

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-03-16** | Period of Report: **1994-01-31**
SEC Accession No. **0000033619-94-000002**

([HTML Version](#) on secdatabase.com)

FILER

ESTERLINE TECHNOLOGIES CORP

CIK: **33619** | IRS No.: **132595091** | State of Incorp.: **DE** | Fiscal Year End: **1031**
Type: **10-Q** | Act: **34** | File No.: **001-06357** | Film No.: **94516254**
SIC: **3559** Special industry machinery, nec

Mailing Address
*10800 N E 8TH STREET
BELLEVUE WA 98004*

Business Address
*10800 NE 8TH ST
STE 600
BELLEVUE WA 98004
2064539400*

Common Stock, par value \$.20 per share--6,512,641 shares.

Page 1 of 11 Pages
Exhibit Index at Page 10

2

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

ESTERLINE TECHNOLOGIES CORPORATION
CONSOLIDATED BALANCE SHEET
As of January 31, 1994 and October 31, 1993
(In thousands)

<TABLE>
<CAPTION>

	January 31, 1994	October 31, 1993
	-----	-----
ASSETS	(unaudited)	
<S>	<C>	<C>
Current Assets		
Cash and equivalents	\$ 178	\$ 3,218
Accounts receivable, net of allowances of \$2,422 and \$2,417 for doubtful accounts	39,870	45,778
Inventories		
Finished goods	10,307	9,508
Work in process	17,820	17,340
Raw materials and purchased parts	11,664	11,582
	-----	-----
	39,791	38,430
	-----	-----
Deferred income taxes	7,882	7,882
Prepaid expenses	1,623	1,838
	-----	-----
Total Current Assets	89,344	97,146
Property, Plant and Equipment	143,121	140,891
Accumulated depreciation	87,262	84,326
	-----	-----
	55,859	56,565
Cost in Excess of Net Assets Acquired	23,465	23,802
Intangibles & Other	23,429	23,679
Deferred Income Taxes	4,480	4,480
	-----	-----

	\$196,577	\$ 205,672
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 11,362	\$ 14,647
Accrued liabilities	56,511	60,063
Notes payable	6,103	5,157
Current maturities of long-term debt	4,566	7,062
Federal and foreign income taxes	885	1,153
	-----	-----
Total Current Liabilities	79,427	88,082
Long-Term Debt,		
net of current maturities	62,186	62,267
Shareholders' Equity		
Common stock, par value \$.20 per share, authorized 30,000,000 shares, issued and outstanding 6,512,641 shares	1,302	1,302
Capital in excess of par value	10,482	10,482
Retained earnings	46,984	47,388
Cumulative translation adjustment	(3,804)	(3,849)
	-----	-----
Total Shareholders' Equity	54,964	55,323
	-----	-----
	\$196,577	\$ 205,672
	=====	=====

</TABLE>

See Notes to Consolidated Financial Statements

-2-

3

ESTERLINE TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS
For the Three Months Ended January 31, 1994 and 1993
(Unaudited)
(In thousands, except per share amounts)

<TABLE>

<CAPTION>

<S>

Three Months Ended
January 31,

<C> <C>
1994 1993

Net Sales	\$57,872	\$67,324
Costs and Expenses		
Cost of sales	36,147	41,913
Selling, general and administrative	20,885	23,290
Interest expense, net	1,466	1,569
	-----	-----
	58,498	66,772
	-----	-----
Earnings (Loss) Before Income Taxes	(626)	552
Income Tax Expense (Benefit)	(222)	221
	-----	-----
Net Earnings (Loss)	\$ (404)	\$ 331
	=====	=====
Net Earnings (Loss) Per Share	\$ (0.06)	\$ 0.05
	=====	=====

</TABLE>

See Notes to Consolidated Financial Statements

-3-

4

ESTERLINE TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Three Months Ended January 31, 1994 and 1993
(Unaudited)
(In thousands)

<TABLE>
<CAPTION>

	Three Months Ended January 31,	
	-----	-----
<S>	<C>	<C>
	1994	1993
	-----	-----

Cash Flows Provided (Used) by Operating Activities

Net earnings (loss)	\$ (404)	\$ 331
Depreciation and amortization	3,602	4,633
Deferred income taxes	---	(139)
Working capital changes		
Accounts receivable	5,908	6,167
Inventories	(1,361)	(1,765)
Prepaid expenses	215	(331)
Accounts payable	(3,285)	(2,315)
Accrued liabilities	(3,552)	(5,478)
Federal and foreign income taxes	(268)	(603)
Other, net	(227)	58
	-----	-----
	628	558
	-----	-----
 Cash Flows Used by Investing Activities		
Capital additions, net	(2,082)	(1,560)
	-----	-----
 Cash Flows Provided (Used) by Financing Activities		
Net change in notes payable	946	2,332
Repayment of long-term debt	(2,577)	(2,617)
Cumulative translation adjustment	45	(522)
	-----	-----
	(1,586)	(807)
	-----	-----
 Net Increase (Decrease) in Cash and Equivalents	(3,040)	(1,809)
Cash and Equivalents - Beginning of Period	3,218	3,117
	-----	-----
Cash and Equivalents - End of Period	\$ 178	\$ 1,308
	=====	=====
 Supplemental Disclosures of Cash Flow Information		
Cash paid during the period for		
Interest expense	\$ 205	\$ 1,407
Income taxes	223	846

</TABLE>

See Notes to Consolidated Financial Statements

-4-

5

ESTERLINE TECHNOLOGIES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended January 31, 1994 and 1993

1. The consolidated balance sheet as of January 31, 1994 and the consolidated statements of operations and cash flows for the three months ended January 31, 1994 and 1993 are unaudited, but in the opinion of management all adjustments necessary to present fairly the financial statements referred to above have been made, none of which were other than normal recurring accruals.

-5-

6

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

Results of Operations

The first quarter of fiscal 1994 (ended January 31) resulted in a net loss of \$404,000, or \$.06 per share, on sales of \$57.9 million. In the first quarter of fiscal 1993 the Company reported net earnings of \$331,000, or \$.05 per share, on sales of \$67.3 million. The current quarter's net loss was after a tax benefit of \$222,000 and was primarily a result of the reduced sales level.

The 14% sales decline from the prior-year quarter affected all three of the Company's business groups, and ranged from 11.5% in the Instrumentation Group to 15.9% in the Aerospace/Defense Group. The declines resulted from: (a) the downturn in commercial aircraft and defense markets in fiscal 1993, affecting certain operations in both the Aerospace/Defense and Instrumentation Groups, (b) also in the Instrumentation Group, continued low spending by utilities for power generation-related products as a result of industry emphasis on power conservation, and reduced sales at a Group company primarily resulting from shipment delays due to temporary production difficulties, and (c) low order levels in late calendar 1993 at Automation Group's printed circuit board drilling machine operation. Sales in other Automation Group companies increased from last year, primarily because of some improvement in certain capital equipment markets.

Current quarter operating earnings in the Automation Group were improved compared with the prior-year period primarily due to significant cost reductions in 1993 at the drilling machine operation coupled with the increased sales at other group companies. Performance at the group's operation producing automated metal cutting and punching equipment improved significantly from the same quarter last year.

Operating earnings for the first quarter of fiscal 1994 in the Aerospace/Defense and Instrumentation Groups were significantly lower than the year-ago quarter due to reduced sales.

Gross margin as a percent of sales was 37.5% in the current quarter, virtually level with the first quarter last year. Selling, general and administrative expenses decreased by \$2.4 million from the prior-year quarter, but increased as a percent of sales from 34.6% to 36.1% due to the lower sales level in the current quarter. Interest expense was \$103,000 less in the first quarter of fiscal 1994 due to lower debt levels. The effective income tax rate was a 35.5% benefit versus a 40% provision in the prior-year quarter.

Backlog at the end of the current quarter was \$77.3 million, up slightly from \$74.4 million at the beginning of the quarter but down from \$92.5 million at the same time last year. At January 31, 1994, Company-wide backlog expected to be filled after fiscal 1994 was \$16 million.

-6-

7

The fourth quarter 1993 restructuring, which contemplated a number of actions including the sale or shutdown of certain small operations, is substantially on schedule. The Company is actively engaged in negotiations for the sale of one small company. Cost estimates associated with the restructuring remain substantially unchanged.

Financial Condition

The Company has not yet incurred any significant cash requirement in connection with the fourth quarter 1993 restructuring, and on an overall basis, no significant cash requirement is anticipated.

The Company's total debt at January 31, 1994 was \$72.9 million, down \$1.6 million from the Company's fiscal year end (October 31). Working capital increased to \$9.9 million during the quarter ended January 31, 1994 from \$9.1 million at year end. Capital expenditures are anticipated to be approximately \$10 million during fiscal 1994, compared to \$9.6 million in fiscal 1993. Capital expenditures primarily consist of machinery and equipment and computers. The Company expects to finance its foreseeable working capital requirements and capital expenditures from available cash resources, including bank credit lines and

funds generated from operations. Total available funds at January 31, 1994 consisted of cash on hand of \$178,000, plus approximately \$31 million available under short-term commitments with domestic and foreign banks. The Company's financing arrangements contain various restrictions, including maintenance of net worth, payment of dividends, interest coverage, and limitations on additional borrowings.

-7-

8

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In late 1992, Korry Electronics received a subpoena for records from the Department of Defense, Office of the Inspector General, relating to a government investigation focusing on whether Korry properly certified that certain switches used in military equipment were in compliance with applicable specifications and testing standards. The Company has supplied records requested in the subpoena and is engaged in settlement discussions with government officials. The investigation remains open, but the Company currently believes that this matter will not have a material adverse affect on its financial position or results of operations.

The Company has various lawsuits, claims, investigations and contingent liabilities arising from the conduct of business, including those associated with government contracting activities, none of which, in the opinion of management, is expected to have a material effect on the Company's financial position or results of operations.

-8-

9

<TABLE>

<CAPTION>

Item 6. Exhibits and Reports on Form 8-K

<S> <C>

(a) Exhibits.

11. Schedule setting forth computation of earnings per common share for the three months ended

January 31, 1994 and 1993.

(b) Reports on Form 8-K.

A current report on Form 8-K dated December 29, 1993 was filed with the Securities and Exchange Commission with respect to the Company's public announcement of a fourth quarter 1993 board-approved restructuring plan. No financial statements were filed.

</TABLE>

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 hereunto duly authorized.

<TABLE>

<S>

<C>

Esterline Technologies Corporation
(Registrant)

Date: March 15, 1994

By: /s/ Robert W. Stevenson

Robert W. Stevenson
Executive Vice President and
Chief Financial Officer,
Secretary and Treasurer
(Principal Financial and Accounting Officer)

</TABLE>

-9-

10

ESTERLINE TECHNOLOGIES CORPORATION
Form 10-Q Report for Fiscal Quarter Ended
January 31, 1994

INDEX TO EXHIBITS

<TABLE>
<CAPTION>

Exhibit Number	Exhibit	Page Number
<S> 11.	<C> Schedule setting forth computation of earnings per common share for the three months ended January 31, 1994 and 1993.	<C> 11

</TABLE>

ESTERLINE TECHNOLOGIES CORPORATION
 Computation of Earnings Per Common Share
 For the Three Months Ended January 31, 1994 and 1993
 (In thousands, except per share amounts)

<TABLE>

<CAPTION>

	Three Months Ended January 31,	

<S>	<C>	<C>
	1994	1993
	-----	-----
Primary		
- - - - -		
Net earnings (loss)	\$ (404)	\$ 331
	=====	=====
Average number of common shares outstanding	6,513	6,510
Add - net shares assumed to be issued for stock options	---	150
	-----	-----
Total average primary common shares outstanding	6,513	6,660
	=====	=====
Primary net earnings (loss) per common share	\$ (0.06)	\$ 0.05
	=====	=====
Fully Diluted		
- - - - -		
Net earnings (loss)	\$ (404)	\$ 331
Add - interest on convertible debentures net of federal income taxes	268	272
	-----	-----
Net earnings and interest on convertible debentures, net	\$ (136)	\$ 603
	=====	=====

Average number of common shares outstanding (above)	6,513	6,510
Add - net shares assumed to be issued for stock options	---	150
Add - shares assumed to be issued on conversion of convertible debentures	504	504
	-----	-----
Total average common shares on a fully diluted basis	7,017	7,164
	=====	=====
Fully diluted net earnings (loss) per common share	\$ (0.02)	\$ 0.08
	=====	=====
Primary net earnings (loss) per common share	\$ (0.06)	\$ 0.05
	=====	=====
Dilutive effect per common share	None	None
	=====	=====

</TABLE>

Note: The computation of earnings per share on a fully diluted basis results in earnings per share which are anti-dilutive in all periods.