

Edgar Filing: TIMKEN CO - Form 8-K

TIMKEN CO
Form 8-K
April 16, 2002

1.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of report (Date of earliest event reported): April 16, 2002

THE TIMKEN COMPANY

(Exact name of registrant as specified in charter)

Ohio	1-1169	34-0577130
-----	-----	-----
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1835 Dueber Avenue, S.W., Canton, Ohio	44706-2798
-----	-----
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (330) 438-3000

ITEM 5. OTHER EVENTS

Press Releases

On April 16, 2002, The Timken Company issued the following press release:

Earnings Up, Despite Sales Decline

Edgar Filing: TIMKEN CO - Form 8-K

The Timken Company Announces First Quarter Results

CANTON, OH - April 16, 2002 - The Timken Company (NYSE: TKR) today reported increased first quarter earnings despite lower sales compared to a year ago.

Excluding the impact of restructuring and reorganization charges, the company reported first quarter net income of \$14.0 million or \$0.23 per diluted share compared to consensus analyst estimates of \$0.17 per share. After restructuring and reorganization charges, the company had net income of \$9.2 million or \$0.15 per diluted share. This compares with first quarter 2001 net income of \$11.4 million or \$0.19 per diluted share before restructuring and reorganization charges and goodwill amortization and \$2.2 million or \$0.04 per diluted share after these special items.

Sales in the first quarter of 2002 were \$615.8 million versus \$661.5 million a year earlier.

"The U.S. automotive market, especially the light truck and SUV segment where we have a strong position, continued at a robust level," said W.R. Timken, Jr., chairman & CEO. "Our steel business also achieved a strong performance that resulted from a combination of healthy auto sales, effective cost controls and increased market penetration. A key to our stronger earnings was improved operating efficiencies, resulting from cost-cutting initiatives that began last year. These benefited all our business units."

The company's first quarter performance reflected cost reductions achieved through its ongoing restructuring of manufacturing operations and lower administrative spending levels. As a result of those initiatives, the company so far has achieved an annualized savings rate of \$35 million. These initiatives are on target to produce an annualized savings rate of \$80 million by the end of 2002.

Later today, the board of directors is expected to vote on a quarterly dividend - which would be the 320th consecutive dividend paid since the company listed on the NYSE 80 years ago.

Automotive Bearings' Results

Sales of automotive bearings increased 5 percent to \$203.7 million, reflecting continued strength in vehicle production in North America and new automotive platforms launched using Timken products. In the first quarter, these new programs contributed about \$10 million to sales.

The Automotive Bearings segment reported earnings before interest and taxes (EBIT) of \$15.3 million versus a loss of \$1.6 million a year earlier, excluding restructuring and reorganization charges and goodwill amortization. The improvement resulted from three factors - higher volume, effects of the manufacturing restructuring and salaried cost reduction initiatives and aggressive management of business costs. After restructuring and reorganization charges, Automotive Bearings' EBIT was \$11.2 million compared to a loss of \$2.0 million in the first quarter of 2001.

In April, the company announced a joint venture with NSK Ltd. to produce certain tapered roller bearings in China. The equally owned venture is expected to begin production of small-size single-row tapered roller bearings for automotive applications by 2004. This initiative continues the company's transformation. It is intended to help Timken work more effectively with its global customers, foster profitable growth in Asia and around the world and continue the company's efforts to reduce manufacturing costs by adding a low-cost source for certain automotive products.

Edgar Filing: TIMKEN CO - Form 8-K

Industrial Bearings' Results

First quarter sales of industrial bearings fell 12 percent to \$212.9 million compared to a year ago. Industrial markets around the world, while stabilizing, have shown few signs of recovery. North American and European industrial markets are weaker than a year ago, and orders for industrial bearings have not risen appreciably from very low levels in the fourth quarter.

First quarter EBIT, totaled \$3.2 million, down from \$16.6 million a year ago, before restructuring and reorganization charges and goodwill amortization. The decline in EBIT reflected lower sales to North American industrial, rail and super precision customers. After restructuring and reorganization charges, the Industrial Bearings segment had a loss of \$0.6 million compared to EBIT of \$4.8 million a year earlier.

The company is continuing to broaden its range of services for industrial customers. In mid-March, it acquired an industrial equipment repair facility in Niles, Ohio, that repairs components for the rolling mill industry.

Steel's Results

Steel sales, including intersegment sales, decreased 11 percent to \$238.4 million compared to the first quarter of 2001. Despite lower sales, Steel EBIT was \$12.2 million, up from \$11.0 million in the first quarter of 2001, excluding restructuring and reorganization charges and goodwill amortization.

The improvement reflected strong shipments to the automotive and bearing industries, higher capacity utilization, increased penetration in industrial markets and continuing cost-control actions. Pricing has improved and capacity utilization has increased from very low fourth-quarter levels. Steel EBIT, after restructuring and reorganization charges, was \$12.0 million compared to \$9.3 million a year ago.

Outlook

"The stronger-than-expected first quarter has been achieved with little improvement in domestic demand for industrial products. Improvement in those markets is expected in the latter half of 2002. Combined with the continuing strength in the automotive sector, those improvements should enable the company to achieve annual earnings at the upper end of the range provided in mid-March," said W.R. Timken, Jr.

The Timken Company (NYSE: TKR) (<http://www.timken.com>) is a leading international manufacturer of highly engineered bearings, alloy and specialty steels and components, as well as a provider of related product and services. With operations in 24 countries, the company employs about 18,700 people worldwide and reported 2001 sales of U.S. \$2.4 billion.

The company will conduct a teleconference on Wednesday, April 17 at 10 a.m. Eastern Time on its first quarter earnings. Dial 706-634-0975 (reference Timken) or link to www.timken.com for the Web cast. Replay will be available at (706) 645-9291, beginning at 1 p.m. Eastern Time, April 17, through 11:59 p.m. Eastern Time, April 26, 2002. Access Code 3539933.

NOTE: Certain statements in this news release (including statements regarding the company's forecasts, beliefs and expectations) that are not historical in nature are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. The company cautions that actual results may differ materially from those projected or implied in

Edgar Filing: TIMKEN CO - Form 8-K

forward-looking statements due to a variety of important factors, including general economic conditions, customer demand and the company's ability to achieve the benefits of its ongoing restructuring programs. These and additional factors are described in greater detail in the company's 2001 Annual Report, page 39, and the Annual Report on Form 10-K for 2001. The company undertakes no obligation to update or revise any forward-looking statement.

CONSOLIDATED STATEMENT OF INCOME

	AS REPORTED			
(Thousands of U.S. dollars, except per share date)	1Q02	1Q01	4Q01	1Q02
Net sales	\$615,757	\$661,516	\$573,575	\$615,757
Cost of products sold	494,816	538,356	488,646	494,816
Goodwill amortization	0	1,544	1,447	0
Reorganization expenses - cost of products sold	2,299	3,602	2,810	0
<hr/>				
Gross Profit	\$118,642	\$118,014	\$ 80,672	\$120,941
Selling, administrative & general expenses (SG&A)	83,248	95,565	84,802	83,248
Reorganization expenses - SG&A	2,744	973	2,226	0
Impairment and restructuring	3,057	7,907	5,284	0
<hr/>				
Operating Income	\$ 29,593	\$ 13,569	\$ (11,640)	\$ 37,693
Other income (expense)	(7,468)	(1,210)	(3,568)	(7,468)
Receipt of U.S. Continuous Dumping and Subsidy Offset Act payment	0	0	31,000	0
<hr/>				
Earnings Before Interest and Taxes (EBIT)	\$ 22,125	\$ 12,359	\$ 15,792	\$ 30,225
Interest expense	(8,035)	(8,894)	(7,588)	(8,035)
Interest income	380	489	439	380
<hr/>				
Income Before Income Taxes	\$ 14,470	\$ 3,954	\$ 8,643	\$ 22,570
Provision for income taxes	5,282	1,732	7,425	8,582
<hr/>				
Net Income	\$ 9,188	\$ 2,222	\$ 1,218	\$ 13,988
<hr/>				
Earnings Per Share	\$0.15	\$0.04	\$0.02	\$0.23
Earnings Per Share - assuming dilution	\$0.15	\$0.04	\$0.02	\$0.23
<hr/>				
Average Shares Outstanding	59,914,680	59,981,237	59,941,185	59,914,680
Average Shares Outstanding - assuming dilution	60,395,183	60,122,806	59,954,790	60,395,183

BUSINESS SEGMENTS

(Thousands of U.S. dollars, except per share date)	1Q02	1Q01	4Q01	1Q02
<hr/>				
Automotive Bearings				

Net sales to external customers	\$203,696	\$194,257	\$185,268	\$203,696
Impairment and restructuring	1,932	82	3,412	0
Reorganization expenses	2,144	294	2,467	0
Receipt of U.S. Continuous Dumping and Subsidy Offset Act payment	0	0	3,000	0
Goodwill amortization	0	23	(32)	0
Earnings before interest and taxes (EBIT) *	\$ 11,213	\$ (1,986)	\$ (5,382)	\$ 15,289
EBIT Margin	5.5%	-1.0%	-2.9%	7.5%
<hr/>				
Industrial Bearings				

Net sales to external customers	\$212,940	\$241,994	\$204,238	\$212,940

Edgar Filing: TIMKEN CO - Form 8-K

Impairment and restructuring	956	7,393	1,328	0
Reorganization expenses	2,900	3,259	2,569	0
Receipt of U.S. Continuous Dumping and Subsidy Offset Act payment	0	0	28,000	0
Goodwill amortization	0	1,208	1,169	0
Earnings before interest and taxes (EBIT) *	\$ (606)	\$ 4,774	\$ 27,722	\$ 3,250
EBIT Margin	-0.3%	2.0%	13.6%	1.5%

Steel

Net sales to external customers	\$199,121	\$225,265	\$184,069	\$199,121
Intersegment sales	39,273	42,477	32,008	39,273
Total net sales	\$238,394	\$267,742	\$216,077	\$238,394
Impairment and restructuring	169	432	543	0
Reorganization expenses	0	1,023	0	0
Goodwill amortization	0	313	310	0
Earnings before interest and taxes (EBIT) *	\$ 11,950	\$ 9,282	\$ (7,177)	\$ 12,119
EBIT Margin	5.0%	3.5%	-3.3%	5.1%

*Automotive Bearings, Industrial Bearings and Steel EBIT do not equal Consolidated EBIT due to items which are eliminated upon consolidation.

(1) "Adjusted" statements exclude the impact of restructuring and reorganization charges for all receipt of the U.S. Continued Dumping and Subsidy Offset Act payment received in December 2000 of goodwill amortization in 2001.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Thousands of U.S. dollars)	For the three months ended	
	Mar 31 2002	Mar 31 2001
Cash Provided (Used)		
OPERATING ACTIVITIES		
Net Income	\$ 9,188	\$ 2,222
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	36,762	37,898
Provision (credit) for deferred income taxes	29,435	(2,725)
Stock issued in lieu of cash to employee benefit plans	1,031	106
Non-cash impact of impairment and restructuring charges	(6,671)	4,225
Changes in operating assets and liabilities:		
Accounts receivable	(49,862)	(54,854)
Inventories	(17,128)	(7,491)
Other assets	(7,526)	(11,221)
Accounts payable and accrued expenses	(11,510)	9,659
Foreign currency translation	(465)	2,876
Net Cash Used by Operating Activities	\$ (16,746)	\$ (19,305)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment, net	(10,439)	(14,848)
Acquisitions	(6,751)	(1,170)
Net Cash Used by Investing Activities	(17,982)	(16,018)

FINANCING ACTIVITIES

Edgar Filing: TIMKEN CO - Form 8-K

Cash dividends paid to shareholders	(7,789)	(10,798)
Issuance of treasury shares - net	0	505
Payments on long-term debt	(1,727)	(884)
Proceeds from issuance of long-term debt	0	18
Short-term debt activity - net	27,498	55,701
	-----	-----
Net Cash Provided by Financing Activities	\$ 17,982	\$ 44,542
Effect of exchange rate changes on cash	(388)	(1,274)
Decrease (increase) in Cash and Cash Equivalents	(16,342)	7,945
Cash and Cash Equivalents at Beginning of Period	\$ 33,392	\$ 10,927
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 17,050	\$ 18,872
	=====	=====

CONSOLIDATED BALANCE SHEET (Thousands of U.S. dollars)	Mar 31 2002	Dec 31 2001
ASSETS		
Cash and cash equivalents	\$ 17,050	\$ 33,392
Accounts receivable	356,718	307,759
Refundable income taxes	15,092	15,103
Deferred income taxes	43,148	42,895
Inventories	446,366	429,231
Total Current Assets	\$ 878,374	\$ 828,380
Property, plant & equipment	1,281,039	1,305,345
Deferred income taxes	16,704	27,164
Other assets	379,155	372,195
Total Assets	\$2,555,272	\$2,533,084
LIABILITIES		
Accounts payable & other liabilities	\$ 265,156	\$ 258,001
Short-term debt and commercial paper	153,824	128,864
Accrued expenses	253,387	254,291
Total Current Liabilities	\$ 672,367	\$ 641,156
Long-term debt	367,279	368,151
Accrued pension cost	304,423	317,297
Accrued postretirement benefits cost	410,269	406,568
Other noncurrent liabilities	17,631	18,177
Total Liabilities	\$1,771,969	\$1,751,349
Shareholders' Equity	783,303	781,735
Total Liabilities and Shareholders' Equity	\$2,555,272	\$2,533,084

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 under-
signed hereunto duly authorized.

Edgar Filing: TIMKEN CO - Form 8-K

THE TIMKEN COMPANY

By: /s/ Gene E. Little

Gene E. Little

Senior Vice President - Finance

Dated: April 16, 2002