FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-07-12** | Period of Report: **1995-05-31**
SEC Accession No. 0000012707-95-000008

(HTML Version on secdatabase.com)

FILER

BLOUNT INC

CIK:**12707**| IRS No.: **630593908** | State of Incorp.:**DE** | Fiscal Year End: **0228**
Type: **10-Q** | Act: **34** | File No.: **001-07002** | Film No.: **95553346**
SIC: **1540** General bldg contractors - nonresidential bldgs

Mailing Address
P.O. BOX 949
4520 EXECUTIVE PARK DRIVE
MONTGOMERY AL 36109-0949

Business Address
4520 EXECUTIVE PK DR
MONTGOMERY AL 36116
2052444000

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

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

For the quarterly period ended May 31, 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 1-7002

BLOUNT, INC.

(Exact name of registrant as specified in its charter)

Delaware	63-0593908
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4520 Executive Park Drive Montgomery, Alabama	36116-1602
(Address of principal executive offices)	(Zip Code)

(334) 244-4000
(Registrant's telephone number, including area code)

Not Applicable

(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, 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 practicable date.

Class of Common Stock	Outstanding at May 31, 1995
Class A Common Stock $1.00 Par Value	8,646,149 shares
Class B Common Stock $1.00 Par Value	3,978,492 shares

BLOUNT, INC. AND SUBSIDIARIES

INDEX

BLOUNT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	May 31, 1995	February 28, 1995
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents, including short-term investments of $38,731 and $39,458	$ 42,945	$ 42,576
Accounts receivable, net of allowances for doubtful accounts of $2,672 and $2,611	129,371	130,665
Inventories	75,212	77,075
Deferred income taxes	25,030	25,068
Other current assets	6,357	16,153

Total current assets	278,915	291,537
Property, plant and equipment, net of accumulated depreciation of $147,024 and $145,519	126,306	134,289
Cost in excess of net assets of acquired businesses, net	67,770	68,762
Other assets	26,777	23,200
Total Assets	$499,768	$517,788
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current maturities of long-term debt	$ 5,611	$ 7,791
Accounts payable	39,695	64,793
Accrued expenses	93,117	92,190
Other current liabilities	2,687	4,658
Total current liabilities	141,110	169,432
Long-term debt, exclusive of current maturities	97,170	99,754
Deferred income taxes, exclusive of current portion	19,075	19,214
Other liabilities	26,144	26,321
Total liabilities	283,499	314,721
Commitments and Contingent Liabilities		
Shareholders' equity:		
Common Stock: par value $1.00 per share		
Class A: 8,646,149 and 8,562,786 shares issued	8,646	8,563
Class B, convertible: 3,978,492 and 4,030,424 shares issued	3,979	4,030
Capital in excess of par value of stock	11,209	10,964
Retained earnings	183,794	171,260
Accumulated translation adjustment	8,641	8,250
Total shareholders' equity	216,269	203,067
Total Liabilities and Shareholders' Equity	$499,768	$517,788

The accompanying notes are an integral part of these statements.

BLOUNT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except share data)

	Three months ended May 31,	
	1995	1994

	(Unaudited)	
Sales	$ 164,189	$ 145,684
Cost of sales	109,137	97,165
Gross profit	55,052	48,519
Selling, general and administrative expenses	28,751	30,266
Income from operations	26,301	18,253
Interest expense	(2,653)	(2,838)
Interest income	610	452
Other expense, net	(459)	(853)
Income before income taxes	23,799	15,014
Provision for income taxes	9,520	6,006
Net income	$ 14,279	$ 9,008
Net income per common share	$ 1.10	$ .70
Weighted average number of common shares outstanding	12,954,389	12,853,894
Cash dividends declared per share:		
Class A Common Stock	$ .1425	$ .1250
Class B Common Stock	$ .1300	$ .1125

The accompanying notes are an integral part of these statements.

BLOUNT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Three months ended May 31,	
	1995	1994
	(Unaudited)	
Cash Flows From Operating Activities:		
Net Income	$ 14,279	$ 9,008
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and other noncash charges	5,603	5,811
Deferred income taxes	(101)	2,112

Loss on disposals of property, plant and equipment	(14)	27
Changes in assets and liabilities, net of effects of acquisitions of business:		
(Increase) decrease in accounts receivable	(7,340)	8,690
Decrease in inventories	1,683	1,030
(Increase) decrease in other assets	5,148	(6,214)
Decrease in accounts payable	(17,292)	(10,571)
Increase (decrease) in accrued expenses	1,427	(2,821)
Decrease in other liabilities	(547)	(1,786)
Net cash provided by operating activities	2,846	5,286
Cash Flows From Investing Activities:		
Proceeds from sales of businesses and property, plant and equipment	4,987	347
Purchases of property, plant and equipment	(1,816)	(1,405)
Acquisitions of businesses		(5,053)
Net cash provided by (used in) investing activities	3,171	(6,111)
Cash Flows From Financing Activities:		
Net increase in short-term borrowings	60	26
Reduction of long-term debt	(4,824)	(6,789)
Decrease in restricted funds	584	
Dividends paid	(1,745)	(1,505)
Issuance of stock under stock option and dividend reinvestment plans	277	361
Net cash used in financing activities	(5,648)	(7,907)
Net increase (decrease) in cash and cash equivalents	369	(8,732)
Cash and cash equivalents at beginning of period	42,576	52,213
Cash and cash equivalents at end of period	$ 42,945	$ 43,481

The accompanying notes are an integral part of these statements.

BLOUNT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position at May 31, 1995 and the results of operations and cash flows for the period ended May

31, 1995. These financial statements should be read in conjunction with the notes to the financial statements included in Blount, Inc.'s Annual Report to Shareholders for the year ended February 28, 1995. The results of operations for the period ended May 31, 1995 are not necessarily indicative of the results to be expected for the full fiscal year, due to the seasonal nature of certain of the Company's operations.

NOTE 2 Inventories consist of the following (in thousands):

	May 31, 1995	February 28, 1995
Finished goods	$ 33,573	$ 35,769
Work in process	14,266	14,075
Raw materials and supplies	27,373	27,231
	$ 75,212	$ 77,075

NOTE 3 The principal assets and liabilities of the discontinued construction operations included in the Company's consolidated balance sheets are as follows (in thousands):

	May 31, 1995	February 28, 1995
Accounts receivable	$ 28,138	$ 45,706
Other current assets	4,416	11,911
Other assets	3,847	5,203
Accounts payable	(12,170)	(24,588)
Accrued expenses	(11,731)	(12,578)
Other current liabilities	(2,687)	(4,659)
Other liabilities	(2,560)	(2,849)

During the first quarter of fiscal 1996, the Company sold Pozzo Construction Company, part of its remaining discontinued construction operations, and its Injection Molding Metal Products operations, headquartered in Oregon. The transactions were not material to the Company's financial condition or operating results.

NOTE 4 The Company's $25 million receivable sale agreement (see Note 3 to the Consolidated Financial Statements included in Blount, Inc.'s Annual Report to Shareholders for the year ended February 28, 1995) expired in December 1994 and has been extended until June 30, 1995. The Company plans to negotiate a replacement agreement.

At May 31, 1995 and February 28, 1995, $9.5 million and $10.1 million, representing the unexpended proceeds from issues of industrial development revenue bonds in fiscal 1995, was held in trust and is included in "Other assets" in the Company's consolidated balance sheets.

NOTE 5 The United States Environmental Protection Agency ("EPA") has designated a predecessor of the Company as a potentially responsible party ("PRP") with respect to the Onalaska Municipal Landfill in Onalaska, Wisconsin (the "Site"). The waste complained of was placed in the landfill prior to 1981 by a corporation, some of whose assets were purchased in 1981 by a predecessor of the Company. It is the view of the Company that because its predecessor corporation purchased assets rather than stock, the Company does not have successor liability and is not properly a PRP. However, the EPA has indicated it does not accept this position. The Company believes the EPA is wrong on the successor liability issue. However, with other PRP's, the Company made a good faith offer to the EPA to pay a portion of the clean-up costs. The offer was rejected and the EPA is proceeding with the clean-up. The estimated past and future clean-up costs are approximately $12 million. In 1989 the EPA named four PRP's. One of the PRP's, the Town of Onalaska (the "Town") and the EPA and State of Wisconsin negotiated a consent decree under which the Town would have been released from future liability in return for paying $110 thousand, granting access to the Site and adjacent properties and performing some future maintenance work. The United States District Court for the District of Wisconsin found, on December 21, 1994, that the settlement was not fair, reasonable or in the public interest, and refused to approve and confirm it as the order of the Court. The Company denies that it is a PRP and is unable to determine any other party's share of total remediation costs. The Company does not know the financial status of the other PRP's and other parties that, while not named by the EPA as PRP's, may have liability with respect to the Site. The Company does not expect the situation to have a material adverse effect on the Company's financial condition or operating results.

The Company is closing a Resource Conservation and Recovery Act ("RCRA") Part B Storage Permit at its Sporting Equipment Division's CCI operations facility in Lewiston, Idaho. As part of the process, the Company is required by the State of Idaho to undertake RCRA corrective action at the facility. This will require the Company to investigate all areas at the facility where solid waste and hazardous waste have historically been managed. The facility has been operating since the 1950s. There are several areas where investigation and sampling are required. In order to effect the investigation, the Company and the State of Idaho entered into an Administrative Consent Order which governs the completion of the corrective action activities. As a result of initial testing, some contamination of the uppermost groundwater beneath the facility has been encountered. This uppermost groundwater is not the drinking water supply source and does not appear to be connected to the drinking water aquifer. Further investigation is ongoing. It is expected that the range of remediation costs is from $2.8 million to $6.2 million. The Company does not expect the situation to have a material adverse effect on its financial condition or operating results beyond amounts accrued.

The Company is a defendant in a number of product liability lawsuits, some of which seek significant or unspecified damages, involving serious personal injuries for which there are large deductible amounts under the Company's insurance programs. In addition, the Company is a party to a number of other suits arising out of the conduct of its business. While there can be no assurance as to their ultimate outcome, the Company does not believe these lawsuits will have a material adverse effect on its financial condition or operating results.

The Company's contingencies include normal liabilities for performance and completion of its remaining construction contracts. At May 31, 1995, the Company had outstanding bank letters of credit in the approximate amount of $17.3 million issued principally in connection with various foreign construction contracts for which the Company is contingently liable to the issuing banks in the event payment is demanded by the holder.

See Notes 4 and 8 to the Consolidated Financial Statements included in Blount, Inc.'s Annual Report to Shareholders for the year ended February 28, 1995 for other commitments and contingencies of the Company which have not changed significantly since year-end.

NOTE 6 Segment information is as follows (in thousands):

	Three Months Ended May 31,	
	1995	1994
Sales:		
Outdoor products	$ 76,693	$ 68,520
Industrial and power equipment	57,849	52,297
Sporting equipment	29,647	24,867
	$164,189	$145,684
Operating income:		
Outdoor products	$ 15,856	$ 10,052
Industrial and power equipment	9,895	7,827
Sporting equipment	4,695	4,671
Operating income from segments	30,446	22,550
Corporate office expenses	(4,145)	(4,297)
Income from operations	26,301	18,253
Interest expense	(2,653)	(2,838)
Interest income	610	452
Other expense, net	(459)	(853)
Income before income taxes	$ 23,799	$ 15,014

======== ========

NOTE 7 Income taxes paid during the three months ended May 31, 1995 and 1994 were $3.2 million and $5.2 million. Interest paid during the three months ended May 31, 1995 and 1994 was $696 thousand and $494 thousand.

NOTE 8 Net income per common share is based on the weighted average number of common and common equivalent shares (stock options) outstanding in each period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Results

The Company reported record first quarter sales and net income for the three months ended May 31, 1995. Sales for the first quarter of fiscal 1996 were $164.2 million compared to $145.7 million for the first quarter of fiscal 1995. Net income for the first quarter of fiscal 1996 was $14.3 million ($1.10 per share) compared to net income of $9.0 million ($.70 per share) for the comparable period of fiscal 1995. These operating results reflect continued strong performance by each of the Company's manufacturing segments. The principal reasons for these results and the status of the Company's financial condition are set forth below and should be read in conjunction with the Company's 1995 Form 10-K and 1995 Annual Report to Shareholders.

Sales for the Outdoor Products segment for the first three months of fiscal 1996 were $76.7 million compared to $68.5 million during the first three months of fiscal 1995. Operating income increased by 58% to $15.9 million during the first quarter of fiscal 1996 from $10.1 million in the comparable period of the prior fiscal year. The sales and operating income increases were principally attributable to a higher volume of saw chain and saw bars sold in foreign markets by the Company's Oregon Cutting Systems Division and a 16% increase in the volume of riding lawn mowers shipped by Dixon Industries, Inc.

Sales for the Industrial and Power Equipment segment were $57.8 million during the first quarter of fiscal 1996 compared to $52.3 million during the same period of fiscal 1995. Operating income increased to $9.9 million during the first three months of fiscal 1996 from $7.8 million during the comparable period of fiscal 1995. The improved operating results were principally due to the inclusion of CTR Manufacturing, Inc., acquired on April 28, 1994, for the full quarter in the current year and improved sales and operating income by the Company's Gear Products, Inc. subsidiary, primarily due to higher volume.

Sales for the Sporting Equipment segment increased to $29.6 million in the first three months of fiscal 1996 from $24.9 million in the comparable period of fiscal 1995, while operating income was flat at $4.7 million during the first quarter of fiscal 1996. These results reflect lower margins due to reduced average selling prices to maintain market share and some increase in product costs, and a small loss from the Company's Ram-Line unit acquired late in fiscal

1996.

The Company's total backlog at May 31, 1995 was $125.0 million compared to $134.4 million at February 28, 1995. Orders received increased during the first quarter of this year over last year to $170 million versus $163 million and production levels increased, as reflected in the higher shipping levels.

Financial Condition, Liquidity and Capital Resources

At May 31, 1995, the Company had no amounts outstanding under its $100 million revolving credit agreement or its $25 million receivable sale agreement. The Company's total capitalization at May 31, 1995 consists of $97.2 million long-term debt and equity of $216.3 million for a long-term debt to equity ratio of .4 to 1 as compared to a ratio of .5 to 1 at February 28, 1995. At May 31, 1995, the Company had 9% subordinated notes outstanding in the principal amount of $80.1 million maturing in 2003. See Note 3 of Notes to the Consolidated Financial Statements included in Blount, Inc.'s 1995 Annual Report to Shareholders for the terms and conditions of the $100 million revolving credit agreement, the receivable sale agreement and the 9% subordinated notes.

Working capital was $137.8 million at May 31, 1995 compared to $122.1 million at February 28, 1995. The increase resulted principally from the Company's improved earnings. The Company's operating cash flows for the first three months of fiscal 1996 were $2.8 million compared to $5.3 million in the first three months of fiscal 1995. This decrease reflects higher receivables at each manufacturing segment principally due to higher sales and marketing programs. Cash flows from discontinued construction operations were substantially offset by higher corporate expenditures due to the timing of management incentive payments, higher charitable contributions which were accrued in the prior year and increased payments to employee benefit plans.

Restrictions on the Company's ability to pay cash dividends are contained in the indenture related to the Company's 9% subordinated notes and in certain financial covenants of the revolving credit agreement. Under the most restrictive requirement, retained earnings of approximately $45.7 million were available for the payment of dividends at May 31, 1995.

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.

BLOUNT, INC.
- ----------------------
Registrant

Date: July 12, 1995

/s/ Harold E. Layman

Harold E. Layman
Senior Vice President &
Chief Financial Officer

PART I - EXHIBIT 11
BLOUNT, INC. AND SUBSIDIARIES
COMPUTATION OF NET INCOME PER COMMON SHARE
(In thousands, except share data)
(Unaudited)

	Three Months Ended May 31, 1995	Three Months Ended May 31, 1994
Primary:		
Net income	$ 14,279	$ 9,008
Shares:		
Weighted average common shares outstanding	12,624,384	12,494,242
Dilutive effect of stock options	330,005	359,652
Average common shares outstanding as adjusted	12,954,389	12,853,894
Primary net income per common share	$ 1.10	$ .70
Assuming Full Dilution:		
Net income	$ 14,279	$ 9,008
Shares:		
Average common shares as adjusted for primary computation	12,954,389	12,853,894
Additional dilutive effect of stock options		38,965
Average common shares outstanding as adjusted	12,954,389	12,892,859
Net income per common share assuming full dilution	$ 1.10	$ .70

<TABLE> <S> <C>

<ARTICLE> 5
<MULTIPLIER> 1000

<S>	<C>
<PERIOD-TYPE>	3-MOS
<FISCAL-YEAR-END>	FEB-29-1996
<PERIOD-END>	MAY-31-1995
<CASH>	42,945
<SECURITIES>	0
<RECEIVABLES>	132,043
<ALLOWANCES>	2,672
<INVENTORY>	75,212
<CURRENT-ASSETS>	278,915
<PP&E>	273,330
<DEPRECIATION>	147,024
<TOTAL-ASSETS>	499,768
<CURRENT-LIABILITIES>	141,110
<BONDS>	97,170
<COMMON>	12,625
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<OTHER-SE>	203,644
<TOTAL-LIABILITY-AND-EQUITY>	499,768
<SALES>	164,189
<TOTAL-REVENUES>	164,189
<CGS>	109,137
<TOTAL-COSTS>	109,137
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	2,653
<INCOME-PRETAX>	23,799
<INCOME-TAX>	9,520
<INCOME-CONTINUING>	14,279
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	14,279
<EPS-PRIMARY>	1.10
<EPS-DILUTED>	1.10

</TABLE>