

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **1995-07-28** | Period of Report: **1995-06-17**
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FILER

MERRIMAC INDUSTRIES INC

CIK: **706864** | IRS No.: **221642321** | State of Incorpor.: **NY** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **001-09970** | Film No.: **95557023**
SIC: **3663** Radio & tv broadcasting & communications equipment

Mailing Address
41 FAIRFIELD PLACE
WEST CALDWELL NJ
07007-0986

Business Address
41 FAIRFIELD PL
WEST CALDWELL NJ
07006-0986
2015751300

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

Quarterly Report Pursuant to Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For Quarter ended June 17, 1995

Commission file No. 0-11201

MERRIMAC INDUSTRIES, INC.

(Exact name of the registrant as specified in its charter)

New Jersey

22-1642321

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

41 Fairfield Place
West Caldwell, New Jersey

07007-0986

(Address of principal
executive offices)

(Zip code)

Registrant's telephone number, including area code (201) 575-1300

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section S 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

--- ---

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock (\$.50 par value)-----
1,713,293

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

MERRIMAC INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS
-----JUN 17,
1995
(Unaudited)ASSETS

Current Assets:

Cash and cash equivalents \$ 1,018,154
Available-for-sale securities (D) 3,182,858
Accounts receivable 2,349,029

Inventories:

Finished goods 1,166,697
Work in process 1,381,035
Parts and raw materials 1,288,198-----
Total inventories 3,835,930

Prepaid expenses 134,379

Prepaid income taxes 104,083

Deferred income taxes 674,372

Total current assets 11,298,805

Property, plant and equipment 12,128,468

Less accumulated depreciation 8,806,282

Net property, plant and equipment 3,322,186

Intangible assets, less accumulated

amortization of \$559,694 339,896

Other assets 147,620

\$ 15,108,507

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Accounts payable	\$ 345,150
Accrued liabilities	898,723
Income tax payable	35,301

Total current liabilities	1,279,174
Deferred income taxes	141,500
Stockholders' equity:	
Common stock, par value \$.50 per share:	
Authorized: 5,000,000 shares	
Issued: 2,542,645 shares	1,271,323
Additional paid-in capital	8,662,969
Retained earnings	10,377,580
Unrealized holding loss on available-for-sale securities, less deferred tax benefit (D)	62,468

	20,249,404
Less treasury stock at cost:	
Purchased: 830,735 shares	6,561,571

Total stockholders' equity	13,687,833

	\$ 15,108,507
	=====

See notes to consolidated financial statements.

MERRIMAC INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	TWELVE WEEKS ENDED		TWENTY-FOUR WEEKS ENDED	
	-----		-----	
	June 17, 1994	June 18, 1994	June 17, 1995	June 18, 1994
	-----	-----	-----	-----
Net sales	\$3,076,952	\$3,430,526	\$6,529,145	\$6,491,767
Cost and expenses:				

Cost of sales	1,649,584	1,705,059	3,290,704	3,181,329
Selling, general and administrative	1,032,789	1,294,686	2,187,759	2,372,772
	-----	-----	-----	-----
	2,682,373	2,999,745	5,478,463	5,554,101
	-----	-----	-----	-----
Operating income	394,579	430,781	1,050,682	937,666
Other income	45,229	37,402	94,887	83,489
	-----	-----	-----	-----
Income before income taxes	439,808	468,183	1,145,569	1,021,155
Provision for income taxes (D) ..	160,000	169,000	416,000	371,000
	-----	-----	-----	-----
Net income	\$ 279,808	\$ 299,183	\$ 729,569	\$ 650,155
	=====	=====	=====	=====
Net income per common share and common equivalent share	\$.16	\$.17	\$.42	\$.36
	=====	=====	=====	=====
Cash dividend per share of common stock	\$.10	\$.10	\$.20	\$.20
	=====	=====	=====	=====
Common and common equivalent shares outstanding	1,744,781	1,802,600	1,740,024	1,801,955
	=====	=====	=====	=====

See notes to consolidated financial statements

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MERRIMAC INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Twenty-four Weeks Ended

	Jun 17, 1995 -----	Jun 18, 1994 -----
Cash flows from operating activites:		
Net Income	\$ 729,569	\$ 650,155
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	418,761	387,290
Accounts receivable.....	(297,376)	179,232
Inventories.....	(188,100)	(104,149)
Prepaid expenses.....	(51,562)	(29,709)
Other assets.....	19,230	-
Accounts payable.....	26,900	103,883
Other liabilities.....	(42,151)	116,100
Income taxes payable.....	(257,056)	(217,095)
	-----	-----
Total adjustments.....	(371,354)	435,552
	-----	-----
Net cash provided by operating activites.....	358,215	1,085,707
Cash flows from investing activities:		
Purchase of capitol assets.....	(224,379)	(561,976)
Proceeds from sales of capitol assets.....	617	412
Proceeds from maturity of available-for-sale security.....	300,000	250,000
	-----	-----
Net cash provided by (used in) investing activities.....	76,238	(311,564)
Cash flows from financing activities:		
Proceeds from the issuance of 21,449 and 34,642 shares of common stock.....	136,235	142,472
Dividend paid.....	(341,686)	(353,756)
	-----	-----
Net cash used in financing activities.....	(205,451)	(211,284)
	-----	-----
Net increase in cash and cash equivalents.....	229,002	562,859
Cash and cash equivalents at beginning of year.....	789,152	574,107
Cash and cash equivalents at end of period.....	\$ 1,018,154 =====	\$ 1,136,966 =====
Supplemental disclosures of cash flows information:		
Cash paid during the quarter for:		
Income taxes.....	\$ 673,203 =====	\$ 588,095 =====

MERRIMAC INDUSTRIES, INC.
 NOTES TO FINANCIAL STATEMENTS

A. Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-QSB and therefore, do not include all information and footnote disclosures otherwise required by Regulation S-X. The financial statements do, however, reflect all adjustments which are, in the opinion of the management necessary for a fair statement of the results of the interim periods presented.

B. Net Income Per Share

Net income (loss) per share is based upon the weighted average number of common shares and common equivalent shares (based on stock options) outstanding during the period.

C. Fiscal Quarters

The Company's fiscal year is the 52-53 week period ending on the Saturday closest to December 31. The Company employs 13 four-week accounting periods for closing its books. In the 52 week fiscal year, first, second, and fourth quarter consist of 12 weeks each, third quarter consists of 16 weeks. In the 53 week fiscal year (occurs every five years) the first and second quarter consist of 12 weeks each, the third quarter of 16 weeks and the fourth quarter of 13 weeks.

D. Investments in Securities

The amortized cost and estimated fair market value of the Company's portfolio of available-for-sale investments in marketable municipal debt securities at June 17, 1995 are set forth below by contractual maturity.

Date Due (years)	Amortized Cost	Estimated Fair Market Value
After 1 through 5	\$ 201,145	\$ 198,750
After 5 through 10	2,785,720	2,701,253
After 10	300,000	282,853

\$3,286,865

\$3,182,856

The gross unrealized holding loss on available-for-sale securities at June 17, 1995 was \$104,009. The loss, net of Federal and State income taxes, is included as a separate component in stockholder's equity. There were no gross unrealized gains.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

INCOME STATEMENT SUMMARY

(Unaudited)

The following table displays line items in the Consolidated Statements of Income as a percentage of sales.

	Percentage of Net Sales			
	-Quarter 2-		Year-to-Date	
	-12-	Weeks	-24-	-24-
	Ended	Ended	Ended	Ended
	-----	-----	-----	-----
	Jun 17	Jun 18	Jun 17	Jun 18
	1995	1994	1995	1994
	-----	-----	-----	-----
Net sales.....	100.0%	100.0%	100.0%	100.0%
Costs and expenses:				
Cost of sales.....	53.6	49.7	50.4	49.0
Selling, general and administrative.....	33.6	37.7	33.5	36.6
	----	----	----	----

	87.2	87.4	83.9	85.6
	----	----	----	----
Operating income.....	12.8	12.6	16.1	14.4
Other income.....	1.5	1.0	1.5	1.3
	----	----	----	----
Income before income taxes.....	14.3	13.6	17.6	15.7
Provision for income taxes.....	5.2	4.9	6.4	5.7
	----	----	----	----
Net income.....	9.1%	8.7%	11.2%	10.0%
	=====	=====	=====	=====

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RESULTS OF OPERATIONS

SALES

- - - - -

The results for the first two quarters affirm that Merrimac is in a growth mode for 1995. When compared to 1994, the second quarter's sales decreased by 10.3% primarily due to customer required delivery dates being pushed forward into the third and fourth quarters of 1995. While sales for the twenty-four week period show an increase of only 0.6% when compared to the same period of fiscal 1994, the booking of new orders for the twenty-four week period is up by 24%. The ongoing increase is attributed to order inputs from the commercial and international business sectors. Our backlog also shows an increase of 34% when compared to 1994 level.

COST OF SALES

The cost of sales as a percentage of sales for the second quarter and

twenty-four week period of fiscal 1995 are up by 3.9% and 1.4% respectively when compared to fiscal 1994. The higher cost of sales is being attributed to a slight decrease in manufacturing efficiency due to extended working hours and also, a number of shipments with higher than normal cost of sales levels.

SELLING, GENERAL AND ADMINISTRATIVE

The SG&A expenses as a percentage of sales for the second quarter and twenty-four week period of fiscal 1995 are down by 4.1% and 3.1% respectively when compared to fiscal 1994. Decreases occurred in all areas of SG&A pool for the second quarter with just slight increases in commission and profit sharing expenses for the twenty-four week period when compared to 1994.

OTHER INCOME

Other income represents interest realized from investments. The increase of approximately 0.2% is due to higher returns on investments.

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LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity and financial condition remained strong throughout the twenty-four week period of fiscal 1995. The cash and investments accounts show a balance of \$4.2 million. Working capital stood at \$9.1 million at the end of the secondquarter for fiscal 1995 compared to \$9.8 million in 1994. Current ratio stands at 8.8 and 7.6 respectively.

The company invested \$224,000 in plant improvements and equipment during the twenty-four week period of fiscal 1995 compared to \$562,000 during the same period of fiscal 1994. In addition the Company paid \$341,686 cash dividends in 1995 compared to \$353,756 in 1994.

The Company has a \$2,500,000 unsecured line of credit agreement with its

bank, at the bank's floating prime rate. As of June 17, 1995, the full amount of \$2,500,000 was available for future borrowing.

Management believes that with the liquid resources, the unused line of credit, along with cash flows expected to generated by operations, the Company will have sufficient resources for currently contemplated operations in fiscal 1995. The Company is exploring the possibility of acquiring similar manufacturers of electronic devices as well as establishing a low cost manufacturing facility, although currently has no definite plans or agreements for such activities. Management believes that such activities could be financed through the liquid and capital resources currently available as described above, and/or through additional borrowing or the issuance of equity securities.

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Part II. OTHER INFORMATION

Item 1. Legal Proceedings

On May 18, 1995, the Company commenced a lawsuit in the Superior Court of New Jersey, Chancery Division, Essex County, against Electromagnetic Technologies, Inc., Microwave Research and Development, Inc., and five former employees of Merrimac. The lawsuit seeks damages on account of acts of unfair competition and the breach by defendants of certain covenants not to compete and other agreements in connection with the acquisition by the Company of assets of Microwave Research and Development, Inc., in May 1992. No responsive pleadings have been filed by the defendants. However, the Company anticipates that the defendants will counterclaim for breach of contract and amounts claimed to be due pursuant to the acquisition transaction. In the opinion of management, resolution of this lawsuit, including any damages that might arise out of the anticipated counterclaims, will not have a material impact on the Company's financial condition.

Item 4. Submission of Matters to a Vote of Security Holders

- (a) Date of the Meeting: April 27, 1995
Annual Stockholders Meeting.

(b) Election of (5) Directors

	Elected	

Nominated:	Yes	No
	---	--
Charles F. Huber II	X	
Eugene W. Niemiec	X	
Arthur A. Oliner	X	
John J. Antonich	X	
Mason N. Carter	X	

	For	Against	Abstain
	-----	-----	-----
(c) Approve the 1995 Stock Purchase Plan	835,740	22,861	9,061

Proposition was approved

(d) Approve appointment of independent auditors	1,466,873	5,400	4,572
---	-----------	-------	-------

Proposition was approved

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Item 6. Exhibits

Exhibit No.

(4) - Specimen certificate of the Common Stock of the Company *

(11) - Statement re Computation of Earnings Per Share

The Company did not file any reports on Form 8-K during the quarter for which this report is filed.

* Incorporated herein by reference to the Company's Registration Statement (No. 2-79455) on Form S-1 effective October 29, 1982.

Exhibit (11)

MERRIMAC INDUSTRIES, INC.
COMPUTATION OF EARNINGS PER SHARE

(Unaudited)

	TWELVE WEEKS ENDED ----- June 17, 1995 -----	TWENTY-FOUR WEEKS ENDED ----- June 17, 1995 -----
Net income	\$ 279,808 =====	\$ 729,569 =====

PRIMARY EARNINGS PER SHARE

Average number of shares outstanding		
Common stock.....	1,721,274	1,715,006
Stock options (1).....	14,664	14,790
	-----	-----
Shares outstanding as adjusted.....	1,735,938 =====	1,729,796 =====

Net income per common share and common equivalent share.....	\$.16 =====	\$.42 =====
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FULLY DILUTED EARNINGS PER SHARE

Average number of shares outstanding		
Common stock.....	1,721,274	1,715,006
Stock options (1).....	23,507	25,018
	-----	-----
Shares outstanding as adjusted.....	1,744,781 =====	1,740,024 =====
Net income per common share assuming full dilution.....	\$.16 =====	\$.42 =====

(1) Represents additional shares resulting from assumed conversion of stock options less shares purchased with the proceeds thereof pursuant to the treasury stock method.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) 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.

MERRIMAC INDUSTRIES, INC.

(Registrant)

Date: July 27, 1995

By /s/ Eugene W. Niemiec

(Eugene W. Niemiec, Chief Executive
Officer, Acting Chief Financial
Officer and Treasurer)

Date: July 27, 1995

By /s/ John J. Antonich

(John J. Antonich, Secretary,
Controller and Principal
Accounting Officer)

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