

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-04-11** | Period of Report: **1994-02-26**  
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FILER

**FAB INDUSTRIES INC**

CIK: **34136** | IRS No.: **132581181** | State of Incorporation: **DE** | Fiscal Year End: **1130**  
Type: **10-Q** | Act: **34** | File No.: **001-05901** | Film No.: **94522173**  
SIC: **2250** Knitting mills

Business Address  
200 MADISON AVE  
NEW YORK NY 10016  
2122799000

Form 10-Q Quarterly Report

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D.C. 20549  
 FORM 10-Q

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

For the quarterly period ended  February 26, 1994

Commission file number  1-5901

Fab Industries, Inc.   
 (Exact name of registrant as specified in its charter)

Delaware   
 (State or other jurisdiction of  
 incorporation or organization)

13-2581181   
 (I. R. S. Employer  
 Identification No.)

200 Madison Avenue, New York, N.Y.   
 (Address of principal executive offices)

10016   
 (Zip Code)

(212) 592-2700   
 (Registrant's telephone number, including area code)

N/A   
 (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

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

<u> CLASS </u>	<u> Shares Outstanding at April 11, 1994 </u>
Common stock, \$.20 par value	6,191,826

FAB INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	FOR THE 13 WKS ENDED	
	FEBRUARY 26, 1994	FEBRUARY 27, 1993
	(Unaudited)	(Unaudited)
Net sales	\$40,584,000	\$38,572,000
Cost of goods sold	32,909,000	32,219,000
Gross profit	7,675,000	6,353,000
Selling, general and administrative expenses	4,411,000	3,820,000
Operating income	3,264,000	2,533,000
Other income (expense):		
Interest and dividend income	862,000	755,000
Interest expense	(28,000)	(22,000)
Gain on marketable securities	6,000	205,000
	840,000	938,000

Income before taxes	4,104,000	3,471,000
Income taxes	1,480,000	1,200,000
Net Income	\$2,624,000	\$2,271,000
Earnings per share of common stock and common stock equivalents (Note 2)	\$0.42	\$0.37
Weighted average number of shares of common stock and common stock equivalents (Note 2)	6,214,724	6,125,950

[FN]  
See accompanying Notes To Consolidated Financial Statements.

(1)

FAB INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

A S S E T S

	AS OF	
	FEBRUARY 26, 1994	NOVEMBER 27, 1993
	(Unaudited)	
Current assets:		
Cash and short-term investments (Note 3)	\$8,823,000	\$10,348,000
Marketable securities, at lower of cost or market	51,335,000	52,340,000
Accounts receivable-net of allowance of \$1,700,000 and \$1,600,000 for doubtful accounts	28,347,000	35,683,000
Inventories (Note 4)	27,670,000	24,322,000
Deferred income taxes	471,000	483,000
Other current assets	2,050,000	2,318,000
Total current assets	118,696,000	125,494,000
Property, plant and equipment - at cost	92,579,000	91,644,000
Less: Accumulated depreciation	63,000,000	61,651,000
	29,579,000	29,993,000
Other assets	2,220,000	2,012,000
	\$150,495,000	\$157,499,000

[FN]  
See accompanying Notes To Consolidated Financial Statements.

(2)

FAB INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

L I A B I L I T I E S     A N D

S T O C K H O L D E R S '     E Q U I T Y

AS OF

FEBRUARY 26, 1994    NOVEMBER 27, 1993

(Unaudited)

Current liabilities:

Accounts payable	\$11,857,000	\$13,512,000
Corporate income and other taxes	2,881,000	2,830,000
Accrued payroll and related expenses	2,070,000	5,321,000
Dividends payable	0	3,983,000
Other current liabilities	282,000	512,000
<b>Total current liabilities</b>	<b>17,090,000</b>	<b>26,158,000</b>

Obligations under capital leases - net of current maturities (Note 5)	767,000	779,000
Other noncurrent liabilities	1,330,000	1,078,000
Deferred income taxes	5,141,000	5,158,000
<b>Total liabilities</b>	<b>24,328,000</b>	<b>33,173,000</b>
Stockholders' equity (Note 2)	126,167,000	124,326,000
	\$150,495,000	\$157,499,000

[FN] See Accompanying Notes To Consolidated Financial Statements.

(3)

FAB INDUSTRIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
FOR THE 13 WEEKS ENDED FEBRUARY 26, 1994

	Total	Number of Shares	Common Stock * Amount	Additional Paid-in Capital	Retained Earnings	Unearned Restricted Stock Compensation	Loan to Employee Stock Ownership Plan	Number of Shares	Treasury Stock Cost
Balance at 11/27/93	\$124,326,000	6,477,694	\$1,295,000	\$4,931,000	\$135,994,000	(\$832,000)	(\$10,277,000)	(253,861)	(\$6,785,000)
Net income	2,624,000				2,624,000				
Exercise of stock options	53,000	2,900	1,000	52,000					
Purchase of treasury stock	(914,000)							(26,369)	(914,000)
Compensation under restricted stock plan	78,000					78,000			
<b>Balance at 2/26/94 (Unaudited)</b>	<b>\$126,167,000</b>	<b>6,480,594</b>	<b>\$1,296,000</b>	<b>\$4,983,000</b>	<b>\$138,618,000</b>	<b>(\$754,000)</b>	<b>(\$10,277,000)</b>	<b>(280,230)</b>	<b>(\$7,699,000)</b>

\* Common stock .20 par value - 15,000,000 shares authorized. Preferred stock \$1.00 par value - 2,000,000 shares authorized, none issued.

</TABLE>

FAB INDUSTRIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE 13 WEEKS ENDED  
FEBRUARY 26, 1994      FEBRUARY 27, 1993

	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES:		
Net Income	\$2,624,000	\$2,271,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts	100,000	100,000
Depreciation and amortization	1,349,000	1,374,000
Deferred income taxes	(5,000)	(127,000)
(Gain) on marketable securities	(6,000)	(205,000)
Compensation under restricted stock plan	78,000	78,000
Decrease (increase) in:		
Accounts receivable	7,236,000	1,679,000
Inventories	(3,348,000)	(2,945,000)
Other current assets	268,000	193,000
Other assets	(208,000)	(273,000)
Increase (decrease) in:		
Accounts payable	(1,655,000)	1,242,000
Accrued liabilities	(3,430,000)	(3,650,000)
Other	240,000	284,000
Net cash provided by operating activities	3,243,000	21,000
INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(935,000)	(406,000)
Net proceeds from sales (acquisitions) of marketable securities	1,011,000	(9,192,000)
Net cash provided by (used by) investing activities	76,000	(9,598,000)
FINANCING ACTIVITIES:		
Purchase of treasury stock	(914,000)	0
Payment of (loan to) employee stock ownership plan	0	0
Dividends paid	(3,983,000)	(3,058,000)
Exercise of stock options	53,000	1,329,000
Net cash used in financing activities	(4,844,000)	(1,729,000)
(Decrease) in cash and cash equivalents	(1,525,000)	(11,306,000)
Cash and short term investments, at beginning of year	10,348,000	20,266,000
Cash and short term investments, at end of period	\$8,823,000	\$8,960,000

See notes to consolidated financial statements.

(5)

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

##### 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 the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission. 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 of only normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the 13 weeks ended February 26, 1994 are not necessarily indicative of the results that may be expected for the entire year ended December 3, 1994. The balance sheet at November 27, 1993 has been derived from the audited balance sheet at that date. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended November 27, 1993.

##### 2. Stockholders' Equity:

Earnings Per Share:

Earnings per share has been computed by dividing net income by the weighted average number of shares of common stock and common stock equivalents outstanding during the period. The weighted average number of shares used in computing earnings per share for the first quarter ended February 26, 1994 and February 27, 1993, were 6,214,724 and 6,125,950 respectively.

Employee Stock Ownership Plan:

The second of 15 equal annual principal installments of \$790,500 plus interest at prime was paid by the ESOP to the Company on August 2, 1993. The balance on the ESOP indebtedness of \$10,277,000 is reflected as a reduction of the Company's Stockholders' Equity in the consolidated balance sheet.

(6)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Cash and short-term investments consist of the following, all of which have maturities of three months or less:

	February 26, 1994 ----- (Unaudited)	November 27, 1993 -----
Cash	\$1,022,000	\$1,951,000
Tax-free Short Term Investments	4,403,000	8,000,000
U.S. Treasury Obligations	0	397,000
Preferred Stocks	398,000	0
Corporate Bonds	3,000,000 -----	0 -----
Cash and Short-Term Investments	\$8,823,000 -----	\$10,348,000 -----

4. Inventories:

The Company's inventories are valued at the lower of cost or market. Cost is determined principally by the last-in, first-out (LIFO) method with the remainder being determined by the first-in, first-out (FIFO) method. Because the inventory valuation under the LIFO method is based upon an annual determination of inventory levels and costs as of the fiscal year-end, the interim LIFO calculations are based on management's estimates of expected year-end inventory levels and costs.

	February 26, 1994 ----- (Unaudited)	November 27, 1993 -----
Raw Materials	\$9,305,000	\$7,601,000
Work-in-process	9,204,000	8,965,000
Finished goods	9,161,000 -----	7,756,000 -----
Total	\$27,670,000 =====	\$24,322,000 =====
Approximate percentage of inventories valued under LIFO valuation	63% =====	63% =====
Excess of FIFO valuation over LIFO valuation	\$7,012,000 =====	\$6,912,000 =====

(7)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Obligations under capital leases consist of the following:

February 26, 1994	November 27, 1993
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-----  
(Unaudited)

Obligations under capital leases through 2006 payable in monthly installments of \$10,553 including interest at 10% per annum.	\$795,000	\$807,000
Less current maturities (included with other current liabilities)	28,000	28,000
	----- \$767,000 =====	----- \$779,000 =====

(8)

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

Results of Operations  
First Quarter  
1994 Compared to 1993  
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Net sales for the first fiscal quarter of 1994 were \$40,584,000, or 5.2% higher than the comparable 1993 period. The major portion of this increase represents additional units shipped with the balance resulting from a more profitable product mix. Although severe winter conditions adversely affected retail demand in the final segment of the quarter, customer bookings and shipments generally continued at the comparatively high level of the 1993 fourth quarter.

Gross profit rose significantly to 18.9% from 16.5% last year. An improved product mix with comparatively high seasonal operating rates at manufacturing plants helped sustain favorable margins. Adjustments to LIFO inventory reserves in both comparative quarters were minimal.

Selling, general and administrative expenses increased to 10.9% from 9.9% last year as dollar expenditures rose by \$591,000. The increase relates primarily to comparatively lower incentive-based sales compensation in 1993 and increased sales related salaries in the current period.

Interest and dividend income rose by 14.2% in the quarter, or \$107,000 as a result of higher average balances of interest-earning assets in 1994 compared to last year. Gain on marketable securities declined from \$205,000 in 1993 to \$6,000 as the market value of investments fell as a result of a recent rise in interest rate levels.

The effective income tax rate for the current quarter was 36.1% as against 34.6% in 1993. The corporate statutory rate utilized in the initial quarter of 1993 of 34.0% was raised (retroactively) to 35.0% in August 1993.

As a result of these aforementioned factors, net income rose to \$2,624,000, or 6.5% of sales compared to \$2,271,000, or 5.9% of sales, an increase of 15.5%. Earnings per share were \$0.42 as compared to \$0.37. There was no earnings dilution relative to common stock equivalents in either comparative quarter.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal source of funds is expected to be cash flow generated from operations. Cash provided by operating activities for the thirteen weeks ended February 26, 1994, increased to \$3,243,000 as compared to \$21,000 in 1993. Of this increase, approximately \$5.6 million arose from a comparative decrease in accounts receivables. Working capital rose to \$101.6 million from \$99.3 million at the prior fiscal year-end.

Capital expenditures for the three months were \$935,000 as against \$406,000 in 1993. The Company purchased additional dyeing and finishing equipment for its two dyehouses in order to service expanded marketing activities.

During and subsequent to the first quarter, the Company repurchased 39,000 shares of its Common Stock at an average price of \$35.00. The Company intends to continue to purchase its shares of Common Stock from time-to-time as market conditions warrant and price criteria are met.

The Company has declared a quarterly dividend of \$0.16 per share, payable April 15, 1994, to stockholders of record as of March 30, 1994.

Stockholders' equity rose to \$126,167,000, or \$20.35 book value per share, from \$124,326,000, or \$19.98 per share, at the previous year-end November 27, 1993.

Management believes that the current financial position of the Company is more than adequate to internally fund any future expenditures to maintain, modernize and expand its manufacturing facilities, pay dividends and make acquisitions of textile related businesses if criteria relating to indebtedness, market expansion and existing management are met.

## PART II OTHER INFORMATION

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

(a) Exhibits - No Exhibits are filed herewith

#### Exhibit

##### Description of Exhibit

- 10.1 - 1987 Stock Option Plan of the Registrant, Incorporated by reference to Exhibit 10.1 to the Registrant's Annual Report on form 10-K for the fiscal year ended November 27, 1993 (the "1993 10-K").
- 10.2 - Employment Agreement dated as of March 1, 1993, between the Registrant and Samson Bitensky, incorporated by reference to Exhibit 10.2 to the 1993 10-K.
- 10.3 - Fab Industries, Inc. Hourly Employees Retirement Plan (the "Retirement Plan"), incorporated by reference to Exhibit 10.3 to the 1993 10-K.
- 10.4 - Amendment to the Retirement Plan effective December 11, 1978, incorporated by reference to Exhibit 10.4 to the 1993 10-K.
- 10.5 - Amendment to the Retirement Plan effective December 1, 1981, incorporated by reference to Exhibit 10.5 to the 1993 10-K.
- 10.6 - Amendment to the Retirement Plan dated November 21, 1983, incorporated by reference to Exhibit 10.6 to the 1993 10-K.
- 10.7 - Amendment to the Retirement Plan dated August 29, 1986, incorporated by reference to Exhibit 10.7 to the 1993 10-K.
- 10.8 - Amendment to the Retirement Plan effective as of December 1, 1989, incorporated by reference to Exhibit 10.8 to the 1993 10-K.
- 10.9 - Fab Lace, Inc. Employees Profit Sharing Plan (the "Profit Sharing Plan"), incorporated by reference to Exhibit 10.9 to the 1993 10-K.
- 10.10 - Amendment to the Profit Sharing Plan effective December 1, 1978, incorporated by reference to Exhibit 10.10 to the 1993 10-K.



- 10.11 - Amendment dated December 1, 1985 to the Profit Sharing Plan, incorporated by reference to Exhibit 10.11 to the 1993 10-K.
- 10.12 - Amendment dated February 5, 1987 to the Profit Sharing Plan, incorporated by reference to Exhibit 10.12 to the 1993 10-K.
- 10.13 - Amendment dated December 24, 1987 to the Profit Sharing Plan, incorporated by reference to Exhibit 10.13 to the 1993 10-K.
- 10.14 - Amendment dated June 30, 1989 to the Profit Sharing Plan, incorporated by reference to Exhibit 10.14 to the 1993 10-K.
- 10.15 - Amendment dated February 1, 1991 to the Profit Sharing Plan, incorporated by reference to Exhibit 10.15 to the 1993 10-K.
- 10.16 - Lease dated as of December 8, 1988 between Glockhurst Corporation, N. V. and the Registrant, incorporated by reference to Exhibit 10.16 to the 1993 10-K.
- 10.17 - Lease Modification Agreement dated April 2, 1991 between Glockhurst Corporation, N. V. and the Registrant, incorporated by reference to Exhibit 10.17 to the 1993 10-K.
- 10.18 - Lease dated as of March 1, 1979 between City of Amsterdam industrial Development Agency and Gem Urethane Corp, incorporated by reference to Exhibit 10.18 to the 1993 10-K.
- 10.19 - Lease dated as of January 1, 1977 between City of Amsterdam Industrial Development Agency and Lamatronics Industries, Inc, incorporated by reference to Exhibit 10.19 to the 1993 10-K.
- 10.20 - Form of indemnification agreement between the registrant and its officers and directors, incorporated by reference to Exhibit 10.20 to the 1993 10-K.
- 10.21 - Restricted Share Agreement dated October 1, 1991 between the Registrant and Steven Myers, incorporated by reference to Exhibit 10.21 to the 1993 10-K.
- 10.22 - Restricted Share Agreement date October 1, 1991 between the Registrant and Howard Soren, incorporated by reference to Exhibit 10.22 to the 1993 10-K.
- 10.23 - Restricted Share Agreement dated October 1, 1991 between the Registrant and Stanley August, incorporated by reference to Exhibit 10.23 to the 1993 10-K.
- 10.24 - Registrant's Employee Stock Ownership Plan effective as of November 25, 1991, incorporated by reference to Exhibit 10.24 to the 1993 10-K.
- 10.25 - Registrant's Non-Qualified Executive Retirement Plan dated as of November 30, 1990, incorporated by reference to Exhibit 10.25 to the 1993 10-K.

(b) Reports on Form 8-K: None

SIGNATURES  
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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.

Dated: April 11, 1994

FAB INDUSTRIES, INC.

By: \_\_\_\_\_s/Howard Soren/\_\_\_\_\_  
Howard Soren, Vice  
President and Treasurer

By: \_\_\_\_\_s/David A. Miller/\_\_\_\_\_  
David A. Miller, Controller  
and Chief Accounting Officer