FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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

MARSHALL INDUSTRIES

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT UNDER SECTION 13 or 15 (d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended November 30, 1993

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 1-5441

MARSHALL INDUSTRIES
(Exact name of registrant as specified in its charter)

California	95-2048764
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
9320 Telstar Avenue, El Monte, California	91731-2895
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number,including area code

(818) 307-6000

Common Stock outstanding by class as of November 30, 1993:

Common Stock 8,604,682 shares

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

Total Number of Pages: 12

MARSHALL INDUSTRIES
CONDENSED BALANCE SHEETS
(000's Omitted)

ASSETS

	November 30, 1993	May 31, 1993
Current Assets:		
Cash	$ 1,333	$ 1,583
Receivables - net	103,540	101,120
Inventories	166,935	163,280
Deferred income tax benefits	7,681	7,681
Prepaid expenses	1,001	888

Total Current Assets	280,490	274,552
Property, Plant and Equipment, net of accumulated depreciation and amortization of $37,322 at November 30, 1993 and $34,234 at May 31, 1993	45,030	47,631
Other Assets	7,751	8,661
Total Assets	$333,271	$330,844

LIABILITIES AND SHAREHOLDERS' INVESTMENT

Current Liabilities:		
Current portion of long-term debt	$ 1,740	$ 1,763
Accounts payable and accrued expenses	65,654	63,469
Income taxes payable	2,354	2,350
Total Current Liabilities	69,748	67,582
Long-Term Debt, net of current portion:		
Bank lines of credit	32,000	48,000
Mortgages and other debt	5,237	6,468
Total Long-Term Debt	37,237	54,468
Deferred Income Tax Liabilities	6,003	6,003
Shareholders' Investment	220,283	202,791
Total Liabilities and Shareholders' Investment	$333,271	$330,844

The accompanying notes are an integral part of these condensed balance sheets.

<TABLE>

MARSHALL INDUSTRIES

<CAPTION>

CONDENSED INCOME STATEMENTS

(000's omitted except per share data)

	THREE MONTHS ENDED NOVEMBER 30,		SIX MONTHS ENDED NOVEMBER 30,	
	1993	1992	1993	1992
<S>	<C>	<C>	<C>	<C>
Net sales	$200,594	$154,680	$400,401	$306,547
Cost of sales	157,854	117,940	314,761	233,493
Gross profit	42,740	36,740	85,640	73,054
Selling, general and administrative expenses (Note 3)	27,782	26,276	57,219	52,107
Income from operations	14,958	10,464	28,421	20,947
Interest expense	490	470	1,101	941
Income before income taxes	14,468	9,994	27,320	20,006
Provision for income taxes (Note 4)	5,825	3,946	11,190	7,946
Net income	$ 8,643	$ 6,048	$ 16,130	$ 12,060

Net income per share	$ 1.00	$ .70	$ 1.86	$ 1.40
Average number of shares outstanding	8,678	8,647	8,650	8,635

The accompanying notes are an integral part of these condensed income statements.
</TABLE>

MARSHALL INDUSTRIES
CONDENSED STATEMENTS OF CASH FLOWS
(000's omitted)

	SIX MONTHS ENDED NOVEMBER 30, 1993	1992
Cash flows from operating activities:		
Net income	$16,130	$12,060
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,110	3,255
Net increase in current assets and liabilities	(3,999)	(13,652)
(Increase) decrease in other assets	(16)	37
Other operating activities	52	108
Net cash provided by operating activities	16,277	1,808
Cash flows from investing activities:		
Capital expenditures	(583)	(1,690)
Deferred software costs	-0-	(2,146)
Net cash used for investing activities	(583)	(3,836)
Cash flows from financing activities:		
Net borrowings (repayments) under bank lines of credit	(16,000)	3,000
Net repayments of other long-term debt	(1,254)	(878)
Exercise of options	1,310	89
Net cash (used for) provided by financing activities	(15,944)	2,211
Net (decrease) increase in cash	(250)	183
Cash at the beginning of the period	1,583	1,809
Cash at the end of the period	$ 1,333	$ 1,992
Cash payments during the period for the following:		
Interest	$ 1,225	$ 997
Income taxes	$11,186	$ 9,735

The accompanying notes are an integral part of these condensed statements.

MARSHALL INDUSTRIES

NOTES TO CONDENSED FINANCIAL STATEMENTS

NOTE 1: GENERAL

The condensed financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These condensed financial statements should be read in conjunction with the financial statements and the notes thereto in the Company's annual report on Form 10-K for the year ended May 31, 1993.

In the opinion of the Company, the unaudited condensed financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary to present fairly the Company's financial position as of November 30, 1993 and the results of its operations for the three month and six month periods and its cash flows for the six month periods ended November 30, 1993 and 1992.

NOTE 2: ACCOUNTING POLICIES
Reference is made to Note 1 of Notes to Financial Statements in the Company's annual report on Form 10-K for the summary of significant accounting policies.

NOTE 3: RESTRUCTURING CHARGE
As a result of a reorganization of the Company's field and corporate support functions, the Company eliminated approximately 120 positions effective August 31, 1993. To provide for the costs of this reorganization, a pre-tax charge of $890,000 was recorded in the first quarter of fiscal 1994.

NOTE 4: INCOME TAXES
In August, 1993 the Omnibus Budget Reconciliation Act of 1993 was enacted. As a result of the Act, a retroactive Federal tax adjustment of $163,000, or $.02 per share, was charged to income tax expense in the first quarter of fiscal 1994 for the period of January to May 1993. The tax rate increase did not have a material impact on the Company's deferred tax assets and liabilities.

MARSHALL INDUSTRIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
CONDENSED STATEMENTS OF INCOME

	Three Months Ended November 30,		Six Months Ended November 30,	
	1993	1992	1993	1992
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	78.7	76.2	78.6	76.2
Gross profit	21.3	23.8	21.4	23.8

Selling, general and administrative expenses	13.8	17.0	14.3	17.0
Income from operations	7.5	6.8	7.1	6.8
Interest expense - net	.3	.3	.3	.3
Income before provision for income taxes	7.2	6.5	6.8	6.5
Provision for income taxes	2.9	2.6	2.8	2.6
Net income	4.3%	3.9%	4.0%	3.9%

Three and Six Month Periods Ended November 30, 1993 and 1992
The increase in net sales for the second quarter and the first six months of fiscal 1994, as compared to fiscal 1993, was due to an increase in the sales volume of semiconductor and computer subsystems products. The sales of semiconductor products increased by $48,440,000 and $96,198,000 for the three and six month periods ended November 30, 1993, respectively. The substantial increase in the sales of these products was primarily the result of the continuing strong market demand for such products and the additional sales of

products from new suppliers. The sales volume of the Company's other major products in fiscal 1994 decreased modestly from fiscal 1993.

The decrease in net margins for the second quarter and six months to date of fiscal 1994, as compared to fiscal 1993, was due to a decline in the margins of the Company's semiconductor products. This decline in margins was partially attributable to an increase in the sales volume of DRAMS, which are lower margin products, as compared to the Company's other products, and an increase in the volume of some of the Company's lower margin value added products. The decrease in margins was also due to market pressures on the pricing of some of the Company's products and the Company's acceptance of some large customer orders at lower than normal margins.

The increase in selling, general, and administrative expenses, in dollars, for the second quarter and the first six months to date of fiscal 1994, as compared to fiscal 1993, was largely due to higher operating costs to meet the requirements from the significant increase in sales volume. In addition, the Company is amortizing $463,000 per quarter of deferred computer software costs associated with its new operating and financial systems that became operational in December, 1992. Fiscal 1994 expenses also includes a charge of $890,000 that was recorded in the first quarter related to the costs of the elimination of approximately 120 positions. The elimination of these positions, which was effective August 31, 1993, was the result of a reorganization of the Company's field and corporate support functions.

This reorganization had the effect of reducing the Company's expenses for the second quarter of fiscal 1994 by approximately $1,000,000.

The increase in interest expense for the second quarter and six months to date of fiscal 1994, as compared to fiscal 1993, was due to the increased borrowing levels required to fund the Company's higher levels of inventory and receivables that resulted from the increased volume. The increase in interest expense from the higher borrowing levels in fiscal 1994 was partly offset by the decline in interest rates from fiscal 1993.

The Company's sources of liquidity at November 30, 1993 consisted principally of working capital of $210,742,000 and unsecured bank lines of credit of $70,000,000 of which $32,000,000 was used. The Company believes that its working capital, borrowing capabilities and additional funds generated from operations should be sufficient to finance its anticipated operations requirements.

PART II

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

The Annual Meeting of Shareholders of Marshall Industries was held on October 19, 1993.

The following matters were acted upon at the meeting.

1. Election of Directors.

All of the incumbent Directors of the Company were re-elected to serve as Directors until the next Annual Meeting of Shareholders and until their successors are elected and have qualified. The vote was as follows:

Directors	Votes For	Votes Against	Abstentions/ Broker Non-Votes
Gordon S. Marshall	8,071,086	0	210
Richard D. Bentley	8,071,086	0	210
William Bone	8,071,086	0	210
Richard C. Colyear	8,070,986	0	310
Lathrop Hoffman	8,071,014	0	282
Raymond G. Rinehart	8,071,086	0	210
Robert Rodin	8,071,086	0	210
Howard C. White	8,070,914	0	382

2. Ratification of Appointment of Auditors.

The appointment of Arthur Andersen & Co. as auditors for the fiscal year ending May 31, 1994 was ratified by the following vote:

For: 8,065,735 Against: 3,508 Abstentions/Broker Non-Votes: 2,053

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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

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.

MARSHALL INDUSTRIES

January 7, 1994

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Henry W. Chin
Vice President, Finance and
Chief Financial Officer