

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**
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FILER

PACCAR FINANCIAL CORP

CIK: **731288** | IRS No.: **916029712** | State of Incorpor.: **WA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-12553** | Film No.: **95536307**
SIC: **6153** Short-term business credit institutions

Mailing Address
*PO BOX 1518
BELLEVUE NY 98009-1518*

Business Address
*P O BOX 1518
BELLEVUE WA 98004
2064624100*

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For quarterly period ended March 31, 1995

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 No. 0-12553

PACCAR FINANCIAL CORP.

(Exact name of registrant as specified in its charter)

WASHINGTON 91-6029712
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

777 - 106TH AVENUE N.E., BELLEVUE, WA 98004
(Address of principal executive offices) (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (206) 462-4100

(Former name, former address and former fiscal year, if changed since 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: 145,000 shares at April 30,
1995.

THE REGISTRANT IS A WHOLLY OWNED SUBSIDIARY OF PACCAR INC AND MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H(1) (a) AND (b) OF FORM 10-Q AND IS, THEREFORE, FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT.

PACCAR Financial Corp.

STATEMENTS OF INCOME AND RETAINED EARNINGS
(Thousands of Dollars)

<TABLE>
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	Three Months Ended March 31	
	1995	1994
	(Unaudited)	
<S>	<C>	<C>
Interest and finance charges	\$ 37,281	\$ 28,740
Rentals on operating leases	3,350	2,947
Insurance Premiums Earned	934	592

GROSS INCOME	41,565	32,279

Interest expense	20,299	12,981
Other borrowing expense	401	361
Depreciation expense related to operating leases	2,626	2,387
Insurance claims and underwriting expenses	785	532
Selling, general and administrative expenses	6,047	5,782
Provision For Losses On Receivables	1,088	942

TOTAL EXPENSES	31,246	22,985

INCOME BEFORE INCOME TAXES	10,319	9,294
Income Taxes	4,151	3,621

NET INCOME	6,168	5,673
Retained earnings at beginning of period	203,809	179,940
Cash Dividends Paid	(2,715)	(1,310)

RETAINED EARNINGS AT END OF PERIOD	\$ 207,262	\$ 184,303

</TABLE>

Earnings per share and dividends per share are not reported because the Company is a wholly owned subsidiary of PACCAR Inc.

See Notes to Financial Statements.

PACCAR Financial Corp.

BALANCE SHEETS
(Thousands of Dollars)

<TABLE>
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	March 31 1995	December 31 1994*
	(Unaudited)	
<S>	<C>	<C>
ASSETS		
Cash	\$ 5,739	\$ 8,956
Net finance and other receivables	1,762,885	1,733,253
Allowance For Losses	(31,300)	(29,900)
	1,731,585	1,703,353
Equipment on operating leases net of allowance for depreciation of \$16,769 (1994--\$15,351)	43,598	43,500
Other Assets	11,509	14,960
TOTAL ASSETS	\$1,792,431	\$1,770,769
LIABILITIES		
Accounts payable and accrued expenses	\$ 33,418	\$ 30,237
Payable for finance receivables acquired	17,045	39,817
Commercial paper	548,030	461,175
Advance payable to PACCAR Inc	-	46,000
Term debt	868,350	870,300
Deferred Income Taxes	67,258	69,907
TOTAL LIABILITIES	1,534,101	1,517,436

STOCKHOLDER'S EQUITY

Preferred stock, par value \$100 per share		
6% noncumulative and nonvoting		
450,000 shares authorized,		
310,000 shares issued and outstanding	31,000	31,000
Common stock, par value \$100 per share		
200,000 shares authorized,		
145,000 shares issued and outstanding	14,500	14,500
Paid in capital	5,568	4,024
Retained Earnings	207,262	203,809

TOTAL STOCKHOLDER'S EQUITY	258,330	253,333
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TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$1,792,431	\$1,770,769
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<FN>

*The December 31, 1994 Balance Sheet has been derived from audited financial statements.

</TABLE>

See Notes to Financial Statements.

PACCAR Financial Corp.

STATEMENTS OF CASH FLOWS
(Thousands of Dollars)

<TABLE>

<CAPTION>

Three Months Ended
March 31
1995 1994

<S>

OPERATING ACTIVITIES:

	(Unaudited)	
	<C>	<C>
Net income	\$ 6,168	\$ 5,673
Items included in net income not affecting cash:		
Provision for losses on receivables	1,088	942
Increase (decrease) in deferred taxes	(2,649)	757
Depreciation and amortization	2,914	2,563
Increase (decrease) in payables,		

Income taxes and other	7,441	(6,525)

NET CASH PROVIDED BY OPERATING ACTIVITIES	14,962	3,410
INVESTING ACTIVITIES:		
Finance and other receivables acquired	(213,879)	(188,630)
Collections on finance and other receivables	193,698	143,117
Net decrease (increase) in wholesale receivables	(32,626)	1,576
Acquisition of equipment for operating leases	(3,411)	(4,959)
Disposal of equipment	307	231

NET CASH USED IN INVESTING ACTIVITIES	(55,911)	(48,665)
FINANCING ACTIVITIES:		
Net increase (decrease) in commercial paper	86,854	(35,350)
Net decrease in bank loans	-	(24,000)
Decrease in advances payable to PACCAR Inc	(46,000)	-
Proceeds from term debt	105,000	172,000
Payments of term debt	(106,950)	(68,000)
Additions to paid-in capital	1,543	1,310
Payment of cash dividend	(2,715)	(1,310)

NET CASH PROVIDED BY FINANCING ACTIVITIES	37,732	44,650

NET DECREASE IN CASH	(3,217)	(605)
CASH AT BEGINNING OF PERIOD	8,956	5,554

CASH AT END OF PERIOD	\$ 5,739	\$ 4,949

</TABLE>

See Notes to Financial Statements.

PACCAR Financial Corp.

NOTES TO FINANCIAL STATEMENTS

NOTE A--BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and

footnotes required by generally accepted accounting principles for complete financial statements. However, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 1994.

Reclassifications: Certain prior year amounts have been reclassified to conform to the 1995 presentation.

NOTE B--TRANSACTIONS WITH PACCAR INC

The Company has a Support Agreement with PACCAR Inc which requires, among other provisions, that PACCAR Inc provide financial assistance as necessary to assure that the ratio of earnings to fixed charges (as defined) of the Company will not fall below a level of 1.25 to 1 for a full fiscal year. The ratio for the three-month period ended March 31, 1995 was 1.64 to 1 (see Exhibit 12.2).

PACCAR Inc charges the Company for certain administrative services it provides. These costs are charged to the Company based upon the Company's specific use of the services and PACCAR Inc's cost. Management considers these charges reasonable and not significantly different from the costs that would be incurred if the Company were on a stand-alone basis. Beginning July 1993, in lieu of payment, PACCAR Inc recognizes certain of these administrative services as an additional investment in the Company. The Company records the investment as paid-in capital. Annually, the Company intends to pay a dividend to PACCAR Inc for the amount invested in the prior year. A cash dividend of \$2.7 million was declared and paid in the quarter ended March 31, 1995.

NOTE C--PREFERRED STOCK

The Company's Articles of Incorporation provide that the 6% noncumulative, nonvoting preferred stock (100% owned by PACCAR Inc) is redeemable only at the option of the Company's Board of Directors.

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

RESULTS OF OPERATIONS

Pre-tax earnings for the quarter ending March 31, 1995 increased to \$10.3 million from \$9.3 million for the quarter ending March 31, 1994. Gross income was higher in 1995 resulting from the growth in average net receivables and equipment on operating leases, partially offset by lower yields on the portfolio. Average net receivables and equipment on operating leases grew \$243 million (16%) to \$1.8 billion in 1995 from \$1.5 billion at March 31, 1994. Insurance income increased reflecting the growth of the Company's physical damage insurance program. Interest expense rose to \$20.3 million from \$13.0 million primarily attributable to an increase in market interest rates and an increase in debt incurred to fund the growth in the assets. Selling, general and administrative expenses increased commensurate with the growth in

receivables.

The first quarter 1995 provision for losses of \$1.1 million increased 15% from \$.9 million in the first quarter of 1994. The provision for credit losses reflected a decline in net credit recoveries to \$.3 million in 1995 in comparison to net credit recoveries of \$.6 million in the previous year. Although the low credit losses are expected to continue for the near term, the allowance for losses was increased to 1.73% of receivables and equipment on operating leases to reflect growth in the portfolio and the risks inherent in the financing of heavy duty trucks. Accordingly, the allowance for credit losses was raised to \$31.3 million at March 31, 1995 from \$29.9 million at December 31, 1994.

As a result of the foregoing factors, net income for the first quarter of 1995 increased to \$6.2 million compared to \$5.7 million for the first quarter of 1994.

LIQUIDITY AND CAPITAL RESOURCES

During the first three months of 1995, net cash used to fund portfolio growth was \$55.9 million. The cash required to fund the growth was primarily provided by operating activities of \$15.0 million and from financing activities of \$37.7 million. The funds from financing activities continued to be provided primarily by the issuance of both commercial paper and medium-term notes.

In order to minimize its exposure to fluctuations in interest rates, the Company seeks to borrow funds or enter into interest rate contracts with interest rate characteristics similar to the characteristics of its receivables and leases. Other considerations which affect the Company's funding operations include the amount of fixed and variable rate receivables, the maturity schedule of existing debt, the availability of desired debt maturities and the level of interest rates.

As of March 31, 1995, the Company and PACCAR Inc together maintained unused bank lines of credit of \$300 million which are largely used to support the Company's commercial paper borrowings.

PART II--OTHER INFORMATION

Item 6 EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits filed as part of this report are listed in the accompanying Exhibit Index.
- (b) There were no reports on Form 8-K for the quarter ended March 31, 1995.

PACCAR Financial Corp.

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.

PACCAR Financial Corp.
(Registrant)

Date: May 9, 1995

BY: /S/ T. R. Morton

T. R. Morton
President
(Authorized Officer)

BY: /S/ B. J. Kimble

B. J. Kimble
Controller
(Chief Accounting Officer)

PACCAR Financial Corp.
EXHIBIT INDEX

- 3.1 Restated Articles of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.1 to the Company's Form 10-K dated March 26, 1985. Amendment incorporated by reference to Exhibit 19.1 to the Company's Quarterly Report on Form 10-Q dated August 13, 1985, File Number 0-12553).
- 3.2 By-Laws of the Company, as amended (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form 10 dated October 20, 1983, File Number 0-12553).
- 4.1 Indenture for Senior Debt Securities dated as of December 1, 1983 and first Supplemental Indenture dated as of June 19, 1989 between the Company

and Citibank, N.A. (incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K dated March 26, 1984, File Number 0-12553 and Exhibit 4.2 to the Company's Registration Statement on Form S-3 dated June 23, 1989, Registration Number 33-29434).

- 4.2 Forms of Medium-Term Note, Series E (incorporated by reference to Exhibits 4.3A, 4.3B and 4.3C to the Company's Registration Statement on Form S-3 dated June 23, 1989, Registration Number 33-29434, and Forms of Medium-Term Note, Series E, incorporated by reference to Exhibit 4.3B.1 to the Company's Current Report on Form 8-K dated December 19, 1991, under Commission File Number 0-12553).

Letter of Representation among the Company, Citibank, N.A. and the Depository Trust Company, Series E, dated July 6, 1989 (incorporated by reference to Exhibit 4.3 of the Company's Annual Report on Form 10-K dated March 29, 1990, File Number 0-12553).

- 4.3 Forms of Medium-Term Note, Series F (incorporated by reference to Exhibits 4.3A, 4.3B and 4.3C to the Company's Registration Statement on Form S-3 dated May 26, 1992, Registration Number 33-48118).

Form of Letter of Representation among the Company, Citibank, N.A. and the Depository Trust Company, Series F (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-3 dated May 26, 1992, Registration Number 33-48118).

- 4.4 Forms of Medium-Term Note, Series G (incorporated by reference to Exhibits 4.3A and 4.3B to the Company's Registration Statement on Form S-3 dated December 8, 1993, Registration Number 33-51335).

Form of Letter of Representation among the Company, Citibank, N.A. and the Depository Trust Company, Series G (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-3 dated December 8, 1993, Registration Number 33-51335).

- 10.1 Support Agreement between the Company and PACCAR Inc dated as of June 19, 1989 (incorporated by reference to Exhibit 28.1 to the Company's Registration Statement on Form S-3 dated June 23, 1989, Registration Number 33-29434).

- 12.1 Statement re computation of ratio of earnings to fixed charges of the Company pursuant to SEC reporting requirements for the three-month periods ended March 31, 1995 and 1994.

- 12.2 Statement re computation of ratio of earnings to fixed charges of the Company pursuant to the Support Agreement with PACCAR Inc for the three-month periods ended March 31, 1995 and 1994.

- 12.3 Statement re computation of ratio of earnings to fixed charges of PACCAR Inc and subsidiaries pursuant to SEC reporting requirements for the three-month periods ended March 31, 1995 and 1994.

12.4 Statement re computation of ratios for allowance for losses on receivables and past due levels of the Company for the three-month periods ended March 31, 1995 and 1994.

27 Financial Data Schedule for Article 5 of Regulation S-X, Item 601(c) for the three-month period ended March 31, 1995.

Other exhibits listed in Item 601 of Regulation S-K are not applicable.

PACCAR Financial Corp.

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 PURSUANT TO SEC REPORTING REQUIREMENTS
 (Thousands of Dollars)

<TABLE>
 <CAPTION>

	Three Months Ended March 31	
	1995	1994
<S>	<C>	<C>
FIXED CHARGES		
Interest expense	\$20,299	\$12,981
Portion of rentals deemed interest	63	56
TOTAL FIXED CHARGES	\$20,362	\$13,037
EARNINGS		
Income before taxes	\$10,319	\$ 9,294
Fixed charges	20,362	13,037
EARNINGS AS DEFINED	\$30,681	\$22,331
RATIO OF EARNINGS TO FIXED CHARGES	1.51X	1.71X

</TABLE>

The method of computing the ratio of earnings to fixed charges shown above complies with SEC reporting requirements but differs from the method called for in the Support Agreement between the Company and PACCAR Inc. See Exhibit 12.2.

PACCAR Financial Corp.

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
PURSUANT TO THE SUPPORT AGREEMENT
BETWEEN THE COMPANY AND PACCAR INC
(Thousands of Dollars)

<TABLE>
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	Three Months Ended March 31	
	1995	1994
<S>	<C>	<C>
FIXED CHARGES		
Interest expense	\$20,299	\$12,981
Facility and equipment rental	188	169
TOTAL FIXED CHARGES	\$20,487	\$13,150
EARNINGS		
Income before income taxes	\$10,319	\$ 9,294
Depreciation	2,692	2,429
Fixed charges	13,011	11,723
EARNINGS AS DEFINED	20,487	13,150
EARNINGS AS DEFINED	\$33,498	\$24,873
RATIO OF EARNINGS TO FIXED CHARGES	1.64X	1.89X

</TABLE>

PACCAR Inc

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
PURSUANT TO SEC REPORTING REQUIREMENTS
(Thousands of Dollars)

<TABLE>
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	Three Months Ended March 31	
	1995	1994
<S>	<C>	<C>
FIXED CHARGES		
Interest expense		
PACCAR Inc and subsidiaries (1)	\$ 28,636	\$ 17,999
Portion of rentals deemed interest	1,432	1,374
TOTAL FIXED CHARGES	\$ 30,068	\$ 19,373
EARNINGS		
Income before taxes -		
PACCAR Inc and subsidiaries	\$ 83,198	\$ 67,978
Fixed charges	30,068	19,373
EARNINGS AS DEFINED	\$113,266	\$ 87,351
RATIO OF EARNINGS TO FIXED CHARGES	3.77X	4.51X

<FN>

(1) Exclusive of interest, if any, paid to PACCAR Inc.

</TABLE>

PACCAR Financial Corp.

COMPUTATION OF RATIOS FOR ALLOWANCE FOR LOSSES
ON RECEIVABLES AND PAST DUE LEVELS
(Thousands of Dollars)

<TABLE>
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	Three Months Ended March 31	
	1995	1994
<S>	<C>	<C>
Net credit losses (recoveries)	\$ (312)	\$ (558)
Allowance for losses at end of period	31,300	25,500
Average finance receivables and equipment on operating leases	1,770,832	1,527,513
Period end finance receivables and equipment on operating leases	1,806,483	1,546,083
Period end contracts and operating lease receivables past due over 60 days	5,674	5,659
Period end contracts and operating lease receivables	1,513,515	1,280,293
Ratios:		
Net credit losses (recoveries) to average finance receivables and equipment on operating leases (1)	(.07%)	(.15%)
Allowance for losses to period end finance receivables and equipment on operating leases	1.73%	1.65%
Period end contracts and operating lease receivables past due over 60 days to period end contracts and operating lease receivables	.37%	.44%

<FN>
(1) Annualized.

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5

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This schedule contains summary financial information extracted from the Balance Sheets, Statements of Income and Retained Earnings and Statements of Cash Flows and is qualified in its entirety by reference to such financial statements.

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