

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
SEC Accession No. **0000912057-95-003443**

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FILER

P&F INDUSTRIES INC

CIK: **75340** | IRS No.: **221657413** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-05332** | Film No.: **95536091**
SIC: **3540** Metalworkg machinery & equipment

Business Address
300 SMITH ST
FARMINGDALE NY 11735
5166941800

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTER ENDED MARCH 31, 1995 COMMISSION FILE NUMBER 1-5332

P & F INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

22-1657413

(State of incorporation)

(I.R.S. Employer
Identification Number)

300 SMITH STREET, FARMINGDALE, NEW YORK

11735

(Address of principal executive offices)

(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (516) 694-1800

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, and (2) has been subject to such filing requirements for the past 90 days.

YES (X) NO ()

Number of shares of Class A common stock
outstanding as of May 5, 1995.....2,928,867

PART I. FINANCIAL INFORMATION

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

=====

<TABLE>
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	MARCH 31, 1995	DECEMBER 31, 1994
	-----	-----
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ASSETS		

CURRENT:		
Cash	\$ 618,124	\$ 1,071,903
Accounts receivable, less allowance for possible losses of \$374,544 in 1995 and \$354,252 in 1994	6,075,859	8,315,300
Inventories	13,416,797	12,867,604
Note receivable from officer	65,000	85,000
Deferred income taxes	611,000	764,000
Prepaid expenses and other assets	544,961	618,686
	-----	-----
TOTAL CURRENT ASSETS	21,331,741	23,722,493
	-----	-----
PROPERTY AND EQUIPMENT:		
Land	993,020	993,020
Buildings and improvements	4,501,286	4,490,216
Machinery and equipment	5,112,681	4,596,342
	-----	-----
	10,606,987	10,079,578
Less accumulated depreciation and amortization	4,321,812	4,164,690
	-----	-----
NET PROPERTY AND EQUIPMENT	6,285,175	5,914,888
	-----	-----
GOODWILL, net of accumulated amortization of \$755,155 in 1995 and \$730,558 in 1994	3,058,612	3,083,209
OTHER ASSETS, net of accumulated amortization of \$431,664 in 1995 and \$402,663 in 1994	260,409	292,710
	-----	-----
TOTAL ASSETS	\$ 30,935,937	\$ 33,013,300
	=====	=====

</TABLE>

P & F INDUSTRIES, INC. AND SUBSIDIARIES

 CONSOLIDATED BALANCE SHEETS
 (UNAUDITED)
 (CONTINUED)

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 <TABLE>
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	MARCH 31, 1995	DECEMBER 31, 1994
	-----	-----
<S>	<C>	<C>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	\$ 1,674,242	\$ 3,514,290
Accounts payable	3,571,009	2,952,483
Accruals and other liabilities	994,019	1,971,198
Current maturities of long-term debt	345,183	344,514
	-----	-----
TOTAL CURRENT LIABILITIES	6,584,453	8,782,485
LONG-TERM DEBT, less current maturities	6,312,443	6,398,425
SUBORDINATED DEBENTURES	1,369,200	1,369,200
	-----	-----
	14,266,096	16,550,110
	-----	-----
SHAREHOLDERS' EQUITY:		
Preferred stock, \$10 par, cumulative; shares authorized 2,000,000; outstanding 263,345	2,633,450	2,633,450
Common stock:		
Class A - \$1 par; shares authorized 7,000,000; outstanding 2,928,867; reserved for options 1,163,200 shares; reserved for warrants 70,000 shares	2,928,867	2,928,867
Class B - \$1 par; shares authorized 2,000,000	--	--
Additional paid-in capital	7,607,614	7,607,614
Retained earnings	3,499,910	3,293,259

TOTAL SHAREHOLDERS' EQUITY	16,669,841	16,463,190
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 30,935,937	\$ 33,013,300

P & F INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,	
	1995	1994
<S>	<C>	<C>
REVENUES:		
Net sales	\$ 9,604,535	\$ 9,627,903
Other	24,654	303
	9,629,189	9,628,206
COSTS AND EXPENSES:		
Cost of sales	6,386,422	6,670,353
Selling, administrative and general	2,426,946	2,293,494
Interest - net	233,612	237,598
Depreciation	147,722	142,888
	9,194,702	9,344,333
INCOME BEFORE TAXES ON INCOME	434,487	283,873
TAXES ON INCOME	162,000	104,000
NET INCOME	\$ 272,487	\$ 179,873

Preferred dividends	\$ 65,836	\$ 65,836
	=====	=====
Net income attributable to common stock	\$ 206,651	\$ 114,037
	=====	=====
Average number of common shares and common share equivalents - primary and fully diluted	3,355,918	3,127,418
	=====	=====
Earnings per share of common stock - primary and fully diluted	\$.06	\$.04
	=====	=====

</TABLE>

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P & F INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

=====

<TABLE>
<CAPTION>

	THREE MONTHS ENDED	
	MARCH 31,	
	1995	1994
	-----	-----
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 272,487	\$ 179,873
	-----	-----
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	210,720	236,857
Deferred income taxes	153,000	105,000
Provision for losses on		

accounts receivable	24,999	24,999
Decrease (increase):		
Accounts receivable	2,297,832	652,665
Inventories	(340,574)	378,213
Note receivable from officer	20,000	15,000
Prepaid expenses and other assets	73,725	(165,131)
Net assets of discontinued operation - net of cash	--	1,221,745
Other assets	3,300	10,801
Increase (decrease):		
Accounts payable	618,526	(4,251,460)
Accruals and other	(977,179)	(515,558)
	-----	-----
Total adjustments	2,084,349	(2,286,869)
	-----	-----
Net cash provided by (used in) operating activities	2,356,836	(2,106,996)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(66,459)	(52,662)
Payment for acquisition of assets of Tradesman Tool Co. and Intech Industries, Inc.	(752,959)	--
	-----	-----
Net cash used in investing activities	(819,418)	(52,662)
	-----	-----

</TABLE>

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P & F INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(CONTINUED)
(UNAUDITED)

=====

<TABLE>
<CAPTION>

THREE MONTHS ENDED
MARCH 31,

1995 1994

<S>

<C>

<C>

CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term borrowings	2,442,007	4,372,987
Repayments of short-term borrowings	(4,282,055)	(1,562,947)
Proceeds from mortgage refinancing	--	2,343,400
Principal payments on long-term debt	(85,313)	(2,493,265)
Dividends paid on preferred stock	(65,836)	(65,836)
Financing activities of discontinued operation	--	(33,641)
	-----	-----
Net cash provided by (used in) financing activities	(1,991,197)	2,560,698
	-----	-----
NET INCREASE (DECREASE) IN CASH	(453,779)	401,040
CASH AT BEGINNING OF PERIOD - including cash of discontinued operation of \$881,537 in 1994	1,071,903	1,969,071
	-----	-----
CASH AT END OF PERIOD - including cash of discontinued operation of \$1,723,459 in 1994	\$ 618,124	\$ 2,370,111
	=====	=====

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the period for:

Income taxes	\$ 94,355	\$ 219,636
	=====	=====
Interest	\$ 216,694	\$ 294,027
	=====	=====

</TABLE>

P & F INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

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1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements for the three months ended March 31, 1995 and 1994 are presented as unaudited but, in the opinion of the Company, they include all adjustments necessary for a fair statement of the results of operations for those periods. All such adjustments are of a normal recurring nature. The consolidated balance sheet information for December 31, 1994 was derived from audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1994. These interim financial statements should be read in conjunction with that report.

Results for interim periods are not necessarily indicative of results to be expected for a full year, since the operations of some of the Company's subsidiaries are seasonal in nature.

2. INVENTORIES

Major classes of inventory were as follows:

<TABLE>

<CAPTION>

	MARCH 31, 1995	DECEMBER 31, 1994
	-----	-----
<S>	<C>	<C>
Finished goods	\$ 10,513,260	\$ 10,142,039
Work in process	248,226	26,163
Raw materials and supplies	2,655,311	2,699,402
	-----	-----
	\$ 13,416,797	\$ 12,867,604
	=====	=====

</TABLE>

3. EARNINGS PER SHARE

Primary and fully diluted earnings per share are computed using the treasury stock method, modified for stock options and warrants outstanding in excess of 20% of the total outstanding shares of common stock. Under this method, the number of shares outstanding reflects the assumed use of proceeds from the hypothetical exercise of the outstanding options and warrants, unless the effect on earnings per share is antidilutive. The assumed proceeds are used to repurchase shares of common stock, to a maximum of 20% of the shares outstanding. The balance of the proceeds, if any, are used to reduce outstanding debt. Fully diluted earnings per share also reflects the assumed use of proceeds from the hypothetical exercise of contingent issuances if such contingent issuances have a reasonable possibility of occurring.

In calculating the purchase price of common stock, the average market value for the period is used for primary earnings per share and the greater of the average or ending market value for the period is used for fully diluted earnings per share.

Net income is adjusted for preferred dividends in computing the net income attributable to the common stock.

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

P & F INDUSTRIES, INC. AND SUBSIDIARIES

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FIRST QUARTER ENDED MARCH 31, 1995 COMPARED WITH FIRST QUARTER ENDED MARCH 31, 1994

Revenues were virtually unchanged, totalling \$9,628,206 in 1995 and \$9,626,189 in 1994. Pneumatic tool revenues were flat. Heating equipment and hardware revenues rose 16.2% and 15.6%, respectively, aided by an improving economy and an increased customer base. Revenues from sales of hydraulic equipment, which are shipped by the overseas suppliers direct to the customer, are now accounted for as commission income. This change resulted in a \$381,827 reduction in reported revenues in the first quarter of 1995, thereby offsetting the increases in heating equipment and hardware revenues. Excluding this amount, revenues increased by 4.2%.

Average selling prices of pneumatic tools increased approximately 4.4%, necessitated by the continuing weakness of the U.S. dollar as compared to the Japanese yen, which caused the prices of the Company's imported tools to rise once again. Heating equipment selling prices were 3.8% higher than in the first quarter of 1994. Hardware prices were unchanged.

Cost of sales declined 4.3 percentage points, as a percentage of revenues. This was caused by the selling price increases referred to above, which became effective in the third and fourth quarters of 1994, and the elimination from revenues of hydraulic equipment sales, with their attendant lower gross profit margins. The increasing costs of imported product caused by the fall in value of the U.S. dollar compared to the Japanese yen will be felt more strongly in the second quarter of 1995 and thereafter.

Selling, administrative and general expenses increased \$133,452 to \$2,426,946, from \$2,293,494 in the prior year. The overhead increase attributable to the Company's new radiant heat product line was \$37,215. Excluding this amount, the increase amounted to 4.2%. The largest dollar amount increases were in salaries, freight, insurance and professional fee expenses.

Interest expense was virtually unchanged. Higher interest rates offset lower borrowings.

P & F INDUSTRIES, INC. AND SUBSIDIARIES
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LIQUIDITY AND CAPITAL RESOURCES

The Company gauges its liquidity and financial stability by the measurements as shown in the following table (dollar amounts in thousands):

<TABLE>

<CAPTION>

	MARCH 31, 1995	DECEMBER 31, 1994	MARCH 31, 1994
	-----	-----	-----
<S>	<C>	<C>	<C>
Working Capital	\$ 14,747	\$ 14,940	\$ 14,018
Current Ratio	3.24 to 1	2.70 to 1	2.37 to 1
Shareholders' Equity	\$ 16,670	\$ 16,463	\$ 15,637

</TABLE>

During the quarter ended March 31, 1995, accounts receivable declined approximately \$2,240,000. Part of the monies received from the collection of accounts receivable was used to reduce short-term borrowings, which declined by approximately \$1,840,000.

In December 1994, the Company's credit facilities were consolidated to provide a line of credit totalling \$18,000,000. Of this amount, \$14,000,000 is available for direct loans, letters of credit and bankers' acceptances. The total amount of these instruments outstanding as of March 31, 1995 was approximately \$4,400,000, including approximately \$1,674,000 for direct loans. The total line of credit also includes \$4,000,000 earmarked for acquisitions subject to the lending bank's approval. The Company also has a \$10,000,000 line for foreign exchange transactions.

In June 1994, substantially all of the net assets of Triangle Sheet Metal Works, Inc. ("Triangle") were sold for \$3,500,000 in cash to an investment group which included Triangle's senior management. The proceeds from the sale of Triangle were used to reduce short-term borrowings. The Company is currently leasing its facilities in New Hyde Park, New York to the new entity. The divestiture of Triangle was in line with the Company's previously stated goal of disengaging itself from the volatility of the construction industry.

The Company is currently conducting an extensive acquisition search. The funds for an acquisition will be provided by reborrowing the \$3,500,000 received from the sale of the assets of Triangle, referred to above, which was temporarily used to reduce short-term debt, and from the new \$4,000,000 credit

facility earmarked for acquisitions referred to above. The total funds available, including cash derived from operations, will be approximately \$9,000,000.

P & F INDUSTRIES, INC. AND SUBSIDIARIES

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LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Capital spending for the quarter ended March 31, 1995 was \$66,459. The total amount was provided from working capital. Capital expenditures for the rest of 1995 are expected to total approximately \$735,000, some of which may be financed. Included in the expected total for 1995 are capital expenditures relating to new products, expansion of existing product lines and replacement of old equipment.

During 1994, the mortgage on the Company's Jupiter, Florida facility, in the amount of \$2,343,400, was refinanced, through February 1999. The interest rate, 1/2% over prime per annum, remained the same.

On August 23, 1994, the Board of Directors of the Company authorized the redemption, effective September 6, 1994, of all outstanding rights issued under a shareholder rights plan established in 1989 and also declared a dividend distribution of new rights under a new shareholder rights plan. The redemption price of \$.01 per right resulted in an aggregate payment of \$29,289, which was treated as a dividend for tax purposes.

On February 15, 1995, Florida Pneumatic purchased the assets and business of Tradesman Tool Co., Inc. ("Tradesman"), a domestic manufacturer of heavy-duty pipe wrenches. On March 31, 1995, Florida Pneumatic purchased the assets and business of Intech Industries, Inc. ("Intech"), a domestic manufacturer of air filters used in compressors. Cash totalling \$752,959 was paid for these purchases. The operations of Tradesman and Intech have been merged with the operations of Florida Pneumatic.

The Company, through Florida Pneumatic, imports a significant amount of its purchases from Japan, with payment due in Japanese yen. As a result, the Company is subject to the effects of foreign currency exchange fluctuations. The Company uses a variety of techniques to protect itself against adverse effects of these fluctuations, including product pricing adjustments, alternative supplier sources and the use of forward currency contracts to hedge currency positions. Because of these steps taken by the Company, foreign currency exchange rate fluctuations have not had a significant negative effect on the Company's results of operations or its financial position. The continued weakness of the dollar, however, presents an ongoing problem and there can be no certainty that the Company will continue to be successful in its efforts to counter this problem.

PART II. OTHER INFORMATION

- ITEM 1. LEGAL PROCEEDINGS
None.
- 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) EXHIBITS
None.
- (b) REPORTS ON FORM 8-K
No reports on Form 8-K were filed during the
quarter ended March 31, 1995.

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.

P & F INDUSTRIES, INC.
(Registrant)

By LEON D. FELDMAN

Leon D. Feldman
Executive Vice President
(Principal Financial Officer)

Dated: May 5, 1995

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