

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-04-03**  
SEC Accession No. **0000031791-94-000006**

([HTML Version](#) on [secdatabase.com](http://secdatabase.com))

### FILER

#### EG&G INC

CIK: **31791** | IRS No.: **042052042** | State of Incorporation: **MA** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **001-05075** | Film No.: **94528282**  
SIC: **8711** Engineering services

Mailing Address  
45 WILLIAM ST  
WELLESLEY MA 02181

Business Address  
45 WILLIAM ST  
WELLESLEY MA 02181-4078  
6172375100

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended April 3, 1994

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-5075

EG&G, Inc.

(Exact name of registrant as specified in its charter)

Massachusetts 04-2052042  
(State or other jurisdiction of (I.R.S. employer identification no.)  
incorporation or organization)

45 William Street, Wellesley, Massachusetts 02181  
(Address of principal executive offices) (Zip Code)

(617) 237-5100  
(Registrant's telephone number, including area code)

NONE

(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 (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

Number of shares outstanding of each of the issuer's classes of common  
stock, as of the latest practicable date:

Class Outstanding at May 1, 1994

Common Stock, \$1 par value 55,121,000  
(Excluding treasury shares)

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements  
-----

## EG&amp;G, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF INCOME

For the Three Months Ended April 3, 1994 and April 4, 1993

(Unaudited)

&lt;TABLE&gt;

&lt;CAPTION&gt;

(In Thousands Except Per Share Data)

	Three Months Ended	
	April 3, 1994	April 4, 1993
<S>	<C>	<C>
Sales:		
Products	\$381,313	\$377,911
Services	295,173	271,015
Total Sales	676,486	648,926
Costs and Expenses:		
Cost of sales:		
Products	324,249	321,209
Services	271,425	241,224
Total cost of sales	595,674	562,433
Selling, general and administrative expenses	58,878	57,111
Total Costs and Expenses	654,552	619,544
Income From Operations	21,934	29,382
Other income (expense), net (Note 2)	(21)	(650)
Income Before Income Taxes	21,913	28,732
Provision for Federal and non-U.S. income taxes	7,560	9,625
Income Before Cumulative Effect of Accounting Changes	14,353	19,107
Cumulative Effect of Accounting Changes:		
Income taxes (Note 3)	-	(7,300)
Postretirement benefits other than pensions (Note 4)	-	(13,200)
Net Income (Loss)	\$ 14,353	\$ (1,393)

&lt;/TABLE&gt;

## EG&amp;G, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF INCOME (Continued)

For the Three Months Ended April 3, 1994 and April 4, 1993

&lt;TABLE&gt;

<S>	<C>	<C>
Earnings Per Share:		
Income Before Cumulative Effect of Accounting Changes	\$ .26	\$ .34
Cumulative Effect of Accounting Changes:		
Income taxes	-	(.13)
Postretirement benefits other than pensions	-	(.23)
Net Income (Loss)	\$ .26	\$ (.02)
Cash Dividends Per Common Share	\$ .14	\$ .13

Weighted Average Shares of Common Stock Outstanding 55,721 56,722

The accompanying unaudited notes are an integral part of these consolidated financial statements.

</TABLE>

EG&G, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

As of April 3, 1994 and January 2, 1994

(Dollars in Thousands)

<TABLE>

<CAPTION>

	April 3, 1994	January 2, 1994
	-----	-----
	(Unaudited)	
	<C>	<C>
<b>&lt;S&gt;</b>		
Current assets:		
Cash and cash equivalents	\$ 47,306	\$ 72,185
Accounts receivable (including unbilled receivables of \$62,100 as of April 3, 1994 and \$67,800 as of January 2, 1994), less reserves	236,073	237,609
Inventories (Note 5)	130,279	121,581
Other	41,461	33,657
	-----	-----
Total Current Assets	455,119	465,032
	-----	-----
Property, Plant and Equipment:		
At cost (Note 6)	334,023	327,416
Less - Accumulated depreciation and amortization	227,724	221,320
	-----	-----
Net Property, Plant and Equipment	106,299	106,096
	-----	-----
Investments (Note 7)	30,138	25,920
	-----	-----
Intangible and Other Assets (Note 8)	180,751	171,760
	-----	-----
Total Assets	\$772,307	\$768,808
	=====	=====

</TABLE>

EG&G, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (Continued)

As of April 3, 1994 and January 2, 1994

(Dollars in Thousands)

<TABLE>

<S>

	<C>	<C>
<b>Current Liabilities:</b>		
Short-term debt	\$ 53,458	\$ 43,589
Accounts payable	59,361	60,794
Accrued expenses (Note 9)	131,699	132,714
	-----	-----
Total Current Liabilities	244,518	237,097
	-----	-----
Long-Term Liabilities	55,839	54,177
Contingencies	-	-
<b>Stockholders' Equity:</b>		
Preferred stock - \$1 par value, authorized 1,000,000 shares; none outstanding	-	-
Common stock - \$1 par value, authorized		

100,000,000 shares; issued 60,102,000 shares	60,102	60,102
Capital in excess of par value	-	-
Retained earnings	502,655	496,063
Cumulative translation adjustments	(5,809)	(8,287)
Unrealized gain on marketable investments (Note 7)	3,654	-
	-----	-----
	560,602	547,878
Less - Cost of shares held in treasury;		
4,981,000 shares at April 3, 1994 and		
3,970,000 shares at January 2, 1994	88,652	70,344
	-----	-----
Total Stockholders' Equity	471,950	477,534
	-----	-----
Total Liabilities and Stockholders' Equity	\$772,307	\$768,808
	=====	=====

</TABLE>

The accompanying unaudited notes are an integral part of these consolidated financial statements.

EG&G, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Three Months Ended April 3, 1994 and April 4, 1993

(Unaudited)

<TABLE>

<CAPTION>

	(In Thousands)	
	-----	
	Three Months Ended	
	-----	-----
	April 3,	April 4,
	1994	1993
	-----	-----
<S>	<C>	<C>
Cash Flows From Operating Activities:		
Net income (loss)	\$ 14,353	\$ (1,393)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Cumulative effect of accounting changes	-	20,500
Depreciation and amortization	8,815	9,290
Changes in assets and liabilities:		
Decrease in accounts receivable	2,046	14,954
Increase in inventories	(8,275)	(3,092)
Decrease in accounts payable and accrued expenses	(2,898)	(597)
Other	(17,545)	(15,563)
	-----	-----
Net Cash Provided by (Used in) Operating Activities	(3,504)	24,099
	-----	-----
Cash Flows From Investing Activities:		
Capital expenditures	(6,977)	(5,972)
Other	1,927	(611)
	-----	-----
Net Cash Used in Investing Activities	(5,050)	(6,583)
	-----	-----
Cash Flows From Financing Activities:		
Changes in commercial paper	7,960	(2,988)
Other changes in debt	1,616	(1,506)
Proceeds from issuing common stock	925	3,028
Purchases of common stock	(19,139)	(8,688)
Cash dividends	(7,855)	(7,388)
	-----	-----
Net Cash Used in Financing Activities	(16,493)	(17,542)
	-----	-----
Effect of exchange rate changes on cash		

and cash equivalents	168	(75)
	-----	-----
Net Decrease in Cash and Cash Equivalents	(24,879)	(101)
Cash and cash equivalents at beginning of period	72,185	69,752
	-----	-----
Cash and cash equivalents at end of period	\$ 47,306	\$ 69,651
	=====	=====

</TABLE>

The accompanying unaudited notes are an integral part of these consolidated financial statements.

EG&G, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(1) Principles of Consolidation

- - - - -

The consolidated 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. The Company believes, however, that the disclosures are adequate to make the information presented not misleading. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's latest annual report on Form 10-K. The balance sheet amounts as of January 2, 1994 in this report were extracted from the Company's audited 1993 financial statements included in the latest annual report on Form 10-K.

In the opinion of management, the unaudited consolidated financial statements included herein contain all adjustments, consisting only of normal recurring accruals, necessary to present fairly the financial position as of April 3, 1994 and the results of operations for the three months ended April 3, 1994 and April 4, 1993 and the cash flows for the three months then ended. The results of operations are not necessarily to be considered indicative of the results for the entire year.

Effective January 3, 1994, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 112 on accounting for postemployment benefits. This new standard requires that benefits paid for former or inactive employees after employment but prior to retirement must be accrued if certain criteria are met. Adoption of the statement did not have a material impact on the Company's financial position or results of operations.

(2) Other Income (Expense), Net

- - - - -

Other income (expense), net consisted of the following:

<TABLE>

<CAPTION>

	(In Thousands)	
	-----	
	Three Months Ended	
	-----	
	April 3,	April 4,
	1994	1993
	-----	-----
<S>	<C>	<C>
Interest and dividend income	\$ 839	\$ 854
Interest expense	(965)	(1,501)
Other	105	(3)
	-----	-----
	\$ (21)	\$ (650)
	=====	=====

</TABLE>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## (3) Accounting for Income Taxes

Effective January 4, 1993, the Company adopted SFAS No. 109 on accounting for income taxes. As part of adopting the new standard, the Company recorded a one-time, non-cash charge against earnings of \$7.3 million (\$.13 per share) in the first quarter of 1993.

## (4) Postretirement Benefits Other Than Pensions

Effective January 4, 1993, the Company adopted SFAS No. 106 on accounting for postretirement benefits other than pensions for its U.S. retiree health benefits. As part of adopting the new standard, the Company recorded a one-time, non-cash charge against earnings of \$20 million before taxes, or \$13.2 million after income taxes (\$.23 per share), in the first quarter of 1993.

## (5) Inventories

Inventories consisted of the following:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	(In Thousands)	
	April 3, 1994	January 2, 1994
<S>	<C>	<C>
Finished goods	\$ 32,737	\$ 30,864
Work in process	33,840	30,393
Raw materials	63,702	60,324
	-----	-----
	\$130,279	\$121,581
	=====	=====

&lt;/TABLE&gt;

## (6) Property, Plant and Equipment, at Cost

Property, plant and equipment consisted of the following:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	(In Thousands)	
	April 3, 1994	January 2, 1994
<S>	<C>	<C>
Land	\$ 14,367	\$ 14,327
Buildings and leasehold improvements	90,813	91,280
Machinery and equipment	228,843	221,809
	-----	-----
	\$334,023	\$327,416
	=====	=====

&lt;/TABLE&gt;

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## (7) Investments

Investments consisted of the following:

&lt;TABLE&gt;

&lt;CAPTION&gt;

(In Thousands)

	April 3, 1994	January 2, 1994
<S>	<C>	<C>
Marketable investments	\$12,411	\$ 6,838
Other investments	12,766	13,426
Joint venture investments	4,961	5,656
	-----	-----
	\$30,138	\$25,920
	=====	=====

</TABLE>

Effective January 3, 1994, the Company adopted SFAS No. 115 on accounting for certain investments in debt and equity securities. This new standard requires that available-for-sale investments in equity securities that have readily determinable fair values be measured at fair value in the balance sheet and that unrealized holding gains and losses for these investments be reported in a separate component of stockholders' equity until realized. At April 3, 1994, marketable investments classified as available-for-sale had an aggregate market value of \$12.4 million and gross unrealized holding gains of \$5.6 million. At April 3, 1994, \$3.7 million was reported as a separate component of stockholders' equity, representing the unrealized holding gains, net of deferred federal income taxes.

(8) Intangible and Other Assets

- - - - -

Intangible and other assets consisted of the following:

<TABLE>

<CAPTION>

	(In Thousands)	
	April 3, 1994	January 2, 1994
<S>	<C>	<C>
Intangible assets	\$138,987	\$139,205
Other assets	41,764	32,555
	-----	-----
	\$180,751	\$171,760
	=====	=====

</TABLE>

The majority of the increase in other assets was due to an increase in prepaid pension expense.

EG&G, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(9) Accrued Expenses

- - - - -

Accrued expenses consisted of the following:

<TABLE>

<CAPTION>

	(In Thousands)	
	April 3, 1994	January 2, 1994
<S>	<C>	<C>
Payroll	\$ 11,398	\$ 13,375
Employee benefits	43,077	46,121
Federal, non-U.S. and state income taxes	29,690	26,119
Other	47,534	47,099
	-----	-----
	\$131,699	\$132,714



</TABLE>

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

Results of Operations

EG&G, INC. AND SUBSIDIARIES

Results of Operations

The following industry segment information is presented as an aid to a better understanding of the operating results:

<TABLE>

<CAPTION>

	(In Thousands)		
	Three Months Ended		
	April 3, 1994	April 4, 1993	Increase (Decrease)
<S>	<C>	<C>	<C>
Sales:			
Technical Services	\$156,421	\$158,091	\$ (1,670)
DOE Support	350,739	329,362	21,377
Instruments	62,855	47,222	15,633
Mechanical Components	56,039	63,641	(7,602)
Optoelectronics	50,432	50,610	(178)
Total	\$676,486	\$648,926	\$27,560
Income From Operations:			
Technical Services	\$ 11,841	\$ 15,951	\$ (4,110)
DOE Support	10,061	14,251	(4,190)
Instruments	487	945	(458)
Mechanical Components	3,352	4,493	(1,141)
Optoelectronics	3,408	776	2,632
General Corporate Expenses	(7,215)	(7,034)	(181)
Total	\$ 21,934	\$ 29,382	\$ (7,448)

</TABLE>

The discussion that follows is a summary analysis of the major changes in operating results by industry segment that occurred for the three months ended April 3, 1994 compared to the three months ended April 4, 1993.

Sales for 1994 were \$676 million, \$28 million above the 1993 level. Higher program scopes at Idaho and Mound resulted in a \$21 million Department of Energy (DOE) Support increase. The \$16 million Instruments increase resulted primarily from the sales of Wallac, acquired in June 1993. In Mechanical Components, the \$8 million decrease resulted primarily from the divestiture of an operation in the fourth quarter of 1993 and from lower sales in the electromechanical and industrial sealing businesses.

Income from operations was \$21.9 million in 1994, compared to \$29.4 million in 1993. The \$4.1 million decrease in Technical Services reflected the reduction in available fee under the new base operations contract at the Kennedy Space Center. In addition, profits in the automotive testing business were adversely impacted by the faster than anticipated return to normal sales levels following increases in 1993 caused primarily by the introduction of new industry testing protocols.

EG&G, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

In DOE Support, the \$4.2 million decrease was primarily attributable to estimated lower performance grades at Rocky Flats and Idaho. In Instruments, the income generated by the Wallac acquisition was offset by the effects of pricing pressures in security instruments. Certain operating elements within this segment did not contribute to income as a result of continuing unfavorable market conditions. In Mechanical Components, the \$1.1 million decrease resulted from lower sales and inventory adjustments. The \$2.6 million Optoelectronics increase resulted primarily from improved margins in the German and Far East operations due to increased sales and cost reductions. The net change in other income (expense) was a \$0.6 million reduction in expense due primarily to lower interest expense.

#### Liquidity and Capital Resources

-----

The Company's cash and cash equivalents decreased \$24.9 million during the first quarter of 1994 while total debt increased \$9.7 million. Net cash used in operating activities, which totaled \$3.5 million, included a \$13.7 million increase in prepaid pension. The Company invested \$7 million in physical plant and equipment during the first quarter of 1994 and expects to increase this level of investment in subsequent quarters.

In the fourth quarter of 1993, the Board of Directors authorized the purchase of up to a total of 5.5 million shares of the Company's common stock through periodic purchases on the open market. The Company has purchased 2.2 million shares under this program to date, including 1.1 million shares purchased in the first quarter of 1994.

Effective March 21, 1994, the Company concluded the restructuring of its credit facilities with the signing of two revolving credit agreements totaling \$250 million. These agreements consist of a \$175 million 364-day facility and a \$75 million three-year facility and serve as backup facilities for the commercial paper borrowing.

#### PART II. OTHER INFORMATION

##### EG&G, INC. AND SUBSIDIARIES

#### Item 4. Results of Votes of Security Holders

-----

- (a) The Company's annual meeting of stockholders was held on April 26, 1994.
- (b) Proxies for the meeting were solicited pursuant to Regulation 14A, and there were no solicitations in opposition to management's nominees for Directors. All such nominees were elected, and the number of Directors was fixed at eleven.
- (c) The stockholders voted 4,250,768 shares for and 39,899,963 shares against, with 2,829,013 shares abstaining and 3,144,439 shares not voting, on a stockholder proposal to request the Board of Directors to commission a subcommittee to develop criteria for the acceptance and execution of military contracts.

#### Item 6. Exhibits and Reports on Form 8-K

-----

- (b) Reports on Form 8-K - There were no reports on Form 8-K filed for the three months ended April 3, 1994.

##### EG&G, INC. AND SUBSIDIARIES

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.

EG&G, Inc.

By /s/ John F. Alexander, II

-----  
Corporate Controller and  
Acting Chief Financial Officer  
(Principal Accounting Officer and  
Principal Financial Officer)

Date May 13, 1994

-----