

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: 1994-05-17 | Period of Report: 1994-04-03  
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FILER

**INTERNET CORP**

CIK: 745287 | IRS No.: 581563873 | State of Incorporation: GA | Fiscal Year End: 1231  
Type: 10-Q | Act: 34 | File No.: 000-13787 | Film No.: 94529129  
SIC: 3320 Iron & steel foundries

Mailing Address  
2859 PACES FERRY ROAD  
SUITE 1600  
ATLANTA GA 30339

Business Address  
2859 PACES FERRY RD STE  
1600  
ATLANTA GA 30339  
4044316000

FORM 10-Q  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

For the period ended April 3, 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 0-13787

INTERMET CORPORATION

-----  
(Exact name of registrant as specified in its charter)

Georgia

58-1563873

-----  
(State or other jurisdiction  
of incorporation or  
organization)

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

Suite 1600, 2859 Paces Ferry Road, Atlanta, Georgia 30339

-----  
(Address of principal executive offices and zip code)

(404) 431-6000

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

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

Shares outstanding of each of the issuer's classes of common stock at May 16, 1994: 24,580,719 shares of Common Stock, \$0.10 par value per share.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

<TABLE>

INTERMET CORPORATION  
 INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS  
 (In thousands of dollars)

<CAPTION>

	Dec 31 1993 -----	April 3 1994 -----
ASSETS -----		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 11,240	\$ 3,270
Accounts receivable:		
Trade, less allowance for doubtful accounts of \$518 in 1993 and 1994	47,440	56,466
Other	5,502	3,150
	-----	-----
	52,942	59,616
Inventories	37,232	33,521
Income taxes	5,629	3,735
Prepaid expenses	1,586	1,396
	-----	-----
Total current assets	108,629	101,538
Property, plant and equipment, at cost	328,665	336,333
Less:		

Foreign industrial development grants, net of amortization	5,275	5,268
Accumulated depreciation and amortization	150,093	157,397
	-----	-----
Net property, plant and equipment	173,297	173,668
Other assets	19,634	19,428
Deferred income taxes	5,898	5,898
	-----	-----
	\$307,458	\$300,532
	=====	=====

See accompanying notes.

/TABLE

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INTERMET CORPORATION  
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands of dollars)

<TABLE>  
<CAPTION>

Dec 31	April 3
1993	1994
-----	-----

LIABILITIES AND SHAREHOLDERS' EQUITY

<S>	<C>	<C>
Current liabilities:		
Accounts payable	\$ 34,784	\$ 30,313
Accrued liabilities	29,482	31,830
Debt due within one year	4,732	4,811
	-----	-----
Total current liabilities	68,998	66,954
Noncurrent liabilities:		
Debt due after one year	101,861	93,891
Retirement benefits	45,624	46,174
Deferred income taxes	4,482	4,815
Other noncurrent liabilities	8,124	8,124

Total noncurrent liabilities	160,091	153,004
Minority interests	2,837	2,837
Shareholders' equity:		
Common stock	2,457	2,458
Capital in excess of par value	51,742	51,789
Retained earnings	22,715	24,425
Accumulated translation adjustments	1,499	1,946
Minimum pension liability adjustment	(2,881)	(2,881)
	-----	-----
Total shareholders' equity	75,532	77,737
	-----	-----
	\$307,458	\$300,532
	=====	=====

See accompanying notes.

</TABLE>

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<TABLE>

INTERMET CORPORATION  
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(In thousands of dollars, except per share data)

<CAPTION>

	Three months ended	
	-----	-----
	April 4	April 3
	1993	1994
	-----	-----
<S>	<C>	<C>
Net sales	\$122,763	\$118,889
Cost of sales	110,056	105,302
	-----	-----
Gross profit	12,707	13,587
Operating expenses:		
Selling	1,691	1,416
General and administrative	7,393	7,069
	-----	-----
	9,084	8,485
	-----	-----

Operating profit	3,623	5,102
Other income and expenses:		
Interest income	32	67
Interest expense	(1,484)	(1,397)
Other, net	3	92
	-----	-----
	(1,449)	(1,238)
	-----	-----
Income before income taxes and minority interest	2,174	3,864
Provision for income taxes	1,467	2,154
	-----	-----
Income before minority interest	707	1,710
Minority interest	13	-
	-----	-----
Net income	\$ 720	\$ 1,710
	=====	=====
Earnings per share	\$ 0.03	\$ 0.07
	=====	=====

See accompanying notes.

</TABLE>

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<TABLE>

INTERMET CORPORATION  
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF  
CASH FLOWS  
(In thousands of dollars)

<CAPTION>

	Three months ended	
	April 4 1993	April 3 1994
	-----	-----
<S>	<C>	<C>
Operating activities:		
Net income	\$ 720	\$ 1,710
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,578	6,623
Other	63	75

Changes in assets and liabilities:		
Accounts receivable	(18,562)	(6,344)
Inventories	1,470	3,876
Accounts payable and accrued liabilities	12,286	( 331)
Other assets and liabilities	432	2,492
	-----	-----
Net cash provided by operating activities:	2,987	8,101
	-----	-----
Investing activities:		
Additions to property, plant and equipment	(10,834)	( 7,232)
Other	( 38)	( 294)
	-----	-----
Net cash used in investing activities	(10,872)	( 7,526)
	-----	-----
Financing activities:		
Increase in long-term debt	5,375	-
Reduction in long-term debt	( 1,430)	( 8,569)
Dividends paid	( 981)	-
Issuance of common stock	273	48
Other	( 64)	-
	-----	-----
Net cash provided by (used in) financing activities	3,173	( 8,521)
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	20	( 24)
	-----	-----
Net decrease in cash and cash equivalents	( 4,692)	( 7,970)
Cash and cash equivalents at beginning of period	6,097	11,240
	-----	-----
Cash and cash equivalents at end of period	\$ 1,405	\$ 3,270
	=====	=====

See accompanying notes.

</TABLE>

INTERMET CORPORATION  
NOTES TO INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS

1. The condensed consolidated balance sheet at December 31, 1993 has been derived from audited consolidated financial statements.

The interim condensed consolidated financial statements at April 3, 1994 and for the periods ended April 4, 1993 and April 3, 1994 are unaudited; however, in the opinion of management, all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation have been included. The results of operations for the interim period ended April 3, 1994 are not necessarily indicative of the results to be expected for the full year.

2. Inventories consist of the following (in thousands of dollars):

<TABLE>

<CAPTION>

	Dec 31 1993 -----	April 3 1994 -----
<S>	<C>	<C>
Finished goods	\$ 6,316	\$ 4,458
Work in process	7,154	4,651
Raw materials	5,345	4,730
Supplies and patterns	18,417	19,682
	-----	-----
	\$ 37,232	\$33,521
	=====	=====

</TABLE>

3. Property, plant and equipment consist of the following (in thousands of dollars):

<TABLE>

<CAPTION>

	Dec 31 1993 -----	April 3 1994 -----
<S>	<C>	<C>
Land	\$ 3,520	\$ 3,525
Buildings and improvements	62,669	63,203
Machinery and equipment	218,733	222,625
Construction in progress	43,743	46,980
	-----	-----
	\$ 328,665	\$ 336,333
	=====	=====

</TABLE>

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

<TABLE>



<CAPTION>

	Dec 31 1993	April 3 1994
	-----	-----
<S>	<C>	<C>
Intermet	\$ 88,094	\$ 80,900
Subsidiaries	18,499	17,802
	-----	-----
Total long-term debt	106,593	98,702
Less amounts due within one year	4,732	4,811
	-----	-----
	\$ 101,861	\$ 93,891
	=====	=====

</TABLE>

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5. The provision for income taxes differs from the amount computed by applying the statutory U.S. federal income tax rate to income before income taxes for the following reasons (in thousands of dollars):

<TABLE>

<CAPTION>

	Three months ended	
	April 4 1993	April 3 1994
	-----	-----
<S>	<C>	<C>
Provision for income taxes at U.S. statutory rate	\$ 739	\$ 1,352
Charges with no tax effect	237	292
Difference between U.S. and foreign tax rates	177	189
State income taxes net of federal benefit	274	286
Other	40	35
	-----	-----
	\$ 1,467	\$ 2,154
	=====	=====

</TABLE>

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

## MATERIAL CHANGES IN FINANCIAL CONDITION

The Company's financial position has changed little since the beginning of the year. Cash balances were unusually high at year-end due to the timing of cash receipts and have now returned to more normal levels. Funded debt fell almost \$8 million in the first quarter as well. The decrease in funded debt was largely the result of cash balances being applied against revolving debt.

## MATERIAL CHANGES IN RESULTS OF OPERATIONS

Net sales for the first quarter fell \$3.9 million (3.2%) from the first quarter of 1993. The sales decline was due to the loss of revenue from operating units closed or sold since the first quarter of last year. Sales at plants operating in both periods actually rose almost \$10 million, approximately half of which was related to business transferred from the plants closed or sold. The sales growth was primarily the result of an increase in tons shipped, although price increases on certain products also contributed to the rise. Sales for the balance of the year are expected to exceed prior year amounts despite the loss of revenue from units closed or sold in 1993.

Gross profit rose slightly in the first quarter of 1994 compared to 1993. Gross profit also went up as a percent of sales, increasing from 10.4% to 11.4%. Operating results at the Ironton, Ohio foundry have improved significantly over the first quarter of 1993. However, the performance of the New River foundry in Virginia has suffered as it nears the scheduled second quarter startup of its new production line. In addition, the Company has not yet realized the full benefit of the decision to close the Lower Basin foundry and the other changes which resulted from that decision. Consolidated gross profit is expected to continue improving as the year progresses.

Operating expenses dropped to \$8.5 million in the first quarter of 1994 from \$9.1 million in 1993. Operating expenses for the full year are expected to be approximately the same as in 1993.

Interest expense for the first quarter fell slightly from the first quarter of 1993. The effect of higher borrowing levels was more than offset by capitalized interest of over \$400,000 related to the expansion of the New River foundry.

The Company's effective income tax rate varied for the reasons set forth in Note 5 to the interim condensed consolidated financial statements.

## PART II - OTHER INFORMATION

## Item 1. LEGAL PROCEEDINGS

In August 1991 Lynchburg Foundry Company ("Lynchburg"), a wholly-owned subsidiary of the Registrant, was served with a complaint (the "Complaint") by the United States Environmental Protection Agency (the "EPA"). The Complaint alleges certain violations by Lynchburg of the Resource Conservation and Recovery Act, the most significant of which relate to the treatment of certain hazardous waste at two of Lynchburg's foundries. The EPA initially proposed a civil penalty in the amount of \$1,514,000 which Lynchburg appealed. Lynchburg and the EPA have reached an agreement in principle calling for a penalty of \$330,000.

The Company has entered into negotiations with the Office of the Ohio Attorney General with respect to certain past violations by the Registrant's Ironton, Ohio foundry of Ohio water pollution laws and regulations. In a letter received in March 1994, the Attorney General's office advised the Registrant that the Company could avoid litigation with respect to such violations by entering into a consent order. The Company responded to the Attorney General's letter in April and expects to enter into a consent order providing for monetary penalties. Management does not expect this matter to have a material adverse effect on the Company's operations or financial position.

## Item 2. CHANGES IN SECURITIES

None

## Item 3. DEFAULTS UPON SENIOR SECURITIES

None

## Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

## Item 5. OTHER INFORMATION

None

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The following Exhibit is filed as a part of this report:

<TABLE>

<CAPTION>

Exhibit Number	Description
-----	-----
<C>	<S>
11.1	Computation of Earnings per Common Share

</TABLE>

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SIGNATURE

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.

INTERMET CORPORATION

By: /s/ Peter C. Bouxsein  
-----  
Peter C. Bouxsein  
Controller  
(Principal Accounting Officer)

DATE: May 17, 1994

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EXHIBIT INDEX

<TABLE>

<CAPTION>

Exhibit Number	Description
<C> 11.1	<S> Computation of Earnings per Common Shares

</TABLE>

EXHIBIT 11.1

<TABLE>

INTERMET CORPORATION

COMPUTATION OF EARNINGS PER COMMON SHARE

(In thousands, except per share data)

<CAPTION>

	Three months ended	
	April 4	April 3
	1993	1994
	-----	-----
<S>	<C>	<C>
Net income	\$ 720	\$ 1,710
	=====	=====
Weighted average number of shares outstanding	24,545	24,577
Dilutive effect of outstanding options	178	127
	-----	-----
Weighted average number of shares and equivalent shares outstanding	24,723	24,704
	-----	-----
Earnings per share	\$ 0.03	\$ 0.07
	=====	=====

</TABLE>