FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-04-01**
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TRIANGLE PACIFIC CORP

CIK:**230602**| IRS No.: **942998971** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-22138** | Film No.: **94528246**
SIC: **2400** Lumber & wood products (no furniture)

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

FORM 10-Q

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

For the quarterly period ended April 1, 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: 0-22138

Triangle Pacific Corp.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

94-2998971
(I.R.S. Employer Identification No.)

16803 Dallas Parkway, Dallas, Texas 75248

(Address of principal executive offices) (Zip Code)

(214) 931-3000
(Registrant's telephone number, including area code)

(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. [X] Yes [ ] No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.
14,661,329 Shares on April 1, 1994

TRIANGLE PACIFIC CORP. AND SUBSIDIARY

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PART I FINANCIAL INFORMATION

Item I. Financial Statements

Triangle Pacific Corp. and Subsidiary
Consolidated Financial Statements
for the Three Months ended April 1, 1994

The consolidated financial statements included herein have been prepared by the Company without audit. They contain all adjustments which are, in the opinion of the management, necessary to a fair statement of the results of the operations for the interim periods. The operating results for the interim periods are not necessarily indicative of results to be expected for a full year. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto, included in the Company's Form 10-K as of December 31, 1993.

TRIANGLE PACIFIC CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except earnings per share data)

	Three Months Ended	
	April 1, 1994	April 2, 1993
Net sales	$ 90,710	$ 78,482
Costs and expenses		
Cost of sales	68,627	60,535
Selling, general and administrative	13,113	11,631
Amortization of goodwill	380	405
Interest	4,897	4,895
	87,017	77,466
Income before income taxes	3,693	1,106
Provision for income taxes	1,551	643
Net income	$ 2,142	$ 373
Net income per share	$ 0.15	$ 0.04
Weighted average shares outstanding	14,653	6,708
Pro-forma income data:		
Net income	$ 2,142	$ 373
Pro-forma adjustments re: 1993 recapitalization	-	101
Pro-forma net income	$ 2,142	$ 474
Pro-forma net income per share	$ 0.15	$ 0.03
Weighted average shares outstanding	14,653	14,648

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

TRIANGLE PACIFIC CORP. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(in thousands)

ASSETS	April 1, 1994	December 31, 1993
Current assets:		
Cash and cash equivalents	$ 1,602	$ 785
Receivables (net of allowances of $2,769 and $3,323 respectively)	40,529	39,454
Inventories	62,507	64,072
Prepaid expenses	3,972	4,273
Total current assets	108,610	108,584
Property, plant and equipment		
Land	13,452	13,452
Buildings	43,628	43,382
Equipment, furniture and fixtures	68,413	65,759
	125,493	122,593
Less: accumulated depreciation	15,144	13,171
	110,349	109,422
Other assets:		
Goodwill	60,200	60,580
Trademark	30,533	30,733
Other	13,135	11,654
Deferred financing costs	7,782	8,126
Total assets	$ 330,609	$ 329,099
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current liabilities:		
Current portion of long-term debt	$ 1,379	$ 1,467
Accounts payable	14,616	13,336
Accrued liabilities	16,576	19,699
Income taxes payable	1,551	-
Total current liabilities	34,122	34,502
Long-term debt, net of current portion	162,589	162,897
Deferred income taxes	43,668	43,653
Total liabilities	240,379	241,052
Shareholders' investment:		
Common stock - $.01 par value, authorized shares - 30,000,000 issued and outstanding shares 14,661,329 at April 1, 1994 and 14,657,607 at December 31, 1993	147	146
Additional paid-in capital	93,094	93,054
Accumulated deficit:		
Post June 8, 1992	(3,011)	(5,153)
Total shareholders investment	90,230	88,047
Total liabilities and shareholders' investment	$ 330,609	$ 329,099

The accompanying notes to consolidated financial statements are an integral part of theses balance sheets.

TRIANGLE PACIFIC CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended April 1, 1994	April 2, 1993
Cash flows from operating activities		
Net income	$ 2,142	$ 373
Adjustments:		
Depreciation	1,973	1,957
Deferred income taxes	15	643
Amortization of goodwill and trademark	580	605
Amortization of deferred financing cost	358	-
Amortization of original issue discount	-	398
Provision for doubtful accounts	207	235
Changes in assets and liabilities:		
Receivables	(1,282)	(2,629)
Inventories	1,565	(5,450)
Prepaid expenses	300	(489)
Other assets	(24)	2,574
Accounts payable	1,280	(2,311)
Accrued liabilities	442	179
Accrued liabilities - interest	(3,565)	1,170
Income taxes payable	1,551	-
Deferred compensation	-	(1,881)
Net cash provided by (used in) operating activities	5,542	(4,626)
Cash flows from investing activities:		
Additions to property, plant & equipment	(2,899)	(485)
Construction deposits	(1,457)	(902)
Net cash used in investing activities	(4,356)	(1,387)
Cash flows from financing activities:		
Long-term debt borrowings	-	6,500

Long-term debt payments	(396)	(382)
Exercise of stock options	41	-
Refinancing costs	(14)	-
Net cash provided by (used in) financing activities	(369)	6,118
Net increase in cash	$ 817	$ 105
Cash and cash equivalents, beginning of period	785	547
Cash and cash equivalents, end of period	$ 1,602	$ 652
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 8,049	$ 3,251
Income taxes	10	-

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

TRIANGLE PACIFIC CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' INVESTMENT
FOR THE THREE MONTHS ENDED APRIL 1, 1994
(in thousands)

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total
Balance, December 31, 1993	$ 146	$ 93,054	$ (5,153)	$ 88,047
Net income	-	-	2,142	2,142
Exercise of stock options	1	40	-	41
Balance, April 1, 1994	$ 147	$ 93,094	$ (3,011)	$ 90,230

The accompanying notes to consolidated financial statements are an integral part of this statement.

TRIANGLE PACIFIC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - 1993 RECAPITALIZATION:

The Company filed, in 1993, two registration statements with the Securities and Exchange Commission and sold to the public 7,939,750 shares of the Company's Common Stock and $160 million aggregate principal amount of 10-1/2% Senior Notes due 2003 ("the Offerings"). The net proceeds of the Offerings together with borrowings under a new $90 million bank credit facility (the "New Credit Facility") were used (i) to repay the entire unpaid balance under the Company's previously-existing senior debt financing agreements, redeem certain previously outstanding debentures and pay related accrued interest, for a total of approximately $227 million, and (ii) for working capital and general corporate purposes. As a result of this repayment of debt the Company incurred an extraordinary loss of $11.3 million, net of tax, as a result of the original issue discount on certain of the repaid notes as well as the premium required to redeem the debentures.

On June 14, 1993, the Company's Board of Directors approved a reclassification pursuant to which each share of Series A Common Stock was changed and converted into .67 of a share of Common Stock. The transaction became effective upon completion of the Offerings described above and has been reflected retroactively in the accompanying consolidated financial statements.

NOTE 2 -INVENTORIES:

Inventories are valued at the lower of cost or market. The last-in, first-out (LIFO) method is used for certain lumber inventories and the first-in, first-out (FIFO) method is used for all other inventories. Inventories valued by the LIFO method were $20,062,000 at April 1, 1994 and $23,965,000 at December 31, 1993. Had all inventories been valued by the FIFO method, which approximates current cost, inventories would have been increased by $5,138,000 at April 1, 1994 and December 31, 1993. Raw materials inventories include purchased parts and supplies to be used in manufactured products. Work-in-process and finished goods inventories include material, labor and overhead costs incurred in the manufacturing process. The major components of inventories are as follows:

	April 1, 1994	December 31, 1993
	(in thousands)	
Raw materials	$ 34,447	$ 42,045
Work-in-process	2,945	3,125
Finished goods	25,115	18,902
Total	$ 62,507	$ 64,072

NOTE 3 - LONG-TERM DEBT:

Long-term debt consists of the following (in thousands):

	April 1, 1994	December 31, 1993
Mortgages payable	$ 3,968	$ 4,364
Senior Notes, 10 1/2% due 8-1-2003	160,000	160,000
	163,968	164,364
Less: Current portion of long-term debt	(1,379)	(1,467)
	$162,589	$162,897

Letters of credit outstanding at April 1, 1994 and December 31, 1993 were $9.7 million and $9.8 million, respectively, under a facility pursuant to which they can be renewed or replaced.

Senior Notes

The Senior Notes are senior unsecured obligations of the Company with an aggregate principal of $160 million. The Senior Notes mature in 2003 and bear interest at an annual rate of 10 1/2%, payable semi-annually. The Senior Notes were issued under an Indenture (the "Indenture") between the Company and Texas Commerce Trust Company NA, as Trustee (the "Trustee"). The Senior Notes rank pari passu with all present and future senior indebtedness of the Company and senior to all present and future subordinated indebtedness of the Company. However, because borrowings under the New Credit Facility are secured by inventory and accounts receivable of the Company and the proceeds thereof, the Senior Notes are effectively subordinated to such borrowings to the extent of such security interest.

The Senior Notes are not redeemable prior to August 1, 1998. Thereafter, the Senior Notes are redeemable at the option of the Company at redemption prices specified in the Indenture. The Senior Notes are not subject to any mandatory sinking fund requirements.

Upon a "change of control" (as defined in the Indenture), the Company is required to offer to purchase all outstanding Senior Notes at 101% of the principal amount thereof, plus accrued interest to the date of repurchase. In addition, the Company may be required to offer to purchase the Senior Notes at 100% of the principal amount plus accrued interest with the net cash proceeds of certain sales or other dispositions of assets.

The Indenture contains covenants which restrict, among other things, the incurrence of additional indebtedness by the Company and its subsidiaries, the payment of dividends and other distributions in respect of the capital stock of the Company, the creation of liens on the assets of the Company and its subsidiaries, the creation of certain restrictions on the payment of dividends and other distributions by the Company's subsidiaries, the issuance of preferred stock by the Company's subsidiaries, and certain mergers, sales of assets and transactions with affiliates.

The Indenture specifies a number of events of default including, among others, the failure to make timely principal, premium and interest payments or to perform the covenants contained therein. The Indenture contains a cross-default to other indebtedness of the Company aggregating more than $5,000,000 and certain customary bankruptcy and insolvency defaults. Upon the occurrence of an event of default under the Indenture, the Trustee or the holders of not less than 25% in principal amount of the outstanding Senior Notes may declare all amounts thereunder immediately due and payable, except that such amounts automatically become immediately due and payable in the event of a bankruptcy or insolvency default.

New Credit Facility

The Company has entered into the New Credit Facility, which provides for up to $90 million of revolving loans for working capital and general corporate purposes and for letters of credit. Availability of borrowings under the New Credit Facility is based upon a formula related to inventory and accounts receivable. The Company had $50.0 million of unused borrowing capacity under this facility at April 1, 1994. Borrowings under the New Credit Facility bear interest at the agent's prime rate plus 1% (7.25% at April 1, 1994) or, at the Company's option, at certain alternate floating rates and is secured by a pledge of the Company's inventory and accounts receivable. The unpaid balance is due on August 4, 1996.

The New Credit Facility contains covenants which restrict, among other things, the incurrence of additional indebtedness and rental obligations by the Company and its subsidiaries, the payment of dividends and other distributions in respect of the capital stock of the Company, the creation of liens on the assets of the Company and its subsidiaries, the creation of certain restrictions on the payment of dividends and other distributions by the Company's subsidiaries, the making of investments and capital expenditures by the Company and its subsidiaries, the creation of new subsidiaries by the Company, and certain mergers, sales of assets and transactions with affiliates. The New Credit Facility also contains certain financial covenants relating to the consolidated financial condition of the Company and its subsidiaries, including covenants relating to their net worth, the ratio of their earnings to their fixed charges, the ratio of their earnings to their interest expense, the ratio of their current assets to their current liabilities, and the ratio of their indebtedness to their total capitalization. At December 31, 1993, the Company was in compliance with all financial covenants.

The New Credit Facility specifies a number of events of default including, among others, the failure to make timely payments of principal, fees, and interest, the failure to perform the covenants contained therein, the failure of representations and warranties to be true, the occurrence of a "change of control" (as defined in the New Credit Facility, to include, among other things, the ownership by any person or group of more than 25% or, (in the case of The TCW Group, Inc. and its affiliates, 40%) of the total voting securities of the Company), and certain impairments of the security for the New Credit Facility. The New Credit Facility also contains a cross-default to other indebtedness of the Company aggregating more than $2,000,000 and certain customary bankruptcy, insolvency and similar defaults. Upon the occurrence of an event of default under the New Credit Facility, at least three of the lenders holding at least 60% in amount of the principal indebtedness outstanding under the New Credit Facility may declare all amounts thereunder immediately due and payable, except that such amounts automatically become immediately due and payable in the event of certain bankruptcy, insolvency or similar defaults.

The New Credit Facility generally prohibits the Company from prepaying the Senior Notes whether the prepayment would result from the redemption of the Senior Notes, an offer by the Company to purchase the Senior Notes following a change of control or a sale or other disposition of assets, or the acceleration of the due date for payment of the Senior Notes.

Mortgages payable represent various Industrial Revenue Bond (IRB) notes. The IRB notes vary in interest rate, with several notes dependent upon the prime rate. At April 1, 1994 and December 31, 1993 the interest rates ranged up to 9.0%.

These notes are payable through 2000 and are collateralized by the related underlying assets.

NOTE 4 - INCOME TAXES:

The components of the deferred tax liability and assets are as follows (in thousands):

	April 1, 1994	December 31, 1993
Deferred Tax Liability:		
Property, plant and equipment	$ 28,294	$ 28,429
Trademark	12,000	12,078
Other	6,006	7,123
	$ 46,300	$ 47,630
Deferred Tax Asset:		
Tax Carryforwards	$ -	$ 1,991
Other	2,632	1,986
	$ 2,632	$ 3,977

The provision for income taxes consists of the following (in thousands):

	Three Months Ended April 1, 1994	April 2, 1993
Current:		
Federal	$ 1,381	$ -
State and Local	170	-
	$ 1,551	$ -
Deferred:		
Federal	$ -	$ 571
State and Local	-	72
	$ -	$ 643
Total	$ 1,551	$ 643

The tax provision for the periods ending April 1, 1994 and April 2, 1993 is 42.0% and 54.7% of pre-tax income, respectively. The factors causing the rate to vary from the U.S. Federal statutory rate are as follows (in thousands):

	Three Months Ended April 1, 1994	April 2, 1993
Computed (expected) tax provision	$ 1,293	$ 345
Increase from:		
State and local taxes	159	44
Amortization of goodwill	149	155
Other book to tax differences (net)	(50)	99
	$ 1,551	$ 643

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

NET SALES

Net sales for the three months ended April 1, 1994 were $90.7 million compared to $78.5 million for the three months ended April 2, 1993, representing a 15.5% increase. Net sales for the Bruce Hardwood Floors Division increased 24.3% over the first three months of the previous year.

The Beltsville and Cabinet Divisions also experienced higher sales over prior year levels. The first quarter of 1994 was unusually difficult due to the severe winter weather in much of the country. Disruptions of operations and delays in shipments were at times unavoidable.

GROSS PROFIT

Gross profit for the three months ended April 1, 1994 amounted to $22.1 million, or 24.3% of net sales, compared to $17.9 million, or 22.9% of net sales, in the same period in 1993.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses amounted to $13.1 million for the three months ended April 1, 1994 compared to $11.6 million for the three months ended April 2, 1993. As a percent of net sales, selling, general and administrative expenses were 14.5% for the three months ended April 1, 1994 compared to 14.8% for the same period in fiscal 1993.

OPERATING INCOME

Operating income for the three months ended April 1, 1994 was $8.6 million compared to $5.9 million for the three months ended April 2, 1993. The increased operating income in the first quarter of fiscal 1994 compared to the same period in fiscal 1993 was attributable to significantly higher net sales, together with improved operating efficiencies which generated increased gross profit margins and lower selling, general and administrative expenses as a percent of net sales.

INTEREST EXPENSE

Interest expense for both the three months ended April 1, 1994 and the three months ended April 2, 1993 was $4.9 million.

NET INCOME

Net income for the three months ended April 1, 1994, amounted to $2.1 million, or $0.15 per share, compared to $.4 million, or $0.04 per share, for the three months ended April 2, 1993. The 1994 period benefited from higher net sales and operating income.

PRO-FORMA NET INCOME

Pro-forma net income for the three months ended April 1, 1994 was $2.1 million, or $.15 per share, versus $.5 million, or $.03 per share for the same period in fiscal 1993.

Pro-forma figures for 1993 assume that the Company's third quarter 1993 public offerings of debt and equity securities occurred on the first day of fiscal 1993. The gross proceeds of the Company's initial public offerings of debt and equity were $160 million and $79.4 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

In 1993, the Company completed two public offerings of 7,939,750 shares of the Company's Common Stock and $160 million aggregate principal amount of 10-1/2% Senior Notes due 2003. The net proceeds of the offerings, together with borrowings under a new $90 million bank credit facility were used (i) to repay the entire unpaid balance under the Company's previously existing senior debt financing agreements, redeem certain previously outstanding debentures and pay related accrued interest, for a total of approximately $227 million, and (ii) for working capital and general corporate purposes. As a result of this repayment of debt, the Company incurred an extraordinary loss of $11.3 million, net of tax, as a result of the original issue discount on certain of the repaid notes as well as the premium required to redeem the debentures. The New Credit Facility provides for up to $90 million of revolving credit loans for working capital and for letters of credit. Availability of borrowings under the New Credit Facility is based upon a formula related to inventory and accounts receivable.

For the fiscal quarter ended April 1, 1994, cash increased by $.8 million. Cash provided from operating activities was $5.5 million. Cash flow of $4.4 million was used for additions to plant, property and equipment and construction deposits relating to expansion of the Bruce Hardwood Floors plant in West Virginia.

On April 1, 1994, the Company had working capital of $74.5 million, or 22.5% of total assets, and $50.0 million of unused bank borrowing capacity.

The Company believes that borrowing availability under the New Credit Facility and cash generated from operations will be adequate to fund working capital requirements, debt service payments and the planned capital expenditures.

PART II - OTHER INFORMATION

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

a) Exhibits - None

b) No reports on Form 8-K have been filed during the quarter ended April 1, 1994.

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.

TRIANGLE PACIFIC CORP.

Date: May 13, 1994 By: /s/ M. J. McHugh

M. Joseph McHugh
Senior Executive Vice President
and Treasurer
(duly authorized officer and
principal financial officer)

Date: May 13, 1994 By: /s/ Robert J. Symon

Robert J. Symon
Vice President - Controller
(principal accounting officer)