FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-01-13** | Period of Report: **1994-01-13**
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FILER

WORTHINGTON INDUSTRIES INC
CIK:**108516**| IRS No.: **311189815** | State of Incorp.:**DE** | Fiscal Year End: **0531**
Type: **10-Q** | Act: **34** | File No.: **000-04016** | Film No.: **94501243**
SIC: **3310** Steel works, blast furnaces & rolling & finishing mills

Business Address
1205 DEARBORN DR
COLUMBUS OH 43085
6144383210

UNITED STATES 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 Quarter Ended: November 30, 1993
Commission File No. 0-4016

WORTHINGTON INDUSTRIES, INC.
(Exact name of Registrant as specified in its Charter)

DELAWARE
(State of Incorporation)

31-1189815
(I.R.S. Employer
Identification No.)

1205 Dearborn Drive, Columbus, Ohio
(Address of Principal
Executive Offices)

43085
(Zip Code)

(614) 438-3210
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name, Former Address and Former Fiscal Year,
If Changed From 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. YES X NO

Indicate the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date.

Common stock, $.01 par value
Class
90,477,398
Outstanding December 31, 1993

WORTHINGTON INDUSTRIES, INC.

INDEX

Page

PART I. Financial Information

<TABLE>

PART I. FINANCIAL INFORMATION
WORTHINGTON INDUSTRIES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(In Thousands Except Per Share)

<CAPTION>

<S>	November 30 1993 (Unaudited) <C>	May 31 1993 (Audited) <C>
ASSETS		
Current Assets		
Cash and cash equivalents	$9,635	$16,691
Short-term investments	857	898
Accounts receivable - net	151,579	168,855
Inventories		
Raw materials	116,456	100,739
Work in process and finished products	56,626	58,748
	173,082	159,487
Prepaid expenses and other current assets	26,511	18,082
Total Current Assets	361,664	364,013
Other Assets	31,436	28,653
Property, plant and equipment	512,376	488,921
Less accumulated depreciation	210,463	195,529
Property, Plant and Equipment - net	301,913	293,392
Total Assets	$695,013	$686,058

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LIABILITIES AND SHAREHOLDERS' EQUITY

<S>	<C>	<C>
Current Liabilities		
Accounts payable	$67,649	$90,461
Notes payable	15,000	
Accrued compensation, contributions to employee benefit plans and related taxes	29,882	34,546
Dividends payable	8,140	7,810

Other accrued items	6,990	8,974
Income taxes	13,162	3,996
Current maturities of long-term debt	1,165	1,165
Total Current Liabilities	141,988	146,952
Accrued Pension Cost	536	507
Long-Term Debt	55,398	55,626
Deferred Income Taxes	45,046	49,868
Shareholders' Equity		
Common shares, $.01 par value	904	601
Additional paid-in capital	83,577	81,176
Retained earnings	367,564	351,328
Total Shareholders' Equity	452,045	433,105
Total Liabilities and Shareholders' Equity	$695,013	$686,058

See notes to consolidated condensed financial statements.
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WORTHINGTON INDUSTRIES, INC.
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS
(In Thousands Except Per Share)
(Unaudited)

<CAPTION>

	Three Months Ended November 30		Six Months Ended November 30	
	1993	1992	1993	1992
<S>	<C>	<C>	<C>	<C>
Net sales	$295,907	$261,983	$586,017	$512,333
Cost of goods sold	252,838	221,597	498,664	435,154
Gross Margin	43,069	40,386	87,353	77,179
Selling, general and administrative expense	16,543	15,863	33,582	31,332
Interest expense	730	926	1,379	1,825
Earnings Before Income Taxes	25,796	23,597	52,392	44,022
Income taxes	9,932	8,731	20,171	16,288
Net Earnings	$15,864	$14,866	$32,221	$27,734
Average Common Shares Outstanding	90,317	89,408	90,251	89,426

Earnings Per Common Share	$0.18	$0.17	$0.36	$0.31
Cash Dividends Declared Per Common Share	$0.09	$0.08	$0.18	$0.16

See notes to consolidated condensed financial statements.

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WORTHINGTON INDUSTRIES, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

<CAPTION>

	Six Months Ended November 30	
	1993	1992
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net Earnings	$32,221	$27,734
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	15,974	14,570
Provision for deferred income taxes	2,692	96
Changes in assets and liabilities:		
Decrease (increase) in:		
Short-term investments	41	(8)
Accounts receivable	17,276	24,452
Inventories	(13,595)	(3,634)

Other currents assets	(8,429)	(3,914)
Other assets	(2,783)	(12,354)
Increase (decrease) in:		
Accounts payable and accrued expenses	(27,478)	(13,788)
Accrued pension cost	29	(63)
Net Cash Provided By Operating Activities	15,948	33,091
INVESTING ACTIVITIES		
Net Cash Invested in Property, Plant and Equipment	(24,495)	(10,059)
FINANCING ACTIVITIES		
Proceeds from short-term borrowings	15,000	
Principal payments on long-term debt	(228)	(1,134)
Proceeds from issuance of common shares	2,706	2,029
Repurchase of common shares	(27)	(2,279)
Dividends paid	(15,960)	(14,310)
Net Cash Provided(Used) By Financing Activities	1,491	(15,694)
Increase (decrease) in cash and cash equivalents	(7,056)	7,338
Cash and cash equivalents at beginning of period	16,691	4,996
Cash and cash equivalents at end of period	$9,635	$12,334

See notes to consolidated condensed financial statements.

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WORTHINGTON INDUSTRIES, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

Note A - Management's Opinion

In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting of a normal recurring nature) necessary to present fairly the financial position of Worthington Industries, Inc. and Subsidiaries (the Company) as of November 30, 1993 and May 31, 1993; the results of operations for the three and six months ended November 30, 1993 and 1992; and the cash flows for the six months then ended.

The accounting policies followed by the Company are set forth in Note A to the consolidated financial statements in the 1993 Worthington Industries, Inc. Annual Report to Shareholders which is incorporated by reference in the Company's 1993 Form 10-K.

Note B - Income Taxes

The income tax rate is based on statutory federal and state rates, and an estimate of annual earnings adjusted for the permanent differences between reported earnings and taxable income. The tax rate increased to 38.5% for the three and six month periods ended November 30, 1993 from 37% for the same periods of the prior year reflecting the higher tax rates and decreased deductions provided by the "Omnibus Budget Reconciliation Act of 1993," which became law during August 1993.

Note C - Earnings Per Share

Earnings per common share for the quarter and six months ended November 30, 1993 and 1992 are based on the weighted average common shares outstanding during each of the respective periods, after giving effect to the three-for-two share split which was distributed on October 22, 1993. Earnings per common share for the quarters ended August 31, 1993 and 1992, adjusted for the share split, are $.18 and $.14, respectively.

Note D - Contingent Liabilities

In March 1993, a trial court in Chicago, Illinois issued a decision against the Company's subsidiary, Buckeye Steel Castings Company ("Buckeye") in the amount of approximately $5.8 million in damages, interest, and attorney's fees and costs. The dispute involves the infringement of a patent, which Buckeye believed to be invalid. The patent expired in 1989. Buckeye has appealed the judgment on various issues which if successful would substantially reduce or eliminate the amount of the judgment. Management and legal counsel are presently unable to predict the outcome or to estimate the amount of any liability Buckeye may ultimately have with respect to this lawsuit.

The Company is a defendant in certain other legal actions. In the opinion of management, the outcome of the above and other actions, which is not clearly determinable at the present time, would not significantly affect the Company's consolidated financial position or future operations.

Note E - Results of Operations

The results of operations for the three and six months ended November 30, 1993 and 1992 are not necessarily indicative of the results to be expected for the full year.

WORTHINGTON INDUSTRIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

For the three months ended November 30, 1993, net sales reached a second quarter record of $295.9 million, 13% higher than the previous record set last year. Net earnings of $15.9 million and earnings per share of $.18, were records as well, increasing 7% and 6%, respectively, from the same period in 1992.

Records were also set for the first six months of fiscal 1994. Net sales reached $586 million, 14% higher than in the previous year. Net earnings of $32.2 million and earnings per share of $.36 were 16% higher.

The record results were achieved in spite of difficult operating circumstances for several of the Company's business segments. The strength came from the core businesses, as steel processing and pressure cylinders produced strong sales and earnings growth. Gross margin improved 7% for the quarter, less than the growth in sales because of start-up inefficiencies on several new jobs for custom plastics and a temporary decrease in demand for railcar castings. The 4% increase in selling, general and administrative expenses for the quarter was in line with the sales increase.

Interest expense declined for the quarter and six months as a lower average interest rate more than offset higher average debt outstanding.

Income taxes increased more than earnings for the three and six month periods, reflecting the higher tax rates and decreased deductions provided by the "Omnibus Budget Reconciliation Act of 1993," which passed in August. The income tax rate rose to 38.5% for the three and six month periods from 37% for the same periods of the prior year.

Sales and earnings for the processed steel products segment showed significant increases for the three and six month periods. The steel processing operations continued to gain market share and demand remained strong. This was offset somewhat during the second quarter by an unfavorable sales mix at some locations. A portion of the sales increases for both the three and six month periods was attributable to higher prices as increases from the steel mills were generally passed through to customers. The Porter, Indiana plant continued to improve its results and contribution to this segment. The six month comparison was also helped as the Malvern, Pennsylvania plant experienced a strike during last year's first quarter. Sales for the pressure cylinder business increased over the second quarter and first six months of last year. Earnings rose at a higher rate because of improved product mix and a related reduction in labor costs.

The custom products segment showed a slight increase in sales for the quarter and six months, but earnings have lagged. The plastics operation has virtually replaced the sales lost when certain car models were phased out during the summer, but earnings have not kept pace due to start-up inefficiencies on the new jobs. For the quarter, precision metal's sales and earnings increased as productivity on the new jobs has improved. Six month earnings for the segment remain below the prior year because of the job start-up inefficiencies experienced in the first quarter.

In the cast products segment, sales and earnings were lower compared to the same periods of the prior year. Steel castings earnings for the quarter dropped significantly as a temporary decrease in demand for freight railcar castings, which was impacted by the Midwest flooding, depressed sales early in the quarter. See Note F to the Consolidated Condensed Financial Statements concerning the contingent liability of the steel castings operation with respect to certain patent litigation.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial position has strengthened since fiscal year-end. At November 30, 1993, working capital was $219.7 million and the current ratio was 2.6:1. Long-term debt was 11% of total capital.

During the six months, the Company used $7.1 million of its cash position and $15 million of short-term borrowings to help fund its cash needs. Cash was also provided by net earnings of $32.2 million, depreciation of $16.0 million, and a $17.3 million decrease in accounts receivable. Cash was used to fund a $13.6 million increase in inventories, a $8.4 million increase in other current assets, a $27.5 million decrease in accounts payable and accrued expenses, a $24.5 million net cash investment in capital expenditures, and $16.0 million of cash dividends. The decrease in accounts receivable occurred with the reduced activity of the first six months compared to the fourth quarter of fiscal 1993. Accounts payable and accrued expenses have decreased since fiscal year-end as the Company has aggressively pursued vendor prepayment discounts. The increase in inventory occurred largely in the processed steel products segment, where the amount of inventory rose in anticipation of higher sales volumes and raw material costs were up reflecting the price increases from the steel mills.

Days sales in accounts receivable has improved since fiscal year-end and the inventory turn has remained constant despite the increased investment in inventory.

The Company expects its operating results and cash from normal operating activities to improve during fiscal 1994. The Company has $40 million in unsecured, short-term lines of credit available at below the prime rate. Immediate borrowing capacity plus cash generated from operations should be more than sufficient to fund expected normal operating costs, dividends, debt payments and capital expenditures for existing businesses.

PART II. OTHER INFORMATION

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

A. Exhibits - None

B. Reports on Form 8-K. There were no reports on Form 8-K during the three months ended November 30, 1993.

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.

WORTHINGTON INDUSTRIES, INC.

Date: January 12, 1994 By:/s/Donald G. Barger, Jr.
Donald G. Barger, Jr.
Vice President -
Chief Financial Officer