FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-07-08** | Period of Report: **1994-06-28**
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APOGEE ENTERPRISES INC
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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

OR

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

For Quarter Ended May 28, 1994 Commission File Number 0-6365

APOGEE ENTERPRISES, INC.
(Exact Name of Registrant as Specified in Charter)

Minnesota	41-0919654
(State of Incorporation)	(IRS Employer ID No.)

7900 Xerxes Avenue South, Suite 1800, Minneapolis, Minnesota 55431
(Address of Principal Executive Offices)

Registrant's Telephone Number (612) 835-1874

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 CORPORATE ISSUERS:

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

Class	Outstanding at June 30, 1994
Common Stock, $.33-1/3 Par Value	13,313,756

APOGEE ENTERPRISES, INC.
FORM 10-Q
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FOR THE QUARTER ENDED MAY 28, 1994

APOGEE ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Thousands of Dollars)

	May 28, 1994	February 26, 1994
ASSETS		
Current assets		

Cash and cash equivalents	$ 9,949	$ 10,824
Receivables, net of allowance for doubtful accounts	148,899	144,597
Inventories	52,990	52,732
Deferred income taxes	8,754	8,454
Other current assets	3,563	4,679
Total current assets	224,155	221,286
Property, plant and equipment, net	67,619	64,917
Intangible assets, at cost less accumulated amortization	2,041	1,972
Investments in and advances to affiliated companies	11,582	11,826
Deferred income taxes	3,826	3,526
Other assets	2,199	2,661
Total assets	$311,422	$306,188
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 40,009	$ 51,488
Accrued expenses	40,136	40,916
Billings in excess of costs and earnings on uncompleted contracts	15,444	15,911
Accrued income taxes	6,616	4,524
Notes payable	36,900	23,850
Current installments of long-term debt	4,154	4,157
Total current liabilities	143,259	140,846
Long-term debt	35,666	35,688
Other long-term liabilities	15,473	14,260
Minority interest	1,343	1,331
Shareholders' equity		
Common stock, $.33 1/3 par value; authorized 50,000,000 shares; issued and outstanding 13,314,000 and 13,312,000 shares, respectively	4,438	4,437
Additional paid-in capital	17,737	17,718
Retained earnings	93,506	91,908
Total shareholders' equity	115,681	114,063
Total liabilities and shareholders' equity	$311,422	$306,188

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

APOGEE ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED RESULTS OF OPERATIONS
FOR THE QUARTERS ENDED MAY 28, 1994 AND MAY 29, 1993
(Thousands of Dollars Except Share and Per Share Amounts)

<TABLE>
<CAPTION>

	Quarter Ended	
	May 28, 1994	May 29, 1993
<S>	<C>	<C>
Net sales	$ 178,927	$ 148,752
Cost of sales	153,539	128,805
Gross profit	25,388	19,947
Selling, general and administrative expenses	20,670	18,798
Equity in net (earnings) of affiliated companies	(177)	(864)
Operating income	4,895	2,013
Interest expense, net	562	544
Earnings before income taxes and cumulative effect of change in accounting for income taxes	4,333	1,469
Income taxes	1,733	551
Net earnings before cumulative effect of change in accounting for income taxes	2,600	918
Cumulative effect of change in accounting for income taxes	-	525
Net earnings	$ 2,600	$ 1,443
Earnings per share:		
Earnings per share before cumulative effect of change in accounting for income taxes	$ .19	$ .07
Cumulative effect of change in		

accounting for income taxes	-	.04
Earnings per share	$ .19	$ .11
Weighted average number of common shares and common share equivalents outstanding	13,376,000	13,212,000
Cash dividends per common share	$ .075	$ .070

</TABLE>

See accompanying notes to consolidated financial statements.

APOGEE ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MAY 28, 1994 AND MAY 29, 1993
(Thousands of Dollars)

<TABLE>
<CAPTION>

<S>	1994 <C>	1993 <C>
OPERATING ACTIVITIES		
Net earnings	$ 2,600	$ 1,443
Adjustments to reconcile net earnings to net cash used in operating activities:		
Cumulative effect of change in accounting for income taxes	-	(525)
Depreciation and amortization	3,667	3,848
Provision for losses on accounts receivable	753	601
Noncurrent deferred income taxes	(300)	(299)
Equity in net (earnings) of affiliated companies	(177)	(864)
Other, net	483	(73)
Changes in operating assets and liabilities, net of effect of acquisitions:		
Receivables	(5,011)	(4,458)
Inventories	(248)	1,035
Other current assets	1,116	2,731
Accounts payable and accrued expenses	(12,259)	(6,877)
Billings in excess of costs and earnings on uncompleted contracts	(467)	(2,002)
Accrued and current deferred income taxes	1,792	(2,596)
Other long-term liabilities	1,213	174
Net cash used in operating activities	(6,838)	(7,862)

INVESTING ACTIVITIES		
Capital expenditures	(6,069)	(2,512)
Acquisition of businesses, net of cash acquired	(272)	(898)
Investments in and advances to affiliated companies	421	(86)
Other, net	(164)	(1,054)
Net cash used in investing activities	(6,084)	(4,550)
FINANCING ACTIVITIES		
Increase in notes payable	13,050	-
Payments on long-term debt	(25)	(100)
Proceeds from issuance of long-term debt	-	11,500
Proceeds from issuance of common stock	20	550
Dividends paid	(998)	(927)
Net cash provided by financing activities	12,047	11,023
Decrease in cash	(875)	(1,389)
Cash at beginning of period	10,824	8,908
Cash at end of period	$ 9,949	$ 7,519

</TABLE>

See accompanying notes to consolidated financial statements.

APOGEE ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Principles of Consolidation

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of May 28, 1994 and February 26, 1994, and the results of operations and cash flows for the thirteen weeks ended May 28, 1994 and May 29, 1993. Certain prior year amounts have been reclassified to conform to the current period presentation.

The financial statements and notes are presented as permitted by Form 10-Q and do not contain certain information included in the Company's annual financial statements and notes.

The results of operations for the thirteen-week periods ended May 28, 1994 and May 29, 1993 are not necessarily indicative of the results to be expected for the full year.

Accounting period

The Company's fiscal year ends on the Saturday closest to February 28. Each interim quarter ends on the Saturday closest to the end of the months of May, August and November.

2. Inventories

Inventories consist of the following:

	May 28, 1994	February 26, 1994
Raw materials and supplies	$11,626	$ 9,994
In process	4,098	3,413
Finished goods	26,061	29,565
Costs in excess of billings	11,205	9,760
	$52,990	$52,732

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

SALES AND EARNINGS

First quarter revenues rose 20% to $179 million from $149 million a year earlier. Net earnings rose 80% to $2.6 million, or $0.19 per share, from $1.4 million, or $0.11 per share, a year ago. Last year results included a $525,000, or 4 cents per share, one-time gain due to the adoption of FASB No. 109 - Accounting for Income Taxes. Exclusive of the accounting change, earnings were up 183% from a year ago.

Each of the Company's divisions reported improved operating results as well as healthy sales growth. With the exception of the Commercial Construction Division (CCD), each of the divisions had operating earnings in the quarter. The following table presents the percentage change in sales and operating income for the Company's four divisions and on a consolidated basis for the first quarter, when compared to the corresponding period a year ago.

Percentage Change

Division	Sales	Operating Income
Commercial Construction	25%	Loss in both years
Window Fabrication	9%	Loss a year ago
Glass Fabrication	21%	54%
Installation and Distribution	13%	21%
Consolidated	20%	143%

Commercial Construction

Greater overseas activity and stronger detention/security sales accounted for CCD's revenue growth in the first quarter. Although the division recorded slightly improved project margins, CCD continued to experience tough market conditions. Low margins along with higher overhead on international operations accounted for the division reporting an operating loss. On the bright side, the division reduced domestic overhead, which when combined with strong results from the detention/security group, helped CCD to cut its loss by half when compared to a year ago. The detention/security segment's strong sales and solid earnings were its best quarterly results since the segment's units were acquired in fiscal 1992.

The division believes industry conditions are slowly improving. The extent of future operating gains is dependent on the successful implementation of steps taken to improve project management and project bidding. At this time, the division expects to report better results for the remainder of the year when compared to fiscal 1994.

CCD's backlog stood at $339 million, 7% behind the division's February 1994 balance, but 12% ahead of a year ago. The Company's overall consolidated backlog decreased 5% from year end to $386 million, but was up 15% compared to twelve months earlier. The Company estimates that approximately $110 million of CCD's current backlog will not be realized until fiscal 1996 or later.

Window Fabrication

The Window Fabrication Division (WFD), which also serves the commercial and institutional construction markets, reported a small operating profit for the quarter, compared to a small operating loss a year ago. Stronger volume at the window coverings units and decreased operating costs at both the window coverings and architectural units resulted in improved revenues and earnings. Order rates during the first quarter were good for the division's architectural units. The division continues to look at manufacturing processes and cost controls to further improve earnings. Like CCD, the division anticipates favorable comparisons with year-ago results for the rest of the fiscal year.

Glass Fabrication

- - -----------------

The Glass Fabrication Division (GFD) produced outstanding revenue and earnings results, largely attributable to brisk auto glass sales and improved margins for its architectural glass products.

Viracon, GFD's architectural glass unit, operated near full capacity and benefited from improved pricing levels. The unit is currently expanding its facility to provide greater manufacturing capacity. The auto glass unit, Curvlite, reported record sales and earnings for the quarter due to strong unit demand. Curvlite is also investing in increased capacity. Marcon Coatings, a 50%-owned joint venture, had a strong quarter, showing 63% growth in pretax earnings when compared to a year ago. The increase is largely due to the strong activity of Viracon and Marvin Windows, the entity's other joint venture partner. Order rates for each of these units have been strong, suggesting continued solid operating results for the foreseeable future.

Tru Vue, GFD's picture framing glass unit, had solid results, with both sales and operating income slightly ahead of a year ago. Tru Vue's acquired matboard unit, Miller Tru Vue (Miller), experienced a loss in the first quarter. Miller is in the process of relocating its operations from New York to Chicago, adjacent to Tru Vue. Reduced operating costs are expected, but additional sales volume will be required to bring the unit up to breakeven.

Installation and Distribution
- - -----------------------------

The Installation and Distribution Division (IDD) generated sales and earnings growth for the first quarter. While unit volume remained essentially unchanged from a year ago, modest price increases, as well as reduced operating costs, led to the improvement. The division's network segment, which subcontracts auto glass repair/replacement sales nationwide, reported unit volume up 10%. IDD continues to work on new marketing programs and improving its information systems.

The division added six retail stores and four wholesale locations, ending the quarter with 242 retail units and 49 distribution centers. Expansion opportunities are continually looked at to determine areas of favorable growth.

Viratec Thin Films
- - ------------------

Viratec Thin Films (Viratec), a 50%-owned joint venture, develops and applies optical-quality coatings to glass and other substrates. Viratec reported significantly lower sales and earnings when compared to a year ago due to a number of factors. Line speed, uptime and yield performance of manufacturing coating equipment was below satisfactory levels, while pricing of coated products has become more competitive. New coating equipment and related product development projects which were scheduled to be in operation in the current fiscal year are behind schedule due to modifications and process startup delays. Plans are under way to deal with all of the above issues.

Consolidated
- - ------------

The following table compares quarterly results with year-ago results, as a percentage of sales, for each caption.

<TABLE>
<CAPTION>

	Percentage of Sales	
	1994	1993
<S>	<C>	<C>
Net sales	100.0	100.0
Cost of sales	85.8	86.6
Gross profit	14.2	13.4
Selling, general and administrative expenses	11.6	12.6
Equity in net (earnings) of affiliated companies	(0.1)	(0.6)
Operating income	2.7	1.4
Interest expense, net	0.3	0.4
Earnings before taxes	2.4	1.0
Income taxes	1.0	0.4
Net earnings before cumulative effect of change in accounting for income taxes	1.5	0.6
Cumulative effect of change in accounting for income taxes	-	0.4
Net earnings	1.5	1.0
Effective tax rate	40.0%	37.5%

</TABLE>

On a consolidated basis, cost of sales, as a percentage of net sales, fell largely due to stronger pricing at GFD and IDD, which was offset partly by weak pricing at CCD. Selling, general and administrative (SG & A) expenses decreased as a percentage of sales due to greater sales volume. However, in absolute dollars, SG & A increased about 10% as expenses relating to that higher activity also increased -- commissions, marketing programs, bad debt expense, bonus and profit sharing.

Equity in net earnings of affiliated companies decreased as a result of lower sales and earnings at Viratec. Net interest expense remained essentially even in absolute dollars, but tapered off a bit as a percentage of sales.

The effective income tax rate grew from a year earlier with the increase in earnings. The lower rate last year reflected the non-taxability of our equity in net earnings of affiliated companies, which was a significant portion of our net earnings. The Company adopted FASB Statement No. 109 in the first quarter of fiscal 1994. As a result of the adoption, the Company benefited by a $525,000 gain. The gain reduced long-term deferred tax liabilities (netted against long-term deferred tax assets). The gain was largely due to the restatement of deferred tax depreciation originally booked at historically higher tax rates (46% Federal) and restated to reflect current tax rates (34% Federal).

LIQUIDITY AND CAPITAL RESOURCES

At quarter end, the Company's working capital (current assets less current liabilities) and current ratio were essentially unchanged from the beginning of the fiscal year. However, current bank debt increased $13 million, to $37 million, while accounts payable and accrued expenses decreased $12 million. This substitution was caused primarily by normal variations in trade payables. The Company counts, as one of its competitive strengths, the ability to handle these variations. The Company believes that it has adequate credit facilities to meet its liquidity requirements.

Additions to property, plant and equipment totaled approximately $6.1 million. Major projects included expenditures for GFD's manufacturing facilities and data management, information processing and technical systems throughout the Company, particularly IDD.

PART II

OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit 11. Statement of Determination of Common Shares and Common Share Equivalents.

(b) The Company did not file any reports on Form 8-K during the quarter for which this report is filed.

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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.

APOGEE ENTERPRISES, INC.

Date: July 8, 1994	Donald W. Goldfus Donald W. Goldfus Chairman of the Board and Chief Executive Officer
Date: July 8, 1994	William G. Gardner William G. Gardner Treasurer, Chief Financial Officer and Secretary

EXHIBIT 11

STATEMENT OF DETERMINATION OF COMMON SHARES AND COMMON SHARE EQUIVALENTS

<TABLE>
<CAPTION>

<S>	Average No. of Common Shares & Common Share Equivalents Assumed to be Outstanding During the Quarter Ended: May 28, 1994 <C>	May 29, 1993 <C>
Weighted average number of common shares outstanding (a)	13,313,043	13,191,078
Common share equivalents resulting from the assumed exercise of stock options (b)	62,694	20,533
Total primary common shares and common share equivalents	13,375,737	13,211,611

</TABLE>

(a) Beginning balance of common stock adjusted for changes in amount outstanding, weighted by the elapsed portion of the period during which the shares were outstanding.

(b) Common share equivalents computed by the "treasury" method. Share amounts represent the dilutive effect of outstanding stock options which have an option value below the average market value for the current period.