

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-01-12** | Period of Report: **1993-11-30**
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FILER

FEDDERS CORP /DE

CIK: **744106** | IRS No.: **222572390** | State of Incorpor.: **DE** | Fiscal Year End: **0831**
Type: **10-Q** | Act: **34** | File No.: **001-08831** | Film No.: **94501113**
SIC: **3585** Air-cond & warm air heatg equip & comm & indl refrig equip

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PEAPACK NJ 07977
9082342100

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(XX) Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period ended November 30, 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 1-8831

FEDDERS CORPORATION

(Exact name of registrant as specified in its charter)

<TABLE>
<S> Delaware <C> 22-2572390

(State of incorporation) (I.R.S. Employer Identification No.)
</TABLE>

<TABLE>
<S> 158 Highway 206, Peapack, New Jersey <C> 07977

(Address of principal executive offices) (Zip Code)
</TABLE>

Registrant's telephone number, including area code: (908) 234-2100

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

The registrant has outstanding 17,959,149 shares of Common Stock and 2,267,906 shares of Class B Stock (which is immediately convertible into Common Stock on a share-for-share basis) as of December 31, 1993.

FEDDERS CORPORATION

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PART I FINANCIAL INFORMATION
FEDDERS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(amounts in thousands, except per share
data) (unaudited)

<TABLE>
<CAPTION>

	FIRST QUARTER ENDED NOVEMBER 30,	
	1993	1992
	-----	-----
<S>	<C>	<C>
Net sales and other income	\$ 10,527	\$ 13,277
Cost and expenses:		
Cost of sales	8,453	10,887
Selling, general and administrative expense	5,198	5,343
	-----	-----
	13,651	16,230
	-----	-----
Operating loss	(3,124)	(2,953)
Interest expense	(887)	(1,200)
	-----	-----
Loss before income taxes	(4,011)	(4,153)
Federal, state and foreign income tax benefit	(120)	(1,592)

Loss before cumulative effect of an accounting change	(3,891)	(2,561)
Cumulative effect of an accounting change	1,780	-
Net loss	\$ (2,111)	\$ (2,561)
Earnings per share:		
Loss before cumulative effect of an accounting change	\$ (0.19)	\$ (0.13)
Cumulative effect of an accounting change	0.09	-
Net loss per share	\$ (0.10)	\$ (0.13)

</TABLE>

See accompanying notes

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FEDDERS CORPORATION
CONSOLIDATED BALANCE SHEETS

(dollar amounts in thousands)
(unaudited)

	Nov. 30, 1993	Aug. 31, 1993	Nov. 30, 1992
	-----	-----	-----
<S>	<C>	<C>	<C>
ASSETS:			

Current assets:			
Cash	-	\$ 8,553	\$ 5,675
Accounts receivable (less allowance of \$905 at November 30, 1993 and \$1,078 at August 31, 1993, respectively)	\$ 5,646	8,901	9,039
Inventories:			
Finished goods	26,787	11,597	24,124
Work in process	2,027	842	2,170
Raw materials and supplies	7,805	6,831	10,282
	-----	-----	-----
	36,619	19,270	36,576
Deferred income taxes	-	3,882	4,279
Prepaid expenses	783	917	502
	-----	-----	-----
Total current assets	43,048	41,523	56,071
Property, plant and equipment at cost:			
Land and improvements	1,385	1,393	1,727
Buildings	11,857	11,844	11,827

Machinery and equipment	46,480	44,799	42,631
	-----	-----	-----
	59,722	58,036	56,185
Less accumulated depreciation	27,093	26,399	25,023
	-----	-----	-----
Net property, plant and equipment	32,629	31,637	31,162
Other assets	7,942	8,125	9,493
	-----	-----	-----
	\$ 83,619	\$81,285	\$96,726
	=====	=====	=====

</TABLE>

See accompanying notes

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FEDDERS CORPORATION
CONSOLIDATED BALANCE SHEETS

(dollar amounts in thousands)
(unaudited)

<TABLE>
<CAPTION>

	Nov. 30, 1993	Aug. 31, 1993	Nov. 30, 1992
	-----	-----	-----
<S>	<C>	<C>	<C>
LIABILITIES & STOCKHOLDERS' EQUITY:			

Current liabilities:			
Short-term borrowing	\$ 10,544	-	-
Current portion of long-term debt	2,220	\$ 2,206	-
Accounts payable	8,147	5,174	\$25,806
Accrued expenses	12,517	17,184	20,598
	-----	-----	-----
Total current liabilities	33,428	24,564	46,404
Long-term debt	24,395	23,384	25,138
Deferred income taxes	-	6,019	5,714
Other long-term liabilities	3,058	3,089	3,329
Stockholders' equity:			
Common Stock, \$1 par value, 30,000,000 shares authorized, 18,694,559 and 18,613,559 issued at November 30, 1993 and August 31, 1993, respectively	18,695	18,614	16,838
Class B Stock, \$1 par value, 30,000,000 shares authorized, 2,267,906 issued and outstanding at November 30, 1993 and August 31, 1993, respectively	2,268	2,268	2,268
Additional paid-in capital	47,846	47,571	41,583
Retained earnings (deficit)	(37,239)	(35,128)	(35,914)
Cumulative translation adjustment	134	(130)	311

	-----	-----	-----
Less-treasury stock, at cost	31,704 (8,966)	33,195 (8,966)	25,086 (8,945)
	-----	-----	-----
Total stockholders' equity	22,738	24,229	16,141
	-----	-----	-----
	\$ 83,619 =====	\$ 81,285 =====	\$96,726 =====

</TABLE>

See accompanying notes

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FEDDERS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)
(unaudited)

<TABLE>
<CAPTION>

	FIRST QUARTER ENDED NOVEMBER 30,	
	----- 1993 -----	----- 1992 -----
	<C>	<C>
Cash flows from operations:		
Net loss	\$ (2,111)	\$ (2,561)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,150	1,726
Deferred income taxes	(1,780)	-
Changes in operating assets and liabilities:		
Accounts receivable	3,255	5,436
Inventories	(17,349)	8,558
Prepaid expenses	140	(417)
Other assets	(114)	(629)
Accounts payable	2,973	(2,419)
Accrued expenses	(5,030)	(12,025)
Other long-term liabilities	(31)	-
Other	264	(161)
	-----	-----
Net cash used in operations	(18,633)	(2,492)
	-----	-----
Cash flows from investing activities:		
Additions to property, plant and equipment	(1,698)	(210)
Disposals of property, plant and equipment	12	139
	-----	-----
Net cash used in investing activities	(1,686)	(71)
	-----	-----
Cash flows from financing activities:		
Increase in short-term borrowings	10,544	-

Repayments of long-term debt	866	(500)
Proceeds from stock options exercised	356	-
	-----	-----
Net cash provided by (used in) financing activities	11,766	(500)
	-----	-----
Net decrease in cash and cash equivalents	(8,553)	(3,063)
Cash and cash equivalents at beginning of period	8,553	8,738
	-----	-----
	\$ -	\$ 5,675
	=====	=====
Supplemental disclosure:		
Interest paid	\$ 806	\$ 959
Income taxes paid	-	-

</TABLE>

See accompanying notes

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FEDDERS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)

- A. In the first fiscal quarter of 1994, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." The adoption of SFAS No. 109 resulted in a one-time favorable cumulative effect of an accounting change amounting to \$1,780,000. It also resulted in a decrease in the effective tax rate from 38% in the first fiscal quarter of 1993 to 3% in fiscal 1994, reducing the tax benefit in the 1994 first quarter.
- B. The financial information included herein is unaudited; however, such information reflects all adjustments which, other than the cumulative effect of an accounting change, consist solely of normal recurring adjustments which are, in the opinion of management, necessary for a fair statement of results for the interim periods.
- C. In October, 1993, the Company received a two-year renewal of its revolving credit facility with a commercial financial institution effective December 23, 1993. Borrowing under this credit facility amounted to \$10,544,000 at November 30, 1993.
- D. Earnings per share are computed by dividing net income by the weighted average number of shares of Common Stock, Class B Stock and other common stock equivalents outstanding: 20,376,000 and 19,379,000 in the three month period ended November 30, 1993 and 1992, respectively.
- E. Pursuant to the Company's stock option plans, options to purchase 81,800 shares of Common Stock were exercised during the three months ended November 30, 1993.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND

The following is management's discussion and analysis of certain significant factors which have affected the Company's financial position and operating results during the periods included in the accompanying consolidated financial statements.

RESULTS OF OPERATIONS

Net sales in the first quarter of fiscal 1994 of \$10.5 million were 21.1% below sales of \$13.3 million for the first quarter of 1993, as a result of new leaders in room air conditioner retailing taking delivery of inventory primarily during the peak season from April to July rather than purchasing product in the preseason, which was the past practice. The Company's order rate is higher than in fiscal 1993.

Gross profit margin as a percentage of net sales increased to 19.7% from 18.0% during the prior year period, primarily due to decreased costs and improved overhead absorption as a result of the Company beginning production in September compared with January in the prior fiscal year.

Selling, general and administrative expense decreased from \$5.3 million in the prior-year quarter to \$5.2 million in the first quarter of 1994 as a result of further consolidation during the fourth quarter of 1993.

Interest expense of \$887,000 in the current quarter decreased 26.1% from \$1.2 million in the prior year period, as a result of reduced borrowing following the Company's restructuring in September, 1992 and due to lower interest rates.

In the first quarter, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." This resulted in a decrease in the effective tax rate from 38% in the prior year quarter to 3% in fiscal 1994 reducing the first quarter tax benefit. The adoption of SFAS No. 109 also resulted in a one-time favorable cumulative effect of an accounting change for prior periods amounting to \$1.8 million.

LIQUIDITY AND CAPITAL RESOURCES

Working capital requirements of the Company are seasonal, with cash balances peaking in August and the Company's greatest utilization of its lines of credit occurring during the spring months. During the first fiscal quarter, with sales seasonally low and the industry's inventory pipeline normalized, the Company utilized cash to begin production of finished goods in September compared with January in fiscal 1993. This increased inventories by \$17.3 million and accounts payable by \$3 million from August 31, 1993.

In October 1993, the Company received a two-year renewal, with certain more favorable terms, on its revolving credit facility of \$30 million. Borrowing under the facility amounted to \$10,544,000 at November 30, 1993. Management believes that the Company's earnings and credit available will be sufficient to meet the needs of its operations and long term credit requirements, including capital expenditures.

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PART II
OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The Company held its Annual Meeting of Stockholders on December 21, 1993 to: (i) elect two (2) directors to serve for a term of three (3) years and until their successors shall be elected and shall have qualified; and (ii) to ratify the appointment of Ernst & Young as the Company's independent auditors for the ensuing fiscal year. Messrs. Sal Giordano, Jr. and S. A. Muscarnera were

elected directors at the Annual Meeting. After the Annual Meeting, Messrs. William J. Brennan, Salvatore Giordano, Joseph Giordano, Howard S. Modlin, and Clarence Russel Moll continued to serve as directors of the Company.

On all matters considered at the Annual Meeting, the vote required was a majority of the shares of Common Stock and Class B Stock, voting in person or by proxy together as a single class. The final results of the voting are as follows:

1. Sal Giordano, Jr. nominee for Director: 17,571,235 for, and 585,949 withheld;
2. S. A. Muscarnera nominee for Director: 17,581,553 for, and 575,631 withheld;
3. Ratification of Ernst & Young as independent auditors: 17,916,850 for, 130,618 against, and 109,716 abstained.

The proxies tabulated represented 18,157,184 shares of Common and Class B stock, or 89% of the total outstanding Common and Class B shares.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K
(SECTION 249.308 OF THIS CHAPTER).

(b) Reports on Form 8-K.

No reports on Form 8-K were filed during the quarter for which this report is filed.

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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.

FEDDERS CORPORATION

By /s/Robert L. Laurent, Jr.

Robert L. Laurent, Jr.
Executive Vice President,
Finance & Administration

Date January 12, 1994

Signing both in his
capacity as Executive Vice
President on behalf of the
Registrant and as Chief
Financial Officer of the
Registrant

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