

COLLINS INDUSTRIES INC
Form 10-Q
May 21, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: April 30, 2001

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 0-12619

Collins Industries, Inc.

(Exact name of registrant as specified in its charter)

Missouri 43-0985160

(State or other jurisdiction of incorporation) (I.R.S. Employer Identification Number)

15 Compound Drive Hutchinson, Kansas 67502-4349

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(Address of principal executive offices)

(Zip Code)

Registrant's telephone number including area code

620-663-5551

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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

No

-

-

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Common Stock, \$.10 par value 7,338,255

.

Class Outstanding at May 21, 2001

COLLINS INDUSTRIES, INC. AND SUBSIDIARIES

FORM 10-Q

April 30, 2001

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PART I - FINANCIAL INFORMATION

Item 1

- Financial Statements

Collins Industries, Inc. and Subsidiaries

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

| | April 30, <u>2001</u> | October 31, <u>2000</u> |
|---|--------------------------|----------------------------|
| | . | . |
| ASSETS | | |
| Current Assets: | | |
| Cash | \$ 141,234 | \$ 204,101 |
| Receivables, trade & other | 8,638,864 | 10,206,169 |
| Inventories, lower of cost (FIFO) or market | 46,318,788 | 41,410,790 |
| Prepaid expenses and other current assets | <u>2,277,087</u> | <u>3,049,779</u> |
| Total current assets | 57,375,973 | 54,870,839 |
| Property and equipment, at cost | 44,911,884 | 44,305,214 |
| Less: accumulated depreciation | <u>26,297,345</u> | <u>25,157,372</u> |
| Net property and equipment | 18,614,539 | 19,147,842 |
| Other assets | <u>6,852,999</u> | <u>7,003,486</u> |
| Total assets | <u>\$82,843,511</u> | <u>\$81,022,167</u> |

LIABILITIES & SHAREHOLDERS' INVESTMENT

Current liabilities:

| | | |
|---|------------------|------------------|
| Current maturities of long-term debt & capitalized leases | \$ 3,080,974 | \$ 3,087,968 |
| Accounts payable | 22,708,135 | 25,611,383 |
| Accrued expenses | <u>5,520,971</u> | <u>6,019,483</u> |
| Total current liabilities | 31,310,080 | 34,718,834 |

| | | |
|---------------------------------------|------------|------------|
| Long-term debt and capitalized leases | 25,067,158 | 19,015,695 |
|---------------------------------------|------------|------------|

| | | |
|---------------------|---------|---------|
| Deferred income tax | 614,922 | 614,922 |
|---------------------|---------|---------|

Shareholders' investment:

| | | |
|--|---------------------|---------------------|
| Common stock | 733,826 | 742,446 |
| Paid-in capital | 17,769,060 | 18,026,830 |
| Deferred compensation | (1,190,612) | (1,071,169) |
| Retained earnings | <u>8,539,077</u> | <u>8,974,609</u> |
| Total shareholders' investment | <u>25,851,351</u> | <u>26,672,716</u> |
| Total liabilities & shareholders' investment | <u>\$82,843,511</u> | <u>\$81,022,167</u> |

(See accompanying notes)

Collins Industries, Inc. and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

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(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | April 30, | | April 30 , | |
| | <u>2001</u> | <u>2000</u> | <u>2001</u> | <u>2000</u> |
| Sales | \$51,073,089 | \$51,514,144 | \$ 93,517,975 | \$101,227,399 |
| Cost of sales | <u>44,306,915</u> | <u>44,851,513</u> | <u>82,205,690</u> | <u>87,482,488</u> |
| Gross profit | 6,766,174 | 6,662,631 | 11,312,285 | 13,744,911 |
| Selling, general and administrative expenses | <u>4,916,711</u> | <u>4,988,074</u> | <u>9,838,320</u> | <u>10,166,763</u> |
| Income from operations | 1,849,463 | 1,674,557 | 1,473,965 | 3,578,148 |
| Other income (expense): | | | | |
| Interest expense | (596,897) | (426,224) | (1,207,042) | (832,219) |
| Other, net | <u>12,327</u> | <u>33,241</u> | <u>20,450</u> | <u>93,906</u> |
| Income before provision for income taxes | 1,264,893 | 1,281,574 | 287,373 | 2,839,835 |
| Provision for income taxes | <u>480,000</u> | <u>377,000</u> | <u>110,000</u> | <u>932,000</u> |

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| | | | | |
|---|-------------------|-------------------|-------------------|---------------------|
| Net income | <u>\$ 784,893</u> | <u>\$ 904,574</u> | <u>\$ 177,373</u> | <u>\$ 1,907,835</u> |
| Earnings per share: | | | | |
| Basic | <u>\$.11</u> | <u>\$.13</u> | <u>\$.03</u> | <u>\$.26</u> |
| Diluted | <u>\$.11</u> | <u>\$.12</u> | <u>\$.02</u> | <u>\$.25</u> |
| Dividends per share | | | | |
| | <u>\$.0250</u> | <u>\$.0250</u> | <u>\$.0875</u> | <u>\$.1300</u> |
| Weighted average common and common equivalent shares Outstanding: | | | | |
| Basic | <u>6,891,566</u> | <u>7,212,406</u> | <u>6,951,117</u> | <u>7,212,406</u> |
| Diluted | <u>7,051,354</u> | <u>7,536,642</u> | <u>7,126,570</u> | <u>7,545,755</u> |

(See accompanying notes)

Collins Industries, Inc. and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOW

(Unaudited)

Six Months Ended

April 30,

2001

2000

Cash flow from operations:

| | | |
|--------------------------------------|--------------|--------------|
| Cash received from customers | \$95,085,280 | \$99,598,203 |
| Cash paid to suppliers and employees | (97,854,190) | (96,589,879) |

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| | | |
|--|--------------------|--------------------|
| Interest paid | (1,239,330) | (857,794) |
| Income taxes paid | = | <u>(1,195,654)</u> |
| Cash provided by (used in) operations | <u>(4,008,240)</u> | <u>954,876</u> |
| |) | |
| Cash flow from investing activities: | | |
| Capital expenditures | (751,296) | (1,319,031) |
| Other, net | <u>(58,616)</u> | <u>(44,684)</u> |
| |) | |
| Cash used in investing activities | <u>(809,912)</u> | <u>(1,363,715)</u> |
| |) | |
| Cash flow from financing activities: | | |
| Borrowings of long-term debt | 7,652,929 | 2,007,230 |
| Principal payments of long-term debt and capitalized leases | (1,608,460) | (741,431) |
| Acquisition and retirement of treasury stock | (676,280) | - |
| Payment of dividends | <u>(612,904)</u> | <u>(959,480)</u> |
| |) | |
| Cash provided by financing activities | <u>4,755,285</u> | <u>306,319</u> |
| Net decrease in cash | <u>(62,867)</u> | <u>(102,520)</u> |

| | | |
|--|----------------------|-------------------|
| Cash at beginning of period | <u>204,101</u> | <u>344,948</u> |
| Cash at end of period | <u>\$ 141,234</u> | <u>\$ 242,428</u> |
| Reconciliation of net income to net cash provided by (used in) operations: | | |
| Net income | \$ 177,373 | \$ 1,907,835 |
| Depreciation and amortization | 1,782,079 | 1,513,925 |
| Decrease (increase) in receivables | 1,567,305 | (1,629,196) |
| Increase in inventories | (4,907,998) | (1,625,866) |
| Decrease in prepaid expenses and other current assets | 772,692 | 544,587 |
| Increase (decrease) in accounts payable and accrued expenses | (3,401,760) | 362,323 |
| Other | <u>2,069</u> | <u>(118,732)</u> |
| Cash provided by (used in) operations | <u>\$(4,008,240)</u> | <u>\$ 954,876</u> |
| |) | |

(See accompanying notes)

COLLINS INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

(Unaudited)

(1) General

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting of only normal recurring items) necessary to summarize fairly the Company's financial position at April 30, 2001 and the results of operations for the three and six months ended April 30, 2001 and 2000, and the cash flows for the six months ended April 30, 2001 and 2000.

The Company suggests that the unaudited Consolidated Condensed Financial Statements for the three and six months ended April 30, 2001 be read in conjunction with the Company's Annual Report on Form 10-K for the year ended October 31, 2000.

(2) Inventories

Inventories, which include material, labor, and manufacturing overhead, are stated at the lower of cost (FIFO) or market.

Major classes of inventories as of April 30, 2001 and October 31, 2000, consisted of the following:

| | <u>April 30, 2001</u> | <u>October 31, 2000</u> |
|----------------------------|-----------------------|-------------------------|
| Chassis | \$ 8,990,377 | \$10,822,015 |
| Raw materials & components | 14,962,249 | 13,325,241 |
| Work-in-process | 5,937,784 | 7,941,310 |
| Finished goods | <u>16,428,378</u> | <u>9,322,224</u> |
| | <u>\$46,318,788</u> | <u>\$41,410,790</u> |

(3) Earnings per Share

Dilutive securities, consisting of options to purchase the Company's common stock and restricted stock awards included in the calculation of diluted weighted average common shares were 159,788 and 324,236 for the three months ended April 30, 2001 and 2000, respectively. The effect of dilutive stock options and restricted stock awards on weighted average shares outstanding was 175,453 and 333,349 for the six months ended April 30, 2001 and 2000, respectively.

(4) Contingencies and Litigation

At April 30, 2001, the Company had contingencies and litigation pending which arose in the ordinary course of business. Litigation is subject to many uncertainties and the outcome of the individual matters is not presently determinable. It is management's opinion that this litigation would not result in liabilities that would have a material adverse effect on the Company's consolidated financial position.

(5) Segment Information

| (In Thousands) | Three Months Ended | | Six Months Ended | |
|---------------------------------------|--------------------|-----------------|------------------|------------------|
| | April 30, | | April 30, | |
| | <u>2001</u> | <u>2000</u> | <u>2001</u> | <u>2000</u> |
| Revenues from external customers: | | | | |
| Ambulance | \$24,786 | \$24,556 | \$ 44,338 | \$ 47,511 |
| Buses | 13,267 | 17,093 | 24,979 | 35,054 |
| Terminal Trucks and Road Construction | <u>13,020</u> | <u>9,865</u> | <u>24,201</u> | <u>18,662</u> |
| Consolidated Total | <u>\$51,073</u> | <u>\$51,514</u> | <u>\$ 93,518</u> | <u>\$101,227</u> |
| Segment profit (pretax): | | | | |
| Ambulance | \$ 1,616 | \$ 690 | \$ 1,163 | \$ 1,391 |
| Buses | (159) | 640 | (270) | 1,736 |
| Terminal Trucks and Road Construction | 600 | 769 | 1,048 | 1,399 |
| Other | <u>(792)</u> | <u>(817)</u> | <u>(1,654)</u> | <u>(1,686)</u> |
| Consolidated Total | <u>\$ 1,265</u> | <u>\$ 1,282</u> | <u>\$ 287</u> | <u>\$ 2,840</u> |
| | | | As of | |
| | April 30, | | October 31, | |
| | <u>2001</u> | | <u>2000</u> | |
| Segment assets: | | | | |
| Ambulance | \$34,492 | | \$30,583 | |

| | | |
|--|-----------------|-----------------|
| Buses | 24,776 | 24,137 |
| Terminal Trucks and Road Construction | 20,025 | 21,911 |
| Other | <u>3,550</u> | <u>4,391</u> |
| Consolidated Total | <u>\$82,843</u> | <u>\$81,022</u> |

Item 2**- Management's Discussion and Analysis of Financial Condition and Results of Operations****GENERAL:**

Collins Industries, Inc., has three reportable segments: Ambulances, buses, and terminal trucks/road construction equipment. The ambulance segment produces modular and van type ambulances for sale to hospitals, ambulance services, fire departments and other governmental agencies. The bus segment produces small school buses, commercial buses and shuttle buses for sale to schools, hotel shuttle services, airports, and other governmental agencies. The terminal truck/road construction equipment segment produces off road trucks designed to move trailers and containers for sale to warehouses, truck terminals, rail yards, rail terminals and shipping ports and produces a line of road construction equipment.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies of the "Notes to Consolidated Financial Statements" in the Company's 2000 Form 10-K. The Company evaluates performance based on profit or loss from operations before income taxes not including nonrecurring gains and losses.

The company accounts for intersegment sales and transfers as if the sales or transfers were to third parties, with all intercompany sales eliminated in consolidation.

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Most of the businesses were acquired as a unit.

See "Note 7 to the Consolidated Financial Statements" for quantitative segment information.

RESULTS OF OPERATIONS:**Sales**

Sales for the three months ended April 30, 2001 were flat compared to the same period in fiscal 2000. The positive impact of sales from road construction products was offset by a unit volume decline of 20% in school bus products for the quarter. This decline was principally due to delays in chassis supplied by General Motors. The changes in average unit selling prices were not significant compared to the same period in fiscal 2000.

Sales for the six months ended April 30, 2001 decreased 8% compared to the same period in fiscal 2000. This decrease was principally due to 30% and 10% decreases in unit volume sales of bus and ambulance products,

respectively. Compared to the same period in fiscal 2000, the average unit selling prices of ambulance and terminal truck/road construction equipment products increased by 3% and 10%, respectively and the average selling price of bus products was flat for the six months ended April 30, 2001.

There were several factors contributing to the sales decline for the six months ended April 30, 2001. These factors included lower school bus orders for winter production and the Company experienced some chassis delays due to winter plant shutdowns at both Ford Motor Company and General Motors.

The Company's consolidated sales backlog at April 30, 2001 was \$67.4 million compared to \$46.7 million at October 31, 2000 and \$78.8 million at April 30, 2000.

Cost of Sales

Cost of sales for the three months ended April 30, 2001 was 86.8% of sales compared to 87.1% for the same period in fiscal 2000.

Cost of sales for the six months ended April 30, 2001 was 87.9% of sales compared to 86.4% for the same period in fiscal 2000. This increase was principally due to the decrease in school bus sales without a corresponding decrease in fixed manufacturing overhead related to school bus operations.

Selling, General and Administrative Expense

Selling, general and administrative expense, as a percent of sales, for the three months ended April 30, 2001 and 2000 was 9.6% and 9.7%, respectively.

Selling, general and administrative expense, as a percent of sales, for the six months ended April 30, 2001 and 2000 was 10.5% and 10.0%, respectively. This increase was principally associated with the selling, general and administrative expenses related to road construction equipment products that were acquired in September of 2000.

Other Income (Expense)

Interest expense for the three and six months ended April 30, 2001 increased principally as a result of the Company's increase in debt associated with the acquisition of the road construction products and higher ambulance inventories. This increase was partially offset by an overall decrease of the Company's effective interest rates.

Net Income

The Company's net income for the three months ended April 30, 2001 was \$.8 million (\$.11 per share-diluted) compared to \$.9 million (\$.12 per share-diluted) for the same period in fiscal 2000. The decrease in the Company's net income was principally attributable to higher interest costs, the impact of a higher overall income tax rate and lower profit contributions from bus products associated with the related decline in unit sales. These decreases were partially offset by higher profit contributions from ambulance operations.

The Company's net income for the six months ended April 30, 2001 was \$.2 million (\$.02 per share-diluted) compared to \$1.9 million (\$.25 per share - diluted) for the comparable period in fiscal 2000. The decrease in the Company's net income was principally attributable to higher interest costs, the impact of a higher overall income tax rate and lower profit contributions from bus products associated with the related decline in unit sales.

LIQUIDITY AND CAPITAL RESOURCES:

The Company used existing credit lines, internally generated funds and supplier financing to fund its operations and capital expenditures for the six months ended April 30, 2001.

Cash used in operations was \$4.0 million for the six months ended April 30, 2001, compared to cash provided by operations of \$1.0 million for the same period in fiscal 2000. Cash used in operations principally resulted from an increase in inventory of \$4.9 million, a decrease in accounts payable and accrued expenses of \$3.4 million, and was partially offset by a decrease in receivables of \$1.6 million, depreciation and amortization of \$1.8 million, a decrease in prepaid expenses and other current assets of \$.8 million and net income of \$.2 million.

Cash used in investing activities was \$.8 million for the six months ended April 30, 2001 compared to \$1.4 million for the same period in fiscal 2000. The decrease was principally due to lower capital expenditures for the six months ended April 30, 2001.

Cash flow provided by financing activities was \$4.8 million for the six months ended April 30, 2001, compared to \$.3 million for the same period in fiscal 2000. This change principally resulted from increased borrowings to finance working capital needs and to purchase and retire common stock.

The Company has aggregate maturities of \$20.7 million in capitalized leases and long-term debt due in 2002, principally as a result of a loan agreement with the Company's lead bank that expires August 31, 2002. The Company currently anticipates arranging an extension or refinancing of this debt at or prior to maturity.

The Company believes that its cash flows from operations and bank credit lines will be sufficient to satisfy its future working capital and capital expenditure requirements.

Cautionary Statement Regarding Risks and Uncertainties That May Affect Future Results

This report and other written reports and oral statements made from time to time by the Company may contain so-called "forward-looking statements" about the business, financial condition and prospects of the Company, all of which are subject to risks and uncertainties. One can identify these forward-looking statements by their use of words such as "expects", "plans", "will", "estimates", "forecasts", "projects", and other words of similar meaning. One can also identify them by the fact that they do not relate strictly to historical or current facts. One should understand that it is not possible to predict or identify all factors, which involve risks and uncertainties. Consequently, the reader should not consider any such list or listing to be a complete statement of all potential risks or uncertainties.

No forward-looking statement can be guaranteed and actual future results may vary materially. The actual results of the Company could differ materially from those indicated by the forward-looking statements because of various risks and uncertainties including, without limitation, changes in competition, changes in product demand, substantial dependence on third parties for product quality, the availability of chassis, adequate direct labor pools, development of new products, interest rate fluctuations, various inventory risks due to changes in market conditions, changes in tax and other governmental rules and regulations applicable to the Company, reliability and timely fulfillment of orders and other risks indicated in the Company's filings with the Securities and Exchange Commission.

The Company does not assume the obligation to update any forward-looking statement. One should carefully evaluate such statements in light of factors described in the Company's filings with the Securities and Exchange Commission, especially on Forms 10-K, 10-Q and 8-K (if any).

PART II - OTHER INFORMATION

Item 1 Legal Proceedings

-

Not applicable

Item 2 Changes in Securities

-

Not applicable

Item 3 Defaults on Senior Securities

-

Not applicable

Item 4 Submission of Matters to a Vote of Security-Holders

-

The Company's 2001 Annual Meeting of Shareholders was held February 23, 2001. Mr. Donald Lynn Collins and Mr. William R. Patterson were each elected as a director for a three-year term. Mr. Collins received 6,170,089 votes for, 81,678 against and 13,500 abstentions. Mr. Patterson received 5,525,313 votes for, 81,678 against and no abstentions. The other directors whose term of office continued after the meeting were: Don L. Collins, Lewis W. Ediger, Arch G. Gothard and Don S. Peters.

For the fiscal year ending October 31, 2001, the Company also ratified the appointment of its independent public accountants, Arthur Andersen LLP at its 2001 Annual Meeting of Shareholders. Arthur Andersen LLP received 5,882,411 votes for, 36,005 votes against and 10,963 abstentions.

Item 5 Other Information

-

Not applicable

Item 6 Exhibits and Reports on Form 8-K

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Exhibits:

a.
10.1 - Amendment No. 3. Dated as of February 22, 2001,

to the Amended and Restated Loan and Security Agreement dated as of July 31, 1998,
by and between Collins Industries, Inc., and Bank of America N.A.

10.2 - Amendment No. 4 dated as of May 14, 2001,

to the Amended and Restated Loan and Security Agreement dated as of July 31, 1998,
by and between Collins Industries, Inc., and Bank of America N.A.

- Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended April 30, 2001.

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.

| | | |
|--------|--------------|---|
| | | COLLINS INDUSTRIES, INC. |
| Dated: | May 21, 2001 | |
| | | |
| | By | |
| | | /s/ Larry W. Sayre |
| | | Larry W. Sayre, Vice President of Finance |
| | | and Chief Financial Officer |

| | | |
|--|--|--------------------------------|
| | | (Principal Accounting Officer) |
|--|--|--------------------------------|