

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**  
SEC Accession No. [0000014029-94-000007](#)

([HTML Version](#) on [secdatabase.com](#))

### FILER

#### **BRENCO INC**

CIK: **14029** | IRS No.: **540493835** | State of Incorporation: **VA** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **000-06839** | Film No.: **94527855**  
SIC: **3562** Ball & roller bearings

Mailing Address  
*ONE PARK WEST CIRCLE  
SUITE 204  
MIDLOTHIAN VA 23113*

Business Address  
*ONE PARK WEST CIRCLE  
SUITE 204  
MIDLOTHIAN VA 23113  
804-794-1436*

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

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 March 31, 1994

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 0-6839

BRENCO, INCORPORATED

(Exact name of registrant as specified in its charter)

Virginia  
(State of incorporation)

#54-0493835  
(IRS Employer Identification No.)

One Park West Circle, Midlothian, VA  
(Address of principal executive offices)

23113  
(Zip Code)

(804) 794-1436  
(Telephone number)

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.

YESX. NO\_.

Common stock, par value \$1.00 per share: 10,036,180 shares  
outstanding as of March 31, 1994

BRENCO, INCORPORATED AND SUBSIDIARIES

FORM 10-Q\_\_March 31, 1994

INDEX

Part I	Financial Information:	Page No.
Item 1.	Financial Statements.	
	Consolidated Statements of Income (Unaudited) -Three Months Ended March 31, 1994 and 1993 .....	2
	Consolidated Balance Sheets -March 31, 1994 (Unaudited) and December 31, 1993..	3 & 4
	Consolidated Statements of Cash Flows (Unaudited) -Three Months Ended March 31, 1994 and 1993 .....	5
	Notes to Consolidated Financial Statements .....	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II	Other Information:	

1

<TABLE>

BRENCO, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

<CAPTION>

	Three Months Ended March 31	
	1994	1993
	(Dollar amounts in thousands)	
<S>	<C>	<C>
NET SALES . . . . .	\$28,124	\$25,613
Cost and expenses:		
Cost of goods sold . . . . .	21,493	19,890
Administrative and selling expenses . . . . .	3,215	2,913
	24,708	22,803
Operating income . . . . .	3,416	2,810
Other income (expense) . . . . .	( 143)	( 86)
	3,273	2,724
Gain on sale of assets . . . . .	1,056	
Special charge for environmental expenditures . . . . .	( 1,300)	
Income before income taxes . . . . .	3,029	2,724
Income taxes . . . . .	1,165	1,049
NET INCOME . . . . .	\$ 1,864	\$ 1,675

	=====	=====
Net income per share . . . . .	\$ .19	\$ .17
Dividends declared per share . . . . .	\$ .05	\$ .05
Average number of shares outstanding . . . . .	10,023	9,874

<FN>

See accompanying notes to Consolidated Financial Statements.

</TABLE>

<TABLE>

BRENCO, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

<CAPTION>

	(Unaudited)	
	March 31	December 31
	1994	1993
	(In thousands)	
<S>	<C>	<C>
ASSETS		
Current Assets:		
Cash and cash equivalents . . . . .	\$ 5,295	\$ 3,582
Accounts receivable . . . . .	15,664	14,565
Inventories:		
Finished goods . . . . .	3,823	4,814
Work in process . . . . .	10,140	9,437
Raw material . . . . .	2,511	1,878
	16,474	16,129
Less: Lifo reserve . . . . .	1,586	1,225
	14,888	14,904
Prepaid expenses . . . . .	1,882	1,452
Deferred income taxes . . . . .	1,933	1,902
Income taxes recoverable . . . . .		668
TOTAL CURRENT ASSETS . . . . .	39,662	37,073
Other Assets - Investments at Cost . . . . .	51	51
Property and Equipment:		
Land and improvements . . . . .	2,777	2,770
Buildings . . . . .	11,380	11,387
Machinery and equipment . . . . .	83,660	83,466

	97,817	97,623
Less: Accumulated depreciation . . . . .	65,073	64,945
TOTAL PROPERTY AND EQUIPMENT . . . . .	32,744	32,678
TOTAL ASSETS . . . . .	\$72,457	\$69,802
	=====	=====

<FN>

See accompanying notes to Consolidated Financial Statements.

</TABLE>

<TABLE>

BRENCO, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

<CAPTION>

(Unaudited)  
 March 31                      December 31  
 1994                              1993  
 (In thousands)

<S>

<C>

<C>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:

Accounts payable . . . . .	\$ 2,770	\$ 3,414
Dividends payable . . . . .	502	500
Pension . . . . .	555	455
Compensated absences . . . . .	662	616
Accrued liabilities . . . . .	2,804	747
Income taxes payable . . . . .	373	151
Environmental expenditures . . . . .	1,833	2,884

TOTAL CURRENT

LIABILITIES . . . . .	9,499	8,767
-----------------------	-------	-------

Deferred Income Taxes . . . . .	2,911	2,746
---------------------------------	-------	-------

Long-Term Debt . . . . .	10,150	10,000
--------------------------	--------	--------

Shareholders' Equity:

Preferred stock, par value \$1 per share, authorized 1,000,000 shares; none issued		
Common stock, par value \$1 per share, authorized 15,000,000 shares; issued 10,036,180 shares (1993-10,005,345 shares) . . . . .	10,036	10,005
Additional paid in capital . . . . .	1,397	1,182

Retained earnings . . . . .	38,464	37,102
TOTAL SHAREHOLDERS' EQUITY . . . . .	49,897	48,289
TOTAL LIABILITIES AND EQUITY . . . . .	\$72,457 =====	\$69,802 =====

<FN>

See accompanying notes to Consolidated Financial Statements.

</TABLE>

<TABLE>

BRENCO, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

<CAPTION>

Three Months Ended  
March 31  
1994                      1993  
(In thousands)

<S>

<C>

<C>

Cash Flows from Operations:

Net Income . . . . .	\$ 1,864	\$ 1,675
----------------------	----------	----------

Adjustments to Reconcile Net Income  
to Net Cash Provided by Operations:

Depreciation . . . . .	909	694
Gain on sale of assets . . . . .	( 1,056)	
Deferred income taxes . . . . .	134	
Other . . . . .		( 9)

Changes in the following:

Current assets . . . . .	( 686)	( 5,076)
Current liabilities . . . . .	732	3,336

Net cash provided by operations . . . . .	1,897	620
---	-------	-----

Cash Flows from Investing Activities:

Acquisition of property and equipment . . . . .	( 1,018)	( 2,574)
Proceeds from sale of property and equipment . . . . .	1,098	

Net cash provided by (used in) investing activities . . . . .	80	( 2,574)
--	----	----------

Cash Flows from Financing Activities:

Cash dividends paid . . . . .	( 500)	( 493)
Employee stock purchases . . . . .	86	112
Long-term debt . . . . .	150	

Net cash (used in) financing activities . . . . .	( 264)	( 381)
--	--------	--------

Net increase (decrease) in cash and cash equivalents . . . . .	1,713	( 2,335)
---	-------	----------

Cash and cash equivalents at beginning of year . . . . .	3,582	6,218
Cash and cash equivalents at end of quarter . . . . .	\$ 5,295 =====	\$ 3,883 =====

<FN>  
See accompanying notes to Consolidated Financial Statements.

</TABLE>

BRENCO, INCORPORATED AND SUBSIDIARIES

FORM 10-Q\_\_March 31, 1994

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The consolidated balance sheet as of March 31, 1994, the consolidated statements of income, and the consolidated statements of cash flows for the three months ended March 31, 1994 and March 31, 1993 have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position at March 31, 1994 and the results of operations and cash flows for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's December 31, 1993 annual report to shareholders. The results of operations for the period ended March 31, 1994 are not necessarily indicative of the operating results for the full year.



## BRENCO, INCORPORATED AND SUBSIDIARIES

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

## RESULTS OF OPERATIONS:

Net sales were \$28,124,000 for the first three months of 1994, compared to \$25,613,000 for the same period last year. These were the highest sales for a quarter in the Company's history. Domestic construction of new freight cars has increased substantially from the prior year. Sales of new bearings for the OEM market were up 78% compared to the first quarter of 1993. In addition, bearing reconditioning was up 48% and third-party contract switching was up 21%, contributing to the record level of sales.

Net income was \$1,864,000, or \$.19 per share for the quarter, compared to \$1,675,000, or \$.17 per share for the comparable period in 1993. Included in the results for the current year is a gain on the sale of assets of \$650,000, or \$.07 per share and a special charge for environmental expenditures of \$800,000, or \$.08 per share. Even when excluding the non-reoccurring items, this was the best performance for a quarter in over fourteen years. The increased sales and earnings over the prior year's first quarter were attributable to the greatly increased level of new freight car construction in the U.S., a strong automotive market, and continued growth and improved efficiencies in our reconditioning business. These more than offset a 50% decline in our export sales, which although still excellent by any usual standard, could not compare with the exceptional volume of export shipments in the first quarter of last year.

## LIQUIDITY AND CAPITAL COMMITMENTS:

The 1994 Capital Program is budgeted at \$9,613,000, which incorporates \$2,890,000 of carryovers from prior years, plus \$6,723,000 in new projects approved for 1994. The major project in the 1994 budget is a new reconditioning facility in Little Rock, Arkansas. Construction is scheduled to be completed in the third quarter.

Cash and cash equivalents were increased by \$1,713,000 during the quarter, while working capital increased by \$1,857,000 to \$30,163,000.

Management believes that its current cash and cash equivalents, together with expected earnings, will be sufficient to cover both capital and dividend requirements for the balance of 1994.

Part II            Other Information

Item 6.       Exhibits and Reports on Form 8-K

- (a) Exhibits - none
- (b) Reports on Form 8-K - none

SIGNATURES

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.

BRENCO, INCORPORATED  
(Registrant)

DATED: May 13, 1994

BY: J. Craig Rice  
J. Craig Rice  
President

DATED: May 13, 1994

BY: Jacob M. Feichtner  
Jacob M. Feichtner  
Executive Vice President  
Secretary and Treasurer