FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1999-07-27** | Period of Report: **1999-06-30**
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FILER

MESTEK INC

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SIC: **3585** Air-cond & warm air heatg equip & comm & indl refrig equip

Business Address
260 N ELM ST
WESTFIELD MA 01085
4135689571

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarter ended: June 30, 1999

Commission file number: 1-448

MESTEK, INC.

Pennsylvania Corporation

I.R.S. Employer Identification No.
25-0661650

260 North Elm Street
Westfield, Massachusetts 01085

Telephone: (413) 568-9571

The Registrant 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 and has been subject to such filing requirements for the past 90 days.

The number of shares of Common Stock outstanding as of July 27, 1999, was 8,873,105.

MESTEK, INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE MONTHS ENDED JUNE 30, 1999

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In the opinion of management, the information contained herein reflects all adjustments necessary to make the results of operations for the interim periods a fair statement of such operations. All such adjustments are of a normal recurring nature.

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

MESTEK, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 1999	Dec. 31, 1998
	(Dollars in thousands)	
ASSETS		
Current Assets		
	$ 1,384	$ 3,777
Accounts Receivable - less allowances of, $4,122 and $3,443 respectively	57,657	55,443
Unbilled Accounts Receivable	271	286
Inventories	57,116	52,980
Other Current Assets	6,287	5,103
Total Current Assets	122,715	117,589

Property and Equipment - net	69,088	55,841
Other Assets and Deferred Charges - net	7,401	7,148
Excess of Cost over Net Assets of Acquired Companies	30,822	24,565
Total Assets	$230,026	$205,143

See the Notes to Condensed Consolidated Financial Statements.

Continued on next page

MESTEK, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (continued)
(Unaudited)

	June 30, 1999	Dec. 31, 1998
	(Dollars in thousands)	
LIABILITIES, AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Current Portion of Long-Term Debt	$ 39,844	$ 12,750
Accounts Payable	13,113	20,126
Accrued Compensation	3,969	6,187
Accrued Commissions	3,472	3,985
Progress Billings in Excess of Cost and Estimated Earnings	3,188	3,150
Customer Deposits	4,549	5,746
Other Accrued Liabilities	18,139	16,230
Total Current Liabilities	86,274	68,174
Long-Term Debt	394	438
Other Liabilities	323	370
Total Liabilities	86,991	68,982
Minority Interests	2,939	2,863
Shareholders' Equity		
Common Stock - no par, stated value $0.05 per share,		

9,610,135 shares issued	479	479
Paid in Capital	15,434	15,434
Retained Earnings	132,387	125,263
Treasury Shares, at cost, (737,030 and 719,830 common shares, respectively)	(7,129)	(6,790)
Cumulative Translation Adjustment	(1,075)	(1,088)
Total Shareholders' Equity	140,096	133,298
Total Liabilities, and Shareholders' Equity	$230,026	$205,143

See the Notes to Condensed Consolidated Financial Statements.

MESTEK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
	(In thousands, except for share amounts)			
Net Sales	$84,508	$73,780	$162,070	$145,414
Net Service Revenues	5,025	3,908	9,489	7,923
Total Revenues	89,533	77,688	171,559	153,337
Cost of Goods Sold	60,825	53,585	116,794	105,473
Cost of Service Revenues	2,578	2,496	5,600	5,085
Gross Profit	26,130	21,607	49,165	42,779
Selling Expense	12,128	10,386	22,847	20,139
General and Administrative Expense	4,677	4,077	8,708	7,784
Engineering Expense	2,982	2,197	5,134	4,185
Operating Profit	6,343	4,947	12,476	10,671
Interest Expense	(587)	(287)	(846)	(446)
Other Income (Expense) - net	28	(162)	(155)	(289)
Income Before Income Taxes	5,784	4,498	11,475	9,936
Income Taxes	2,179	1,666	4,351	3,734
Net Income	$3,605	$2,832	$7,124	$6,202

Basic Earnings Per Common Share	$.41	$.32	$.80	$.69
Basic Weighted Average Shares Outstanding	8,873	8,925	8,877	8,926
Diluted Earnings Per Common Share	$.41	$.32	$.80	$.69
Diluted Weighted Average Shares Outstanding	8,900	8,956	8,904	8,953

See the Notes to Condensed Consolidated Financial Statements.

Note: Year to date June 30, 1999 and June 30, 1998 earning per share figures do not equal the sum of individual quarters due to rounding differences.

MESTEK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30, 1999	1998
	(Dollars in thousands)	
Cash Flows from Operating Activities:		
Net Income	$ 7,124	$ 6,202
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	4,971	3,903
Provision for Losses on Accounts Receivable	416	301
Change in Assets & Liabilities:		
Cash Flows Provided by (Used in) Changes In:		
Accounts Receivable	1,508	4,044
Unbilled Accounts Receivable	15	17
Inventory	(418)	(6,744)
Other Assets	280	(991)
Accounts Payable	(8,031)	(3,087)
Progress Billings	38	(409)
Other Liabilities	(3,437)	(2,379)
Net Cash Provided by Operating Activities	2,466	857
Cash Flows from Investing Activities:		
Capital Expenditures	(6,164)	(5,121)
Acquisition of Businesses (net of cash acquired)	(25,495)	(3,096)
Net Cash Used in Investing Activities	(31,659)	(8,217)
Cash Flows from Financing Activities:		
Net Borrowings Under Line of Credit Agreements	27,092	24,898
Principal Payments Under Long Term Debt Obligations	(42)	(15,040)
Increase in Minority Interests	76	141
Repurchase of Common Stock	(339)	(121)
Cumulative Translation Adjustments	13	(26)

Net Cash Provided by Financing Activities	26,800	8,152
Net (Decrease) Increase in Cash and Cash Equivalents	(2,393)	792
Cash and Cash Equivalents - Beginning of Period	3,777	2,494
Cash and Cash Equivalents - End of Period	$1,384	$3,286

See the Notes to Condensed Consolidated Financial Statements.

<TABLE>

MESTEK, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

For the period January 1, 1998 through June 30, 1999

<CAPTION>

<S>	Common Stock <C>	Additional Paid In Capital <C>	Retained Earnings <C>	Treasury Shares <C>	Cumulative Translation Adjustment <C>	Total <C>
Balance - January 1, 1998	$479	$15,434	$109,199	($6,109)	($996)	$118,007
Net Income			16,064			16,064
Common Stock Repurchased				(681)		(681)
Cumulative Translation Adjustment					(92)	(92)
Balance - December 31, 1998	$479	$15,434	$125,263	($6,790)	($1,088)	$133,298
Net Income			7,124			7,124
Common Stock Repurchased				(339)		(339)
Cumulative Translation Adjustment					13	13
Balance - June 30, 1999	$479	$15,434	$132,387	($7,129)	($1,075)	$140,096

See the Notes to Condensed Consolidated Financial Statements.

</TABLE>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Significant Accounting Policies

Basis of Presentation

The condensed consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries. In the opinion of management, the financial statements include all material adjustments, consisting solely of normal recurring adjustments, necessary for a fair presentation of the Company's financial position, results of operations and cash flows. The results of this interim period are not necessarily indicative of results for the entire year.

Inventories

Inventories are valued at the lower of cost or market. Cost of inventories is determined principally by the last-in, first-out (LIFO) method.

Income Taxes

Provisions for income tax in the amounts of $ 2,179,000 and $ 1,666,000 were recorded for the three month period ended June 30, 1999 and 1998, respectively.

Goodwill

The Company amortizes Goodwill on the straight line basis over the estimated period to be benefitted. The acquisitions of National Northeast Corporation, National Southeast Aluminum Corporation, and Heat Exchangers, Inc. in 1995 resulted in Goodwill of $11,118,000 which is being amortized over 25 years. The acquisitions of Rowe Machinery & Automation, Inc., and Omega Flex, Inc. in 1996 resulted in Goodwill of $7,729,000 which is being amortized over 25 years. The acquisition of Hill Engineering, Inc. on January 31, 1997, resulted in Goodwill of $2,892,000 which is being amortized over 25 years. The acquisition of Anemostat, as more fully described in Note 2, resulted in Goodwill of approximately $6,800,000, which is being amortized over 25 years. The Company continually evaluates the carrying value of Goodwill. Any impairments would be recognized when the expected discounted future operating cash flows derived from such Goodwill is less than their carrying value.

Reclassification

Reclassifications are made periodically to previously issued financial statements to conform with the current year presentation.

Note 2 - Business Acquisition

On March 26, 1999, the Company acquired substantially all of the operating assets of the Anemostat Products and Anemostat-West Divisions of Dynamics Corporation of America, (collectively, Anemostat), a wholly-owned subsidiary of CTS Corporation. Anemostat manufactures commercial air distribution products (grilles, registers, diffusers and VAV boxes); security air distribution products; and door and vision frame products for the HVAC and commercial building industries at locations in Scranton, Pennsylvania, (Anemostat Products) and Carson, California, (Anemostat-West). The Anemostat products are complementary to the Company's existing louver and damper businesses. The purchase price paid for the assets acquired was approximately $25,360,000, including assumed liabilities of approximately $2,419,000. The Company accounted for this acquisition under the purchase method of accounting and, accordingly, recorded Goodwill of approximately $6,800,000.

On April 26, 1999, an order was entered in the Bankruptcy Court for the Southern District of Ohio, whereby the Company's offer to acquire the operating assets of ACDC, Inc. (ACDC) of New Milford, Ohio, a manufacturer of industrial dampers for the power generation market, was approved. The Company closed this transaction on May 7, 1999 for approximately $2.6 million.

Note 3 - Merger Agreement

On May 26, 1999 the Company entered into a definitive agreement, (The Agreement), to merge its wholly owned subsidiary, MCS, Inc. (MCS) into Simione Central Holdings, Inc. (Simione). Under the terms of the Agreement, for every share of outstanding Simione common stock, Simione will issue .85 shares of its common stock to the Company. As a result, the Company will own approximately 46% of Simione after the merger is completed. Under the terms of the Agreement MCS's ProfitWorks segment will be distributed to the Company prior to the merger.

Simione is a provider of information systems and services to the home health care industry supplying information systems, consulting and agency support services to customers nationwide. Simione provides freestanding, hospital based and multi-office Home Health care Providers (including certified, private duty, staffing, HME, IV therapy, and hospice) with information solutions that address all aspects of home care operations. Simione maintains offices nationwide and is headquartered in Atlanta, Georgia.

Under the terms of the Agreement, if either party terminated the Agreement in favor of an alternative acquisition proposal the terminating party shall be obligated to pay the other party up to $1,700,000 in termination fees. The Agreement is subject to regulatory and shareholder approvals and is expected by the parties to close prior to the end of 1999.

Note 4 - Property and Equipment

	June 30, 1999	Dec. 31, 1998
Land	$2,853,000	$2,395,000
Building	26,274,000	21,887,000
Leasehold Improvements	4,414,000	4,474,000

Equipment	91,617,000	78,820,000
	125,158,000	107,576,000
Accumulated Depreciation	(56,070,000)	(51,735,000)
	$69,088,000	$55,841,000

Note 5 - Long-Term Debt

	June 30, 1999	Dec. 31, 1998
Revolving Loan Agreement	$32,712,000	$12,619,000
Other Bonds and Notes Payable	7,526,000	569,000
	40,238,000	13,188,000
Less Current Maturities	(39,844,000)	(12,750,000)
	$394,000	$438,000

Revolving Loan Agreement - The Company has a Revolving Loan Agreement and Letter of Credit Facility (the Agreement) with a commercial bank. The Agreement provides $55 million of unsecured revolving credit and $10 million of standby letter of credit capacity. Borrowings under the Agreement bear interest at a floating rate based on the bank's prime rate less 1.00% or, at the discretion of the borrower, LIBOR plus a quoted market factor or, alternatively, in lieu of the prime based rate, a rate based on the overnight Federal Funds Rate. The Agreement has been extended on a one year basis through April 30, 2000. The Revolving Loan Agreement contains financial covenants which require that the Company maintain certain current ratios, working capital amounts, capital bases and leverage ratios. This Agreement also contains restrictions regarding the creation of indebtedness, the occurrence of mergers or consolidations, the sale of subsidiary stock, and the payment of dividends in excess of 50% of net income.

Note 6 - Interim Segment Information

Description of the types of products and services from which each reportable segment derives its revenues:

The Company has four reportable segments: the manufacture of heating, ventilating and air-conditioning

equipment (HVAC), the manufacture of metal handling and metal forming machinery (Metal Forming), the production of metal products (Metal Products), and computer software development and system design, (Computer Software).

The Company's HVAC segment manufactures and sells a wide variety of residential, commercial and industrial heating, cooling, and air distribution products to independent wholesales supply warehouses, to mechanical, sheet metal and other contractors, and in some cases to other HVAC manufacturers under original equipment manufacture (OEM) contracts. The products include finned tube and baseboard radiation equipment gas fired heating and ventilating equipment, air damper equipment and related air distribution products and commercial and residential boilers. The products are marketed under a number of franchise names including Sterling, Beacon Morris, Smith, Hydrotherm, RBI, Vulcan, Applied Air, Wing, AWV, ABI, Arrow, Anemostat, Koldwave, and SpacePak. Assets totaling approximately $2.6 million acquired in the ACDC acquisition on May 7, 1999, as more fully described in Note 2, have been added to the Company's HVAC segment.

The Company's Metal Products segment manufactures a variety of metal products including aluminum extrusions, flexible metal hose and grey iron castings. This segment sells its products mostly as components to manufacturers who incorporate them into their own products. In some cases flexible metal hose is sold to distributors.

The Company's Metal Forming Segment designs, manufactures and sells a variety of metal forming and handling products under names such as Cooper-Weymouth, Peterson, Dahlstrom, Hill Engineering, Coilmate-Dickerman, and Rowe. The products are sold directly and through independent dealers in most cases to end-users and in some cases to other original equipment manufacturers. The products include custom metal forming systems and other standard machinery such as roll formers, wing formers, destackers, presses, feeds, straighteners, cradles, stock reels, cut-to-length lines, gasket dies, tools and dies for metal forming systems and specialty punching and cut-off machinery.

The Company's Computer Software segment operates under the name MCS, Inc. (MCS) and develops and sells software used principally in the medical information systems marketplace. MCS's products include software used to manage the day -to-day operations of home medical equipment dealers and home health agencies.

Measurement of segment profit or loss and segment assets:

The Company evaluates performance and allocates resources based on profit or loss from operations before interest expense and income taxes, (EBIT) not including non-operating gains and losses. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Intersegment sales and transfers are recorded at prices substantially equivalent to the Company's cost; inter-company profits on such intersegment sales or transfers are not material.

Factors management used to identify the enterprise's reportable segments:

The Company's reportable segments are business units that offer different products. The reportable segments are each managed separately because they manufacture and distribute distinct products using distinct production processes intended for distinct marketplaces.

Three Months ended
June 30, 1999:

	HVAC	Metal Products	Metal Forming	Computer Software	Totals
Revenues from External Customers	$59,660	16,162	8,686	5,025	89,533
Segment Operating Profit	3,875	1,777	162	529	6,343

Three Months ended
June 30, 1998:

	HVAC	Metal Products	Metal Forming	Computer Software	Totals
Revenues from External Customers	$49,924	11,982	11,874	3,908	77,688
Segment Operating Profit	1,557	1,351	1,611	428	4,947

Note 7 - Earnings Per Common Share

Basic earnings per share were computed using the weighted average number of common shares outstanding. Common stock options were considered in the computation of diluted earnings.

Note 8 - Common Stock Buyback Program

During the second quarter of 1999, the Company made no "open market" or odd lot purchases of its common stock.

Note 9 - Stock Option Plans

On March 20, 1996 the Company adopted a stock option plan, the Mestek, Inc. 1996 Stock Option Plan, (the Plan), which provides for the granting of incentive and non-qualified stock options of up to 500,000 shares of stock to certain employees of the Company and other persons, including directors, for the purchase of the Company's common stock at fair market value at the date of grant. The Plan was approved by the Company's shareholders on May 22, 1996. Options granted under the plan vest over a five-year period and expire at the end of ten years. During the first quarter of 1999, options to purchase 85,000 shares of common stock were granted, (65,000 on January 4, 1999 and 20,000 on March 29, 1999) at an exercise price of $20.00, to seven employees. All options granted under the Plan total 175,000 shares, all of which are outstanding at June 30, 1999.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operation

Total Revenues in the Company's HVAC segment, as illustrated in Note 5 to the Condensed Consolidated Financial Statements, during the second quarter of 1999 were increased relative to the second quarter of 1998, by 19.5%, reflecting principally the effect of the acquisition of Anemostat on March 26, 1999. Comparative results for the HVAC segment were also positively impacted by improved results in a number of the segment's hydronic and industrial products. Operating income for this segment as a result increased from $1,557,000 in the second quarter of 1998 to $3,875,000 in the second quarter of 1999.

Total Revenues in the Company's Metal Products segment, as illustrated in Note 5 to the Condensed Consolidated Financial Statements, were up 34.9% during the second quarter of 1999, principally as a result of the addition of Boyertown Foundry Company which was acquired on November 2, 1998. In addition, this segment's Omega Flex division continued to expand sales of it Trac-Pipe(TM) flexible gas piping product. This segment's National Northeast unit experienced reduced revenues and operating profits during the quarter, however, due to delays in the startup of its new 3,000 ton extrusion press in Pelham, New Hampshire and as a result, gross profit margins for the segment as a whole were slightly reduced; operating profits, notwithstanding, increased by 22.1%.

Total Revenues in the Company's Metal Forming segment, as illustrated in Note 5 to the Condensed Consolidated Financial Statement were down 26.8% reflecting the effect of an industry-wide slow-down in incoming orders for Metal Forming Equipment experienced primarily in the 3rd and 4th quarters of 1998. Operating income was accordingly reduced from $1,611,000 in the second quarter of 1998 to $162,000 in the second quarter of 1999. Sales backlog in this segment, which recorded a twelve -month low of approximately $10,908,000 at December 31, 1998, has grown to approximately $15,076,000 at June 30, 1999.

The Company's Computer Software segment reported significant increases in revenues and gross profits and a modest increase in operating income owing principally to the release of an upgraded version of its flagship product, MestaMed, in the latter part of 1998 and reorganization of management. The operating income increase has not kept pace with the increase in revenues due to increased spending on product support and development initiatives. The medical information software products and services of this segment are the subject of the merger agreement set forth in Note 3 to these Condensed Consolidated Financial Statements on page 9.

For the Company as a whole, Sales, General and Administrative, and Engineering costs, taken together as a percentage of Total Revenues, were slightly increased from 21.44% to 22.10%.

Operating income for the first quarter of 1999 for the Company as a whole increased by $1,396,000 or 28.2% reflecting the net effect of the factors mentioned above.

The Company's total debt (long-term debt plus current portion of long-term debt) increased by $ 3.4 million during the quarter ended June 30, 1999 reflecting principally the effect of the acquisition of ACDC on May 7, 1999 as more fully described in Note 2 to the Condensed Consolidated Financial Statements. Management regards the Company's current capital structure and banking relationships as fully adequate to meet foreseeable future needs. The Company has not paid dividends on its common stock since 1979.

PART II - OTHER INFORMATION

Item 6 - Exhibits and Reports on Form 8-K

(a) Statement of Computation of Per Share Earnings ... Page 15

(b) Registrant filed two reports on Form 8-K during the quarter for which this report is filed.

Item 7 - Submission of Matters to a Vote of Security Holders

The Company held its Annual Meeting of Shareholders on May 18, 1999. The following Directors were re-elected to serve until the next Annual Meeting.

A. Warne Boyce

E. Herbert Burk
William J. Coad
Winston R. Hindle, Jr.
David W. Hunter
David M. Kelly
David R. Macdonald
John E. Reed
Stewart B. Reed

The shareholders voted to affirm the appointment of Grant Thornton LLP as independent auditors for the Company for the fiscal year ending December 31, 1999.

MESTEK, INC.

SCHEDULE OF COMPUTATION OF EARNINGS PER COMMON SHARE

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
(Amounts in thousands, except earnings per common share)				
Net Income for earnings per share	$3,605	$2,832	$7,124	$6,202
Basic weighted average number of common shares outstanding	8,873	8,925	8,877	8,926
Basic earnings per common share	$ .41	$ .32	$ .80	$ .69
Diluted weighted average number of common shares outstanding	8,900	8,956	8,904	8,953
Diluted earnings per common share	$ .41	$ .32	$ .80	$ .69

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.

MESTEK, INC.
(Registrant)

Date: July 27, 1999 By: /S/ Stephen M. Shea

Stephen M. Shea, Senior Vice President -Finance and CFO (Chief Financial Officer)

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