

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-07-12** | Period of Report: **1995-05-28**  
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### FILER

#### SI HANDLING SYSTEMS INC

CIK: **90045** | IRS No.: **221643428** | State of Incorporation: **PA** | Fiscal Year End: **0225**  
Type: **10-Q** | Act: **34** | File No.: **000-03362** | Film No.: **95553358**  
SIC: **3530** Construction, mining & materials handling machinery & equip

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SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

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

For Quarter Ended May 28, 1995

Commission File No. 0-3362

SI HANDLING SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania  
(State or other jurisdiction of  
incorporation or organization)

22-1643428  
(I.R.S. Employer  
Identification No.)

600 Kuebler Road, Easton, PA  
(Address of principal executive offices)

18040  
(Zip Code)

Registrant's telephone number: 610-252-7321

Indicate by checkmark 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

Number of shares of common stock, par value \$1.00 per share, outstanding as of May 28, 1995: 1,640,353.

PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

SI HANDLING SYSTEMS, INC.

## Balance Sheets

(in thousands, except share data)

	May 28, 1995	February 26, 1995
ASSETS		
Current assets:		
Cash and cash equivalents, principally time deposits	\$ 2,350	571
Receivables:		
Trade	3,694	6,654
Notes and other receivables	71	147
Total receivables	3,765	6,801
Costs and estimated earnings in excess of billings	2,122	1,400
Inventories:		
Raw materials	891	847
Finished goods and work in process	1,017	998
Total inventories	1,908	1,845
Deferred income tax benefits	322	242
Prepaid expenses and other current assets	118	266
Total current assets	10,585	11,125
Property, plant and equipment, at cost:		
Land	27	27
Buildings and improvements	3,298	3,298
Machinery and equipment	3,976	3,958
	7,301	7,283
Less accumulated depreciation	5,725	5,613
Net property, plant and equipment	1,576	1,670
Investment in joint venture	275	251
Other assets, at cost less accumulated amortization of \$48 in 1996 and \$161 in 1995	87	90
Total assets	\$12,523	13,136

See accompanying notes to financial statements.

Item 1. Financial Statements (Continued)

SI HANDLING SYSTEMS, INC.

Balance Sheets

(in thousands, except share data)

	May 28, 1995	February 26, 1995
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current installments of long-term debt	\$ 22	21
Accounts payable	1,395	2,386
Customers' deposits and billings in excess of costs and estimated earnings	2,092	1,425
Accrued salaries, wages, and commissions	438	453
Income taxes payable	152	7
Accrued royalties payable	288	620
Liabilities and deferred credits related to obligations and receipts under the AGV Asset Purchase Agreement	1,031	931
Accrued other liabilities	843	703
 Total current liabilities	 6,261	 6,546
Long-term liabilities:		
Long-term debt, excluding current installments:		
Mortgages payable	63	71
Revolving credit loan payable to bank	-	500
 Total long-term debt	 63	 571
 Deferred compensation	 87	 94
 Total long-term liabilities	 150	 665
Stockholders' equity:		
Common stock, \$1 par value; authorized 5,000,000 shares; issued 1,679,134 shares in 1996 and 1995	1,679	1,679
Additional paid-in capital	4,525	4,525
Retained earnings (deficit)	168	(17)
	6,372	6,187
Less treasury stock, at cost (38,781 shares in 1996 and 39,056 shares in 1995)	(260)	(262)
 Total stockholders' equity	 6,112	 5,925
 Total liabilities and stockholders' equity	 \$12,523	 13,136

See accompanying notes to financial statements.

Item 1. Financial Statements (Continued)  
 SI HANDLING SYSTEMS, INC.  
 Statements of Operations  
 (in thousands, except share and per share data)

	Three Months Ended	
	May 28, 1995	May 29, 1994
Net sales	\$ 6,097	7,779
Cost of sales	4,504	6,298
Gross profit	1,593	1,481
Selling, general, and administrative expenses	1,159	1,400
Product development costs	105	80
Interest expense	4	14
Interest income	(25)	(2)
Other expense (income), net	(65)	(19)
	1,178	1,473
Earnings from operations before income taxes	415	8
Income tax expense	65	3
Net earnings	\$ 350	5
Net earnings per common share and common share equivalent*	\$ .21	-
Dividends per share	\$ .10	.10

\*Earnings per share are based on the weighted average number of shares outstanding and equivalent shares from dilutive stock options, which were 1,652,000 and 1,658,000, respectively, at May 28, 1995 and May 29, 1994.

See accompanying notes to financial statements.

Item 1. Financial Statements (Continued)  
 SI HANDLING SYSTEMS, INC.  
 Statements of Cash Flows  
 (in thousands)

Three Months Ended

	May 28, 1995	May 29, 1994
Cash flows from operating activities:		
Net earnings	\$ 350	5
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation of plant and equipment	112	139
Amortization of intangibles and deferred costs	3	(7)
Equity in income of joint venture	(24)	(25)
Changes in operating assets and liabilities:		
Receivables	3,036	(1,558)
Costs and estimated earnings in excess of billings	(722)	(111)
Inventories	(63)	549
Deferred income tax benefits	(80)	-
Prepaid expenses and other current assets	148	14
Other noncurrent assets	-	2
Accounts payable	(991)	(223)
Customers' deposits and billings in excess of costs and estimated earnings	667	(686)
Accrued salaries, wages, and commissions	(15)	55
Income taxes payable	145	3
Accrued royalties payable	(332)	(104)
Liabilities and deferred credits related to obligations and receipts under the AGV Asset Purchase Agreement	100	(275)
Accrued other liabilities	(24)	
Deferred compensation	(7)	10
Net cash provided by (used in) operating activities	2,303	(2,212)
Cash flows from investing activities:		
Additions to property, plant and equipment	(18)	(94)
Net cash used in investing activities	(18)	(94)
Cash flows from financing activities:		
Sale of treasury stock in connection with employee stock option plan	1	-
Repayment of long-term debt, including current portion	(7)	(7)
Increase in (repayment of) loan payable to bank	(500)	2,300
Net cash provided (used) by financing activities	(506)	2,293

Item 1. Financial Statements (Continued)

SI HANDLING SYSTEMS, INC.  
 Statements of Cash Flows (Continued)  
 (in thousands)

	Three Months Ended	
	May 28, 1995	May 29, 1994
Increase (decrease) in cash and cash equivalents	1,779	(13)
Cash and cash equivalents, beginning of period	571	640
Cash and cash equivalents, end of period	\$2,350	627
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 5	7
Income taxes	\$ -	-
Supplemental disclosure of noncash financing activities:		
Cash dividends declared in May but payable in June	\$ 164	164

See accompanying notes to financial statements.

Item 1. Financial Statements (Continued)  
 SI HANDLING SYSTEMS, INC.  
 Notes to Financial Statements  
 Three Months ended May 28, 1995 and May 29, 1994

- (1) The information contained in this 10-Q report is unaudited and is subject to year-end adjustments and audit. However, in the opinion of management, the interim financial statements furnished reflect all adjustments and accruals which are necessary to a fair statement of results for the interim periods presented.

During March, 1993, SI Handling Systems, Inc. (the "Company" or "SI") and Automated Prescription Systems, Inc. ("APS") formed a joint venture named SI/BAKER, INC. ("SI/BAKER" or the "joint venture"). The joint venture draws upon the automated materials

handling systems experience of SI and the automated pill counting and dispensing products of APS to provide automated pharmacy systems. Each member company contributed \$100,000 in capital to fund the joint venture.

The joint venture designs and installs computer controlled, fully automated, integrated systems for managed care pharmacy operations. The joint venture's systems are viewed as labor saving devices which address the issues of improved productivity and cost reduction. Systems can be expanded as customers' operations grow and they may be integrated with a wide variety of components to meet specific customer needs.

Schedule A contains the SI/BAKER, INC. financial statements. The information contained in the SI/BAKER, INC. financial statements is unaudited and is subject to year-end adjustments and audit. However, in the opinion of management, the interim financial statements furnished reflect all adjustments and accruals which are necessary to a fair statement of results for the interim periods presented.

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

### Liquidity and Capital Resources - \$(000's)

The Company's cash and cash equivalents increased to \$2,350 during the first three months of fiscal 1996 from \$571 at the end of fiscal 1995. The increase resulted from cash provided by operating activities totalling \$2,303 and proceeds of \$1 from the sale of treasury stock in connection with the employee stock option plan. Partially offsetting the increase in cash and cash equivalents was the repayments of long-term debt of \$7 and the revolving credit loan payable to bank of \$500, and purchases of equipment of \$18. Funds used by operating activities during the

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

### SI HANDLING SYSTEMS, INC.

### Liquidity and Capital Resources - \$(000's) (Continued)

first three months of fiscal 1995 were \$2,212.

The Company has a three-year, \$5,000 committed revolving credit facility with an original expiration date of July 31, 1996; however, during April, 1995 the Company's principal bank extended the expiration date of the revolving credit facility to July 31, 1997. The revolving credit facility is secured by a lien position on accounts receivable and land and buildings and contains various restrictive covenants relating to additional indebtedness, asset acquisitions or dispositions, and maintenance of certain financial ratios. The Company was in compliance with all covenants during fiscal 1996 or had obtained appropriate waivers from the lender. During the first quarter of fiscal 1996, the Company repaid its



borrowings under the revolving credit facility.

On March 31, 1992, the Company concluded the acquisition of all of the outstanding capital stock of BT Systems, Inc. ("BT Systems"), a U.S. corporation, from its Swedish parent company, BT Systems AB, for \$2,000. The Company paid \$1,000 in cash and issued a 6% note for \$1,000, which was paid on March 31, 1993. The acquisition has been accounted for as a purchase.

During fiscal 1995, the Company announced the sale of its AGVS product line to Apogee Robotics, Inc. as previously described in the Company's Annual Report on Form 10-K.

The Company has not accepted new AGVS contracts since October 6, 1994 but remains liable to complete existing AGVS contracts. The Company believes that it will be able to complete existing contracts and presently anticipates continuing the sale of parts and other services (aftermarket business) relative to AGVS.

On May 11, 1995, the Board of Directors of the Company declared a cash dividend of ten cents (\$.10) per share, reflecting confidence in the favorable impact of the actions taken relative to AGVS and the fiscal 1995 Corporate restructuring and the increase in the backlog of business at February 26, 1995 versus the prior year end.

The Company anticipates that its financial resources consisting of its current assets, anticipated cash flow, and the available revolving credit facility will adequately finance its operating requirements in the foreseeable future, including the effects of the rescinded Apogee transaction.

The Company plans to consider expansion opportunities as they arise, although ongoing operating results of the Company, the economics of the expansion, and the circumstances justifying the expansion will be key factors in determining the amount of resources the Company will devote to further expansion. At this time, the Company does not have any material capital commitments.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)  
SI HANDLING SYSTEMS, INC.

Results of Operations - \$(000's)

Three Months Ended May 28, 1995 vs. Three Months Ended May 29, 1994

The Company's net income for the first quarter of fiscal 1996 was \$350 compared to net income of \$5 for the first quarter of fiscal 1995. Net sales of \$6,097 for the first quarter of fiscal 1996 decreased 21.6% compared to net sales of \$7,779 for the first quarter of fiscal 1995. The sales decrease in fiscal 1996 is primarily attributable to a decline in AGVS sales due to the Company's reduced emphasis on the AGVS product line with selling efforts currently being aimed at the AGVS parts and service (aftermarket) business.

Gross profit as a percentage of sales was 26.1% for the first quarter of fiscal 1996 compared to 19.0% for the first quarter of

fiscal 1995. The increase in gross profit percentage for the first quarter of fiscal 1996 is primarily attributable to a change in mix favoring the Company's traditional products such as Order Selection and Cartrac. Contributing to the lower gross profit percentage in the fiscal 1995 comparable period were difficulties in executing and concluding several AGVS contracts as additional costs became necessary to meet contractual throughput and durability requirements.

Product development costs of \$105 were higher by \$25 in the first quarter of fiscal 1996 than in the comparable fiscal 1995 period. Development programs in the first quarter of fiscal 1996 included improvements to the Order Selection and Sortation product lines, with particular emphasis aimed at the Accupic Pick-To-Light and Small Parcel Sortation Systems. Development programs in the first quarter of fiscal 1995 included improvements to the AGVS and Order Selection product lines.

Selling, general, and administrative expenses of \$1,159 were lower by \$241 in the first quarter of fiscal 1996 than in the first quarter of fiscal 1995. The favorable variance is due to a reduction in overhead expenses pertaining to the Company's Automated Guided Vehicle Systems product line which was sold effective August 26, 1994 and later rescinded. Also contributing to the favorable variance was the cost improvement measure of manpower reductions associated with restructuring the Company's operations during the fourth quarter of fiscal 1995.

Interest income of \$25 was higher by \$23 in the first quarter of fiscal 1996 than in the comparable fiscal 1995 period. The increase in interest income is primarily attributable to the higher level of funds available for short-term investments during fiscal 1996.

The favorable variance in other expense (income), net, is primarily attributable to the improved performance of its joint

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)  
SI HANDLING SYSTEMS, INC.

Results of Operations - \$(000's) (Continued)

Three Months Ended May 28, 1995 vs. Three Months Ended May 29, 1994 (Continued)

venture company, SI/BAKER.

The Company incurred income tax expense of \$65 during the first quarter of fiscal 1996 compared to income tax expense of \$3 in the comparable fiscal 1995 period. During the first quarter of fiscal 1996, income tax expense was less than the statutory rate of 34% due to the recognition of previously unrecognized deferred tax assets which are anticipated to be realizable due to the projected profitability of the Company.

PART II - OTHER INFORMATION

None.

SI HANDLING SYSTEMS, INC.

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.

SI HANDLING SYSTEMS, INC.  
(Registrant)

Dated:07/11/95

Barry V. Mack  
Vice President - Finance  
(Signature)

Schedule A

SI/BAKER, INC.

Financial Statements  
May 31, 1995

SI/BAKER, INC.

Balance Sheets

May 31, 1995 and February 28, 1995

(in thousands, except share data)

	May 31, 1995	February 28, 1995
ASSETS		
Current assets:		
Cash and cash equivalents, principally time deposits	\$1,690	1,830
Receivables:		
Trade	1,421	940
Other receivables	11	12
Total receivables	1,432	952
Costs and estimated earnings in excess of billings	80	271
Inventories - purchased parts	13	13
Deferred income tax benefits	30	30
Prepaid expenses and other current assets	42	8
Total current assets	3,287	3,104
Machinery and equipment, at cost	62	57
Less: accumulated depreciation	13	11
Net machinery and equipment	49	46
Deferred income tax benefits	4	4
Total assets	\$3,340	3,154
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 764	586
Customers' deposits and billings in excess of costs and estimated earnings	1,771	1,572
Accrued salaries, wages, and commissions	64	122
Income taxes payable	12	6
Accrued royalties payable	79	257
Accrued other liabilities	99	108
Total current liabilities	2,789	2,651
Stockholders' equity:		
Common stock, \$1 par value; authorized 1,000 shares; issued 200 shares	-	-
Additional paid-in capital	200	200
Retained earnings	351	303

Total stockholders' equity	551	503
Total liabilities and stockholders' equity	\$3,340	3,154

SI/BAKER, INC.

Statements of Operations

Three months ended May 31, 1995 and 1994

(in thousands)

	Three Months Ended May 31, 1995	May 31, 1994
Net sales	\$ 1,957	1,400
Cost of sales	1,591	1,172
Gross profit	366	228
Selling, general, and administrative expenses	185	156
Product development costs	36	35
Royalty expense, net	78	-
Interest income	(24)	(6)
Other (income) expense, net	3	(40)
	278	145
Earnings from operations before income taxes	88	83
Income tax expense	40	33
Net earnings	\$ 48	50

SI/BAKER, INC.

Statements of Cash Flows

Three months ended May 31, 1995 and 1994

(in thousands)

	Three Months Ended May 31, 1995	May 31, 1994
Cash flows from operating activities:		
Net earnings	\$ 48	50
Adjustments to reconcile net earnings to net cash used by operating activities:		
Depreciation of machinery and equipment	2	1
Changes in operating assets and liabilities:		

Receivables	(480)	566
Costs and estimated earnings in excess of billings	191	(411)
Prepaid expenses and other current assets	(34)	(40)
Accounts payable	178	(331)
Customers' deposits and billings in excess of costs and estimated earnings	199	(301)
Accrued salaries, wages, and commissions	(58)	3
Income taxes payable	6	(24)
Accrued royalties payable	(178)	-
Accrued other liabilities	(9)	9
Net cash used by operating activities	(135)	(478)
Cash flows used in investing activities:		
Additions to machinery and equipment	(5)	(5)
Decrease in cash and cash equivalents	(140)	(483)
Cash and cash equivalents, beginning of period	1,830	806
Cash and cash equivalents, end of period	\$1,690	323
Supplemental disclosure of cash flow information:		
Cash paid during the period for income taxes \$	34	57