

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1994-10-01**  
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### FILER

#### HEIN WERNER CORP

CIK: **46613** | IRS No.: **390340430** | State of Incorporation: **WI** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **001-02725** | Film No.: **95536109**  
SIC: **3559** Special industry machinery, nec

#### Mailing Address

2120 N PEWWAUKEE ROAD  
PO BOX 1606  
WAUKESHA WI 53188-2404

#### Business Address

2120 N PEWAUKEE RD  
PO BOX 1606  
WAUKESHA WI 53188-2404  
4145426611

SECURITIES AND EXCHANGE COMMISSION  
450 Fifth Street, N.W.  
Washington, D.C. 20549

Form 10-Q

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

For the Quarterly Period Ended: April 1, 1995

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 1-2725

HEIN-WERNER CORPORATION

-----  
(Exact name of registrant as specified in its charter)

WISCONSIN

39-0340430

-----  
(State or other jurisdiction of incorporation or organization)

-----  
(IRS Employer Identification Number)

2120 Pewaukee Road, Waukesha, Wisconsin

53188-2404

-----  
(Address of principal executive offices)

-----  
(Zip Code)

(414) 542-6611

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

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

No

Number of shares of \$1 par value common stock issued and outstanding at May 10, 1995:

Issued	2,504,126
Treasury	2,957
	-----
Outstanding	2,501,169
	=====

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Balance Sheets - (Unaudited)  
(\$000)

	April 1, 1995	December 31, 1994
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash	\$ 368	\$ 466
Customers' accounts receivable	22,422	21,545
Less allowance for losses	1,751	1,670
	-----	-----
	20,671	19,875
Inventories	16,152	16,154
Prepaid expenses and other	440	350
Income tax benefit receivable	557	508
	-----	-----
TOTAL CURRENT ASSETS	38,188	37,353
PROPERTY, PLANT AND EQUIPMENT, AT COST:		
Land	90	90
Buildings	2,851	2,839
Machinery and equipment	13,470	13,101
	-----	-----
	16,411	16,030
Less accumulated depreciation	11,144	10,765
	-----	-----
NET PROPERTY, PLANT AND EQUIPMENT	5,267	5,265
OTHER ASSETS:		
Patents, net of accumulated amortization of \$517 for 1995 and \$513 for 1994	47	51
Excess cost over net assets of acquired companies, net of accumulated amortization of \$762 for 1995 and \$747 for 1994	1,520	1,535

Deferred debt issuance costs, net of accumulated amortization of \$400 for 1995 and \$376 in 1994	73	97
Receivables, net of allowances of \$955 in 1995 and \$955 for 1994	1,341	1,452
Other	360	348
	-----	-----
TOTAL OTHER ASSETS	3,341	3,483
	-----	-----
	\$46,796	\$46,101
	=====	=====

[FN]

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets - (Unaudited)  
(\$000)

	April 1, 1995	December 31, 1994
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	\$ 3,520	\$ 3,189
Current installments of long-term debt	327	316
Accounts payable	7,449	7,302
Accrued payroll and related expenses	2,652	2,705
Accrued expenses related to a disposed business	355	354
Accrued expenses, other	3,040	3,164
	-----	-----
TOTAL CURRENT LIABILITIES	17,343	17,030
Long-term debt, excluding current installments	12,607	13,256
Liabilities related to a disposed business	606	689
Other	659	804
	-----	-----
TOTAL LIABILITIES	31,215	31,779
STOCKHOLDERS' EQUITY:		
Common stock of \$1 par value per share Authorized: 20,000,000 shares; Issued: 2,504,421 shares at April 1, 1995 and 2,386,477 at December 31, 1994	2,504	2,386
Capital in excess of par value	11,377	11,377
Retained earnings	1,129	827
Cumulative translation adjustments	949	110

	-----	-----
	15,959	14,700
Less cost of common shares in treasury - 21,707 shares at April 1, 1995 and at December 31, 1994	378	378
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	15,581	14,322
	-----	-----
	\$46,796	\$46,101
	=====	=====

[FN]

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations - (Unaudited)  
(\$000) (except per share data)

	Three months ended	
	-----	-----
	April 1, 1995	April 2, 1994
	-----	-----
Net sales	\$18,512	\$15,873
Cost of sales	11,786	10,261
	-----	-----
Gross profit	6,726	5,612
Selling, engineering and administrative expenses	5,803	5,142
	-----	-----
Operating profit	923	470
Interest expense	484	396
Other income, net	(2)	(112)
	-----	-----
Income before income taxes	441	186
Income tax expense	19	63
	-----	-----
NET INCOME	\$ 422	\$ 123
	=====	=====
Earnings per share - primary	\$ 0.17	\$ 0.05

Earnings per share - fully diluted	\$ 0.16	\$ 0.07
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[FN]

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows - (Unaudited)

	Three Months Ended	
	April 1, 1995	April 2, 1994
CASH FROM OPERATING ACTIVITIES:		
Net income	\$ 422	\$ 123
Adjustment to net income for expenses (gains) not affecting cash:		
Depreciation and amortization	330	334
Bad debt expenses	120	42
Increase (decrease) in cash due to changes in:		
Accounts receivable	(916)	851
Inventories	2	(1,116)
Prepaid expenses and other assets	(54)	(16)
Accounts payable	147	(365)
Accrued expenses and other liabilities	(406)	336
	-----	-----
Cash provided by (used in) operating activities.....	(355)	189
CASH USED IN INVESTING ACTIVITIES:		
Capital expenditures.....	(275)	(210)
CASH FROM FINANCING ACTIVITIES:		
Increase (decrease) in notes payable	332	17
Proceeds from long-term debt	--	372
Repayment of long-term debt	(638)	(351)
	-----	-----
Cash provided by (used in) financing activities.....	(306)	38
Cumulative translation adjustments.....	838	193
	-----	-----
TOTAL CASH PROVIDED (USED)	(98)	210
CASH - BEGINNING OF THE PERIOD	466	339

CASH - END OF THE PERIOD

-----	-----
\$ 368	\$ 549
=====	=====

[FN]

See accompanying notes to consolidated financial statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES:

The financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results of the interim periods presented. All adjustments, other than adjustments to the accrual of expenses related to the discontinued business which is included as a current liability on the balance sheet, are normal and recurring. All items stated herein are subject to year-end audit.

INVENTORY:

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(Amounts in thousands)

	4/1/95	12/31/94
Raw Material	\$ 5,790	\$ 5,902
Work-in-Process	1,686	1,481
Finished Goods	8,675	8,771
	-----	-----
	\$ 16,151	\$ 16,154

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MATERIAL CONTINGENCIES:

A) Financial Instruments with Off-Balance-Sheet Risk.

To meet the financing needs of consumers of its collision repair and engine rebuilding products the Company is, in the normal course of business, a party to financial instruments with off-balance-sheet risk. The instruments are guarantees of notes payable to financing institutions arranged by the Company. The Company performs credit reviews on all such guarantees. These guarantees extend for periods up to six years and expire in

decreasing amounts through 2000. The amount guaranteed to each institution is contractually limited to a portion of the amount financed in a given year. The notes are collateralized by the equipment financed. Proceeds from the resale of recovered equipment have generally been 80% to 90% of repurchased notes.

The maximum credit risk to the Company at December 31, 1994 was approximately \$3,400,000.

#### B) Litigation

The Company is involved in legal proceedings, claims and administrative actions arising in the normal course of business. In the opinion of management, the Company's liability, if any, under any pending litigation or administrative proceeding would not materially affect its financial condition or operations.

#### C) Environmental Claims

From time to time the Company is identified as a potentially responsible party in environmental matters, primarily related to waste disposal sites, which contain residuals from the manufacturing process which were previously disposed of by the Company in accordance with applicable regulations in effect at the time of disposal. Materials generated by the Company in these sites have been small and claims against the Company have been handled on a de minimis basis. In addition, the Company has indemnified purchasers of property previously sold by the Company, against any environmental damage which may have existed at the time of the sale. In the opinion of management, the Company's liability, if any, under any pending administrative proceeding or claim, would not materially affect its financial condition or operations.

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

### Results of Operations

Net sales for the first quarter of 1995 were \$18.5 million, up 16.6% over the same period of 1994. Sales originating in North America rose 17.2% to \$12.4 million for the quarter compared to \$10.6 million in the same period of the prior year. European sales were also up for the quarter from \$5.3 million in 1994 to \$6.1 million for the first quarter of 1995. Net sales for all three business segments were again higher in the 1995 quarter than in the comparable quarter of 1994.



Gross profit margins in North America improved in the first quarter from 29.4% in 1994 to 30.2% in 1995. Margins in Europe also improved moving from 47.3% in 1994 to 48.8% for the 1995 first quarter. Consolidated gross profit margins were 36.3% for the first quarter of 1995 compared to 35.4% for the same period of 1994.

Operating expenses decreased as a percent of net sales, from 32.4% in the 1994 period to 31.3% in 1995. While actual expenses were slightly higher in 1995 than in 1994, the bulk of the increased spending was in sales commissions and in other marketing expenses. The increases were attributed to the increased sales volume.

Interest expense rose slightly for the three months ended April 1, 1995, as a result of rising interest rates.

#### Financial Condition

Continued improved operating results along with aggressive inventory management emphasis has resulted in a decline in long-term borrowing. Continued improvements are expected. The Company expects its liquidity requirements will be met by cash generated from operations and from its credit facilities.

Short-term credit facilities in Europe are considered sufficient to supplement cash from operating activities to satisfy liquidity requirements there. Changes in short-term borrowing are primarily due to seasonal cash usage patterns.

## PART II - OTHER INFORMATION

ITEM 6: (a) Exhibits

(11) Computation of Earnings Per Share

(27) Financial Data Schedule

(b) Form 8-K

There were no reports on Form 8-K filed for the three months ended April 1, 1995.

SIGNATURE

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.

HEIN-WERNER CORPORATION  
("Registrant")

Edward F. Duffy  
Vice President - Finance and  
Treasurer  
(Principal Financial Officer)

May 10, 1995

-----  
Date

Index of Exhibits

Exhibit No.	Description
-----	-----
(11)	Computation of Earnings Per Share
(27)	Financial Data Schedule

<TABLE>  
 Computation of Earnings per Share  
 (\$000) (except per share data)  
 <CAPTION>

EXHIBIT 11

	The three months ended	
	April 1, 1995	April 2, 1994
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PRIMARY:		
Weighted average common shares outstanding	2,482	2,482
Common equivalent shares	0	0
Weighted average common shares and common equivalent shares outstanding	2,482	2,482
Net income applicable to common shares	\$ 422	\$ 123
Primary earnings per share	\$ 0.17	\$ 0.05
FULLY DILUTED:		
Weighted average common shares outstanding	2,482	2,482
Common equivalent shares	0	0
Additional shares assuming conversion of subordinated debentures	683	650
Fully diluted weighted average common shares and common equivalent shares outstanding	3,165	3,132
Net income for diluted common shares	\$ 513	\$ 214
Fully diluted earnings per share	\$ 0.16	\$ 0.07

<FN>

Common shares have been adjusted to give effect to the 5% stock dividend paid January 27, 1995.

The \$4,500,000 8% Convertible Subordinated Notes are convertible to common shares at a price of \$6.59 per share after giving effect to the stock dividend paid January 27, 1995.

Earnings per common share and common equivalent share were computed by dividing the net income by the weighted average number of shares of common stock and common stock equivalents outstanding during the period.

Earnings per common share, assuming full dilution, is determined by assuming that at the beginning of the period convertible notes were converted at the price per share in effect at that time and common share options were exercised. As to the options, incremental shares would be calculated using the treasury stock method, assuming common share purchases at the greater of the average market price of the common shares for the period or the ending price of the common shares.

</FN>

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AS OF APRIL 1, 1995, THE CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE MONTHS ENDED APRIL 1, 1995, AND THE COMPUTATION OF EARNINGS PER SHARE (EXHIBIT 11) FOR THE THREE MONTHS ENDED APRIL 1, 1995; AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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