-----
	\$133,707	\$129,009
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Bank loans payable	\$ 597	\$ 120
Accounts payable	23,864	19,226
Accrued liabilities	11,403	8,735

Income taxes payable	2,378	1,076
	-----	-----
TOTAL CURRENT LIABILITIES	38,242	29,157
Long-term debt	33,579	33,957
Deferred income taxes (Note 3)	3,305	4,395
Deferred pension liability	800	800
Stockholders' Equity:		
Common stock	518	518
Other stockholders' equity	57,263	60,182
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	57,781	60,700
	-----	-----
	\$133,707	\$129,009
	=====	=====

<FN>

*The Balance Sheet at February 28, 1993 has been taken from the audited financial statements at that date, and condensed.

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PARK ELECTROCHEMICAL CORP.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited - in thousands, except per share data)

<CAPTION>

	13 weeks ended		39 weeks ended	
	November 28, 1993	November 29, 1992	November 28, 1993	November 29, 1992
		(As Restated - Note 4)		(As Restated - Note 4)
<S>	<C>	<C>	<C>	<C>
Net sales	\$54,063	\$43,801	\$150,610	\$131,070
	-----	-----	-----	-----
Costs and expenses:				
Cost of sales	43,685	37,530	123,299	111,821
Selling, general and administrative	6,591	5,655	19,065	16,750
	-----	-----	-----	-----
Total costs and expenses	50,276	43,185	142,364	128,571

Operating profit	3,787	616	8,246	2,499
Other income (expense):				
Interest expense	(606)	(552)	(1,846)	(1,865)
Other income, net	225	268	786	1,526
Total other income (expense)	(381)	(284)	(1,060)	(339)
Earnings before income tax provision	3,406	332	7,186	2,160
Income tax provision	1,229	100	2,529	583
NET EARNINGS	\$ 2,177	\$ 232	\$ 4,657	\$ 1,577
Net earnings per common share:				
Primary	\$.55	\$.05	\$ 1.17	\$.35
Fully Diluted	\$.45	\$.05	\$ 1.03	\$.35
Dividends per common share	\$.08	\$.08	\$.24	\$.24
Weighted average number of common shares outstanding:				
Primary	3,983	4,542	3,989	4,531
Fully Diluted	5,728	4,542	5,727	4,531

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PARK ELECTROCHEMICAL CORP.
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CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - in thousands)

<CAPTION>

39 weeks ended
November 28, November 29,

	1993	1992 (As Restated)
<S>	<C>	<C>
NET CASH PROVIDED BY OPERATING ACTIVITIES:	\$ 15,699	\$ 6,937
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment, net	(5,462)	(8,080)
Purchases of marketable securities	(172,713)	(224,639)
Proceeds from sales of marketable securities	174,547	226,796
Acquisition, net of cash acquired	-	13
	-----	-----
Net cash used in investing activities	(3,628)	(5,910)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds of borrowings	491	-
Repayment of bank loans	-	(1,177)
Repayments of long-term borrowing	(12)	(115)
Dividends paid	(956)	(1,087)
Purchase of treasury stock	(6,566)	-
Proceeds from exercise of stock options	-	125
	-----	-----
Net cash used in financing activities	(7,043)	(2,254)
	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EXCHANGE RATE CHANGES	5,028	(1,227)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	33	(113)
	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,061	(1,340)
CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD	9,006	7,927
	-----	-----
CASH AND CASH EQUIVALENTS END OF PERIOD	\$ 14,067	\$ 6,587
	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 1,217	\$ 1,303
Income taxes	\$ 1,984	\$ 1,061

</TABLE>

PARK ELECTROCHEMICAL CORP.
AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated balance sheet as of November 28, 1993, the consolidated statements of earnings for the 13 weeks and 39 weeks ended November 28, 1993 and November 29, 1992, and the consolidated statements of cash flows for the 39 week periods then ended have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position at November 28, 1993, and the results of operations and cash flows for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Form 10-K/A Amendment No. 1 to its Annual Report on Form 10-K for the fiscal year ended February 28, 1993.

2. INVENTORIES

Inventories consist of the following:

	(in thousands)	
	November 28, 1993	February 28, 1993 (As Restated)
Raw materials	\$ 5,947	\$ 4,580
Work-in-process	3,402	2,331
Finished goods	7,005	6,835
Manufacturing supplies	408	487
	-----	-----
	\$16,762	\$14,233
	=====	=====

3. INCOME TAXES

Effective March 1, 1993, the Company adopted SFAS No. 109, "Accounting

for Income Taxes", which requires increased recording of deferred income tax assets. As a result, the Company recorded additional deferred income tax assets, included in other assets, of \$30,000, after a valuation allowance of \$961,000. The cumulative effect of the accounting change is not material to the results of operations of the Company.

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4. RESTATEMENTS

On September 20, 1993, the Company announced that its internal accounting staff had recently uncovered financial and accounting errors and irregularities at FiberCote Industries, Inc. ("FiberCote"), its 80% owned advanced composites subsidiary. On the basis of the Company's investigation, the Company determined to restate the previously reported results for certain prior periods in order to reverse the effect of these financial and accounting irregularities and errors. These reversals primarily involved the write-off of the improperly recorded receivables and the recognition of previously unrecorded liabilities at FiberCote. The results for the following prior periods ended November 29, 1992 have been restated to reverse the overstatements of net earnings in those periods in the following amounts:

<TABLE>
<CAPTION>

<S>	13 weeks ended November 29, 1992 <C>	39 weeks ended November 29, 1992 <C>
Earnings before income taxes, as previously reported	\$ 541,000	\$2,525,000
Adjustments	(209,000)	(365,000)
	-----	-----
Earnings before income taxes, as restated	\$ 332,000	\$2,160,000
	=====	=====
Net earnings, as previously reported	\$ 370,000	\$1,818,000
Adjustments	(138,000)	(241,000)
	-----	-----
Net earnings, as restated	\$ 232,000	\$1,577,000

	=====	=====
Earnings per common share -		
Primary and fully diluted,		
as previously reported	\$ 0.08	\$ 0.40
Adjustments	(0.03)	(0.05)
	-----	-----
Primary and fully diluted,		
as restated	\$ 0.05	\$ 0.35
	=====	=====

</TABLE>

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Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Results of Operations

During the Company's current fiscal year's third quarter ended November 28, 1993, sales increased 23% to \$54,063,000 from \$43,801,000 during last year's third quarter. Sales for the nine month period ended November 28, 1993 increased 15% to \$150,610,000 from \$131,070,000 for last fiscal year's comparable period. Operating profits increased 515% to \$3,787,000 for the current fiscal year's third quarter from \$616,000 for last year's third quarter. During the nine month period ended November 28, 1993, operating profit increased 230% to \$8,246,000 from \$2,499,000 during last fiscal year's comparable period. During the current fiscal year's third quarter, the Company continued its emphasis on its electronics segment, which accounted for \$47,764,000 in sales or 88% of the Company's total sales worldwide. The Company's foreign operations, which are dedicated almost exclusively to the

electronics segment, accounted for \$11,927,000 in sales or 22% of total sales worldwide during this quarter. Foreign sales during this fiscal year's third quarter increased 4% from last year's third quarter's foreign sales of \$11,476,000. Fiscal third quarter sales of the plumbing hardware segment decreased by 2% to \$4,310,000 from \$4,399,000 during last year's third quarter. Fiscal third quarter sales in the industrial components segment were \$1,989,000, as compared to \$2,257,000 during last year's third quarter.

The gross margin percentage for the Company's worldwide operations was 19.2% during the current fiscal year's third quarter, as compared to last year's third quarter gross margin percentage of 14.3%. The gross margin percentage for the current fiscal year's first nine months was 18.1%, as compared to 14.7% for last fiscal year's comparable period.

The improved results for the third quarter were predominantly due to the performance of the Company's United States based electronics operations described below.

During the third quarter of the current fiscal year the performance of the electronics segment continued to improve, principally as the result of improvements in the Company's United States based electronics operations. However, this improvement was more attributable to increased sales volumes and enhanced operating and manufacturing efficiencies, rather than to improved pricing. Pricing pressure has not yet abated, even in the United States markets. The extreme weakness in the European printed circuit manufacturing industry persisted during the third quarter of the current fiscal year, and there was no relief during the quarter for the Company's European electronics operations. The Company's Far East based electronics operation, which serves the printed circuit markets in that region, was somewhat disappointing during the third quarter.

The Company's plumbing hardware segment continued to struggle during the quarter. A sustained recovery in domestic housing starts, and particularly multi-family housing starts, is expected to have a favorable impact on the plumbing hardware segment. This segment's performance should improve on this basis during the fourth quarter and into next year.

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The Company's industrial components segment consists principally of its advanced composite and industrial adhesive tape businesses. The advanced composite business continues to suffer as the result of slow-downs and cut-backs in the military and aerospace markets it serves. The industrial adhesive tape business performed reasonably well during the third quarter.

Selling, general and administrative expenses, measured as a percentage of sales, were 12.2% during the current fiscal year's third quarter, as compared to 12.9% during the prior fiscal year's third quarter. Selling, general and administrative expenses were 12.7% during the current fiscal year's first nine month period, as compared to 12.8% during the last fiscal year's comparable period.

Interest expense for the current fiscal year's third quarter was \$606,000, as compared to \$552,000 during the prior fiscal year's third quarter. During the nine month period ended November 28, 1993, interest expense was \$1,846,000, as compared to \$1,865,000 during last year's comparable period. These expenses represent the interest payments made by the Company on its Convertible Debentures and, to a lesser extent, on the loans carried by certain of the Company's foreign subsidiaries. Other income, principally investment income, decreased 16% to \$225,000 for the current fiscal year's third quarter from \$268,000 for the prior fiscal year's third quarter. Other income during the nine months ended November 28, 1993 decreased by 48% to \$786,000 from \$1,526,000 during last year's comparable period. The reduction in other income is attributable to the inclusion of a \$359,000 gain in the prior fiscal year's nine month period ended November 29, 1992 derived from foreign currency transactions, and to the fact that market rates of interest were lower on the Company's investments during the current period. The Company's cash reserves continued to be invested primarily in short term taxable instruments and government securities.

The Company's effective income tax rate for the fiscal nine month's ended November 28, 1993 was 35%, as compared to 27% during the same period last year. The increase in effective tax rate was predominantly due to the loss of certain foreign tax benefits which were available to the Company during last year's comparable period.

During the current fiscal year's third quarter, the Company's net earnings increased to \$2,177,000 from \$232,000 during the prior fiscal year's third quarter. Primary and fully diluted earnings per share increased to \$.55 and \$.45 respectively for the current year's third quarter from the prior year's third quarter primary and fully diluted earnings per share of \$.05. During the nine month period ended November 28, 1993, the Company's net earnings increased to \$4,657,000 from \$1,577,000 during last fiscal year's first nine months. Primary and fully diluted earnings per share increased to \$1.17 and \$1.03 respectively for the current fiscal year's first nine months from primary and fully diluted earnings per share of \$.35 during last fiscal year's first nine months. This increase in earnings was primarily attributable to the increase in the operating profit of the U.S. based electronics businesses.

Liquidity and Capital Resources

At November 28, 1993, the Company's cash and temporary investments amounted to \$36,062,000, as compared to \$32,768,000 at February 28, 1993, the end of the Company's last fiscal year. The increase in the Company's cash and investment position was principally attributable to cash generated from operations. The Company's working capital position was \$42,603,000 at November 28, 1993 as compared to \$45,811,000 at February 28, 1993. The Company's current ratio, or the ratio of current assets to current liabilities, was 2.1 to 1 at November 28, 1993, as compared to 2.6 to 1 at February 28, 1993.

During the current fiscal year's first nine months, the Company generated \$15,699,000 of funds from operations and expended \$6,566,000 for the purchase of treasury stock and \$5,462,000 for the purchase of property, plant and equipment. The Company believes its financial resources will be sufficient, for the foreseeable future, to provide for continued investment in property, plant and equipment and for general corporate purposes. Such resources are also available for appropriate acquisitions and other expansions of the Company's business.

PARK ELECTROCHEMICAL CORP.
AND SUBSIDIARIES

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

(a) There are no material pending legal proceedings to which the Company is a party or to which any of its properties is subject.

(b) No material pending legal proceeding was terminated during the fiscal quarter ended November 28, 1993.

Item 4. Submission of Matters to a Vote of Security Holders.

At the annual meeting of shareholders held on July 14, 1993:

(a) the persons elected as directors of the Company and the voting for such persons were as follows:

Name	Votes For	Authority Withheld
-----	-----	-----
Anthony Chiesa	3,694,468	29,860
Lloyd Frank	3,691,085	33,243
Norman M. Schneider	3,694,069	30,259
Brian E. Shore	3,699,056	25,272
Jerry Shore	3,696,130	28,198
E. Philip Smoot	3,697,491	26,837

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

No. 11: Computation of Fully Diluted Earnings
Per Common Share.

(b) During the fiscal quarter ended November 28,
1993, the Company filed a current report on Form
8-K dated September 20, 1993.

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PARK ELECTROCHEMICAL CORP.
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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.

Park Electrochemical Corp.

Date: January 11, 1994

/s/Jerry Shore

Jerry Shore
Chairman of the Board and
President

Date: January 11, 1994

/s/Allen Levine

Allen Levine
Vice President and
Principal Financial Officer

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PARK ELECTROCHEMICAL CORP.
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Quarterly Report on Form 10-Q
for the fiscal quarter ended November 28, 1993

Exhibit No.	Name	Page
11	Computation of fully diluted earnings per common share	14

PARK ELECTROCHEMICAL CORP.
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COMPUTATION OF FULLY DILUTED EARNINGS PER COMMON SHARE
(Unaudited - in thousands, except per share data)

<TABLE>

<CAPTION>

	13 weeks ended	39 weeks ended
	November 28, 1993	November 28, 1993
<S>	<C>	<C>

ADJUSTMENT OF NET EARNINGS:

Net earnings before adjustment	\$2,177	\$4,657
Adjustments resulting from assumed conversion of 7 1/4% convertible subordinated debentures:		
Reduction of interest expenses and amortization of deferred debt financing costs	620	1,861
Related tax effect of above	(211)	(633)
	-----	-----
Net earnings as adjusted	\$2,586	\$5,885
	=====	=====

ADJUSTMENT OF WEIGHTED AVERAGE NUMBER OF COMMON
SHARES OUTSTANDING:

Weighted average number of common shares outstanding	3,983	3,989
Additional shares assuming conversion of:		
Convertible Subordinated Debentures	1,613	1,613
Stock Options	132	125
	-----	-----
Adjusted weighted average number of common shares outstanding during the period	5,728	5,727
	=====	=====
Earnings per share fully diluted	\$.45	\$ 1.03
	=====	=====

</TABLE>