FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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FILER

MAYFLOWER GROUP INC /IN/

CIK:**63506**| IRS No.: **351692925** | State of Incorp.:**IN** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-20332** | Film No.: **94527813**
SIC: **4210** Trucking & courier services (no air)

Business Address
9998 N MICHIGAN RD
CARMEL IN 46032
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<TABLE>

Part 1. Financial Information.
Item 1. Financial Statements.

MAYFLOWER GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

<CAPTION>

(In thousands, except per share data)	Three months ended March 31, 1994	1993
	(Unaudited)	
<S>	<C>	<C>
Operating revenues:		
Contract Services	$ 73,915	$ 65,329
Transit	94,783	87,642
	168,698	152,971
Operating expenses:		
Contract Services	63,172	54,222
Transit	79,518	74,315
General and administrative	21,469	21,158
Operating profit	4,539	3,276
Other income (expense):		
Interest income	257	521
Interest expense	(2,127)	(2,241)
Other, net	(11)	(122)
Income before federal income taxes	2,658	1,434
Provision for federal income taxes	1,006	509
Net income	$ 1,652	$ 925
Weighted average shares outstanding	12,757	12,708
Earnings per share	$ .13	$ .07

See notes to condensed consolidated financial statements.
</TABLE>

<TABLE>

MAYFLOWER GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

<CAPTION>

(Dollars in thousands)	As of March 31, 1994 (Unaudited)	As of December 3 1993
<S>	<C>	<C>
Assets :		
Current assets:		
Cash	$ 6,052	$ 6,093
Receivables:		
Trade receivables	75,987	74,136
Accrued unbilled accounts receivable	15,508	16,845
Other	16,924	15,814
Less allowance for possible collection losses	(6,446)	(6,174)
Total receivables	101,973	100,621
Equipment and inventory held for resale	12,134	8,911
Deferred income taxes	13,230	13,230
Prepaid expenses and deposits	8,707	8,147
Total current assets	142,096	137,002
Property and equipment:		
Land	2,175	2,175
Buildings and improvements	16,728	16,273
Revenue equipment	122,360	117,561
Other operating equipment and improvements	9,850	9,072
Less accumulated depreciation	(35,004)	(30,334)
Net property and equipment	116,109	114,747
Intangible assets	52,293	53,372
Other assets	18,912	17,556
	$ 329,410	$ 322,677
Liabilities and shareholders' investment:		
Current liabilities:		
Current maturities of long- term debt	$ 2,682	$ 2,276
Trade accounts payable	37,665	39,141
Accrued expenses and deposits:		
Liabilities on unbilled shipments	8,633	9,026
Reserve for self- insured claims	30,353	28,940
Salaries and withholding taxes	11,551	6,755
Other	10,658	11,667
Total current liabilities	101,542	97,805
Noncurrent liabilities:		

Long-term debt, less current maturities	96,602	95,407
Deferred income taxes	29,963	29,963
Reserve for self- insured claims, less current portion	11,210	11,210
Accrued postretirement benefits cost	5,752	5,621
Shareholders' investment:		
Common shares; no par value; 30,000,000 authorized; issued and outstanding: 12,662,529 in 1994 and 12,662,403 in 1993	73,883	73,865
Retained earnings	10,458	8,806
Total shareholders' investment	84,341	82,671
	$ 329,410	$ 322,677

See notes to condensed consolidated financial statements.
</TABLE>

<TABLE>
MAYFLOWER GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
<CAPTION>

(Dollars in thousands)	Three Months Ended March 31, 1994	1993
	(Unaudited)	
<S>	<C>	<C>
Net cash provided by (used in):		
Operating activities	$5,908	$8,041
Investing activities	(7,550)	(1,646)
Financing activities	1,601	(12,528)
	(41)	(6,133)
Cash and cash equivalents-beginning of quarter	6,093	9,449
Cash and cash equivalents- end of quarter	$6,052	$3,316
Operating activities:		
Net income	$1,652	$925
Add items not affecting cash:		
Depreciation	4,856	4,489
Amortization and other	1,204	1,699
Changes in certain working capital items:		
Receivables	(1,352)	1,280
Equipment and inventory held for resale	(3,223)	(8,021)
Prepaid expenses and deposits	(560)	903
Trade accounts payable	(1,476)	6,546
Reserve for self- insured claims	1,413	1,156
Other accrued expenses and deposits	3,394	(936)
Net cash provided by operating activities	$5,908	$8,041

Investing activities:

Purchases of property and equipment	($6,621)	($1,578)
Proceeds from disposal of property and equip., less gains included in net income	402	531
Increase in other noncurrent assets and noncurrent liabilities	(1,331)	(599)
Net cash used in investing activities	($7,550)	($1,646)
Financing activities:		
Proceeds from long- term debt	$2,218	$4,130
Payment of long- term debt	(617)	(10,058)
Net change in revolving credit agreeements	---	(6,600)
Net cash provided by (used in) financing activities	$1,601	($12,528)

See notes to condensed consolidated financial statements.
</TABLE>

MAYFLOWER GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements presented herein are prepared pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial reporting. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles are condensed, incorporated by reference or omitted, as allowed by the rules and regulations. Management of the Company believes the interim financial statements include all adjustments, including normal recurring adjustments, necessary for a fair presentation of the financial condition and results of operations for the interim periods presented. Reference is made to the Notes to Consolidated Financial Statements included in the Company's 1993 Report on Form 10-K for a summary of significant accounting policies and other information, the substance of which has not changed materially as of March 31, 1994, unless otherwise noted herein. Certain amounts within the 1993 Condensed Consolidated Financial Statements are reclassified to conform with the 1994 presentation.

2. OPERATING PROFIT

Operating profit by segment is as follows (dollars in thousands):
<TABLE>
<CAPTION>

	Three months ended March 31, 1994	1993
<S>	<C>	<C>
Contract Services	$ 7,628	$ 7,831

Transit	(2,835)	(4,250)
Corporate expenses	(254)	(305)
	$ 4,539	$ 3,276

</TABLE>

3. COMMITMENTS AND CONTINGENCIES

Contract Services and Transit are involved from time to time in various actions that are incidental to the ordinary course of their businesses, including property damage and personal injury claims. Management believes that the disposition of these matters will not have a material adverse effect on the financial position of the Company.

4. PROVISION FOR FEDERAL INCOME TAXES

For 1994 and 1993, effective rates that differed from the U.S. federal statutory rates were used in recording federal tax expense. The primary reasons for this difference are the nondeductibility of amortization of certain intangible assets and the increase in the U.S. federal statutory rate to 35% in 1994 from 34% in 1993.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 1994 COMPARED
WITH THREE MONTHS ENDED MARCH 31, 1993

Operating revenues for the three months ended March 31, 1994 totaled $168.7 million, or an increase of 10.3% over operating revenues of $153.0 million during the first quarter last year. Net income for the three months ended March 31, 1994 was $1.7 million compared to $925,000 for the same period in 1993.

Contract Services

Contract Services operating revenues for the three months ended March 31, 1994 were $73.9 million compared to $65.3 million for the same period in 1993, an increase of 13.1%. Public Transportation revenues increased $7.3 million, or 48.4%, to $22.4 million. This growth is attributable to revenues earned from new customer contracts for paratransit services and an acquisition in September 1993 of a public transportation company located in North Carolina. School Transportation revenues increased $1.3 million, or 2.6%, to $51.5 million, due largely to price increases.

Operating profit for the three months ended March 31, 1994 was $7.6 million, a net decrease of $200,000 from the same period in 1993. Although School Transportation gross margin increased approximately

$600,000 and general and administrative expenses were lower by $200,000, a decrease of $1.0 million in Public Transportation gross margin more than offset these favorable items.

The School Transportation gross margin increase was due principally to increased revenues and reductions in insurance, fuel and driver operating costs. The decrease in gross margin contributions from Public Transportation business was due to operational difficulties in two major operations, higher start-up costs on a new contract, and an increase in driver wage and related costs, vehicle maintenance expenses and insurance claims over the comparable period in 1993.

Significant steps have been taken to improve results in Public Transportation throughout the remainder of this year. Increased pricing will be effective in the third quarter at one of the larger troubled operations. The other major service contract with less than desirable results is scheduled to expire in December 1994. Re-pricing of that business will be closely reviewed before a decision is made to rebid it. Management believes the profitability of the new contract will improve because start-up costs have been reduced.

Transit

Transit's operating revenues for the three months ended March 31, 1994 were $94.8 million, an increase of $7.1 million, or 8.1%, over the comparable period in 1993. Line haul revenues, the largest component of Transit revenues, increased $3.2 million, or 6.1%, during the three months ended March 31, 1994 compared to last year.

Revenues earned from line haul for the Household Goods division increased 9.4% primarily as a result of an increase in the average price earned per shipment. While a nominal increase in shipments was realized during the first quarter of 1994, a significant change in the mix of shipments (from government and military to COD and corporate accounts) was the major factor for the significant improvement in average line haul price earned per shipment. Line haul revenues earned for the Electronics & Trade Show division were flat in comparison to 1993.

Transit's operating loss for the three months ended March 31, 1994 was $2.8 million compared to an operating loss of $4.2 million for the same period in 1993. Due to the seasonal nature of Transit's business, the first quarter normally results in a loss. Operating profit was favorably affected by a $1.0 million gross margin improvement in the Household Goods division, Transit's largest operating division, and an increase of approximately $300,000 in operating profits realized by Transit's insurance operations compared to the first quarter of 1993.

The improvement of $1.0 million in the Household Goods division gross margin compared to the first quarter of 1993 was the result of higher revenues, greater emphasis on fleet management and a reduction in net cargo claims and insurance expenses. The heightened emphasis on fleet management increased driver productivity and retention resulting in reduced driver recruiting and training costs.

Despite the growth in revenues, overhead costs during the first quarter did not vary significantly compared to the same period in 1993. Transit is experiencing favorable results from cost containment programs and organizational changes implemented in the latter part of 1993. Management anticipates these positive trends will continue.

Interest Income and Interest Expense

Interest income for the three months ended March 31, 1994 was $257,000 compared to $521,000 for the same period in 1993, a decrease of $264,000. This decrease is primarily a result of a change in financing arrangements of Transit's equipment sales and financing subsidiary. In December 1993, this subsidiary began selling to various financial institutions installment notes receivable recorded from sales of equipment by this subsidiary. Previously, these notes receivable were financed directly by the Company resulting in the recording of interest income. Beginning in 1994, the positive interest margin is recorded as a component of operating profit.

Interest expense for the three months ended March 31, 1994 was $2.1 million, a decrease of $114,000 from the comparable period in 1993. This decrease is primarily due to the change in financing arrangements of Transit's equipment sales and financing subsidiary as described above.

Seasonality

Peak business levels for Contract Services occur during the traditional school months of September through May. For example, during 1993 approximately 86% of Contract Services' revenues were generated during these nine months.

At Transit, proportionately more household goods moves occur during the summer months. During 1993, for example, approximately 45% of the Household Goods division's revenues were generated during the months of June through September.

Due to the seasonal impact of revenue being generated by each of the Company's two operating subsidiaries as discussed above, the Company historically realizes higher net income in the second and fourth quarters than in the first and third quarters of the year.

Liquidity and Capital Resources

Total cash decreased by $41,000 from December 31, 1993 to March 31, 1994. Operating activities contributed $5.9 million and financing activities provided $1.6 million during the three month period. This was offset by the use of cash in investing activities of $7.6 million.

The $5.9 million in cash provided by operations was primarily due to $7.7 million provided by net income, after adding back items not affecting cash. Net cash of $1.8 million was used for working capital purposes. Cash was used to finance the increase in accounts receivable resulting from the Company's revenue growth, to fund necessary inventory purchases at Contract Services which are being spread more evenly over 1994 compared to 1993, and to reduce trade accounts payable. Offsetting these uses of cash, other accrued expenses has increased during the three month period due to increased federal tax liabilities and accrued payroll.

For the three months ended March 31, 1994, the Company used $7.6 million, net, for investing activities. The Company used $6.6 million for the purchase of property and equipment, primarily the purchase of school buses by Contract Services and, to a lesser extent, trailers by Transit.

The Company has working capital of $40.6 million at March 31, 1994, which is comparable to working capital at December 31, 1993. The Company also has $15.1 million available under its revolving credit facility at March 31, 1994. Total debt at March 31, 1994, was $99.3 million compared to $97.7 million at December 31, 1993, representing a $1.6 million increase in total debt during the three months ended March 31, 1994. During the quarter, the Company received $1.6 million, net, from an equipment obligation facility used to finance certain bus purchases of Contract Services.

At March 31, 1994, the Company has committed to approximately $30 million in capital expenditures during 1994. This includes $1 million for 50 trailers by Transit and $29 million, or 729 units, for school and public transit buses by Contract Services. In acquiring these assets, the Company will consider various available leasing alternatives and utilize funds available under existing financing arrangements. The Company has also entered into discussions with one of its existing lenders to expand the facility for additional financing needs.

The Company believes cash flow from operations combined with existing financing arrangements and other financing sources currently being negotiated will be more than adequate to fund short and long- term cash requirements.

PART II- OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits. The following exhibit is filed as a part of this Quarterly Report on Form 10-Q:

Exhibit Number	Exhibit
11	Calculation of Earnings Per Share

(b) Reports on Form 8-K.

The Company filed no reports on Form 8-K during the quarter.

SIGNATURE

The registrant has duly caused this report to be signed on its behalf by the undersigned duly authorized.

MAYFLOWER GROUP, INC.

Date: May 13, 1994

By: /s/ Ronald W. Martin

Ronald W. Martin, Vice-President
Finance and Chief Accounting Officer

EXHIBIT 11

<TABLE>

STATEMENT RE: COMPUTATION OF EARNINGS PER SHARE
FOR THE THREE MONTHS ENDED MARCH 31, 1994 AND MARCH 31, 1993
(In thousands, except per share data)

<CAPTION>

	Three months ended March 31, 1994	Three months ended March 31, 1993
<S>	<C>	<C>
Primary: (1)		
Average shares outstanding	12,663	12,646
Net effect of options to purchase common stock - based on the treasury stock method using estimated market price	94	62
	12,757	12,708
Net Income	$1,652	$ 925
Earnings Per Share	$.13	$.07

</TABLE>

(1) Fully diluted earnings per share do not differ from primary earnings per

share.