

APPLICA INC
Form 10-Q
August 06, 2002

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2002

OR

o 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 1-10177

APPLICA INCORPORATED

(Exact Name of Registrant as Specified in its Charter)

Florida

59-1028301

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification Number)

5980 Miami Lakes Drive, Miami Lakes, Florida

33014

(Address Of Principal Executive Offices)

(Zip Code)

(305) 362-2611

(Registrant's Telephone Number, Including Area Code)

Former Name, If Changed Since Last Report:

Not Applicable

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 requirement for the past 90 days. Yes No

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

<u>Class</u>	<u>Number of shares outstanding on July 31, 2002</u>
Common Stock, \$.10 par value	23,466,811

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	June 30, 2002 (Unaudited)	December 31, 2001
(In thousands)		
Current Assets:		
Cash and cash equivalents	\$ 7,685	\$ 15,743
Accounts and other receivables, less allowances of \$7,992 in 2002 and \$10,499 in 2001	150,071	182,950
Receivables from affiliates	4,124	3,531
Inventories	120,786	103,716
Prepaid expenses and other	18,382	11,865
Refundable income taxes	865	689
Future income tax benefits	32,909	23,649
	<u>334,822</u>	<u>342,143</u>
Total current assets	334,822	342,143
Investment in Joint Ventures	1,396	1,412
Property, Plant and Equipment - at cost, less accumulated depreciation of \$110,831 in 2002 and \$100,961 in 2001	81,132	82,337
Future Income Tax Benefits, Non-Current	49,789	8,055
Goodwill	59,133	170,764
Other Intangibles	28,670	24,648
Other Assets	5,477	4,325
	<u>560,419</u>	<u>633,684</u>
Total Assets	\$560,419	\$633,684
<u>Liabilities and Shareholders' Equity</u>		
Current Liabilities:		
Notes payable	\$ 5,453	
Current maturities of long-term debt	574	
Accounts payable	60,221	\$ 38,140
Accrued expenses	64,872	68,533
Current taxes payable	3,705	6,903
Deferred income	408	443
	<u>135,233</u>	<u>114,019</u>
Total current liabilities	135,233	114,019
Other Long-Term Liabilities	938	
Long-Term Debt, less current maturities	216,696	225,726
Shareholders' Equity:		
Common stock authorized:75,000 shares of \$.10 par value; issued and outstanding: 23,449 shares in 2002 and 23,319 shares in 2001	2,345	2,332
Paid-in capital	155,056	154,049
Retained earnings	60,961	145,028
Notes receivable officer	(1,496)	(1,496)

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Accumulated other comprehensive earnings (loss)	(9,314)	(5,974)
	<u> </u>	<u> </u>
Total shareholders' equity	207,552	293,939
	<u> </u>	<u> </u>
Total liabilities and shareholders' equity	\$560,419	\$633,684
	<u> </u>	<u> </u>

The accompanying notes are an integral part of these statements.

Table of Contents**Applica Incorporated and Subsidiaries****CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

	Three Months Ended June 30,			
	2002		2001	
	(In thousands, except per share data)			
Net sales	\$ 168,039	100.0%	\$ 161,664	100.0%
Cost of goods sold	114,651	68.2	113,997	70.5
Gross profit	53,388	31.8	47,667	29.5
Selling, general and administrative expenses:				
Operating expenses	48,177	28.7	45,992	28.5
Repositioning charge	4,884	2.9		
Operating earnings (loss)	327	0.2	1,675	1.0
Other expense (income):				
Interest expense	3,842	2.3	5,688	3.5
Interest and other income	(406)	(0.2)	(508)	(0.3)
	3,436	2.1	5,180	3.2
Earnings (loss) before equity in net earnings (loss) of joint ventures and income taxes	(3,109)	(1.9)	(3,505)	(2.2)
Equity in net earnings (loss) of joint ventures	(89)	(0.0)		
Earnings (loss) before income taxes	(3,198)	(1.9)	(3,505)	(2.2)
Income tax expense (benefit)	(1,141)	(0.7)	(906)	(0.6)
Net earnings (loss)	\$ (2,057)	(1.2)%	\$ (2,599)	(1.6)%
Earnings per common share:				
Basic and diluted earnings (loss) per common share	\$ (0.09)		\$ (0.11)	

The accompanying notes are an integral part of these statements.

Table of Contents**Applica Incorporated and Subsidiaries****CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

	Six Months Ended June 30,			
	2002		2001	
	(In thousands, except per share data)			
Net sales	\$ 311,097	100.0%	\$ 313,485	100.0%
Cost of goods sold	216,319	69.5	225,394	71.9
Gross profit	94,778	30.5	88,091	28.1
Selling, general and administrative expenses:				
Operating expenses	90,495	29.1	88,685	28.3
Repositioning charge	5,246	1.7		
Operating earnings (loss)	(963)	(0.3)	(594)	(0.2)
Other expense (income):				
Interest expense	7,657	2.4	12,371	3.9
Interest and other income	(746)	(0.2)	(970)	(0.3)
	6,911	2.2	11,401	3.6
Earnings (loss) before equity in net earnings (loss) of joint ventures, income taxes and cumulative effect of change in accounting principle	(7,874)	(2.5)	(11,995)	(3.8)
Equity in net earnings (loss) of joint ventures	(185)	(0.1)		
Earnings (loss) before income taxes and cumulative effect of change in accounting principle	(8,059)	(2.6)	(11,995)	(3.8)
Income tax expense (benefit)	(2,821)	(0.9)	(3,113)	(1.0)
Earnings (loss) before cumulative effect of change in accounting principle	(5,238)	(1.7)	(8,882)	(2.8)
Cumulative effect of change in accounting principle, net of tax benefit of \$42,447	(78,829)	(25.3)		
Net earnings (loss)	\$ (84,067)	(27.0)%	\$ (8,882)	(2.8)%
Earnings per common share:				
Earnings (loss) before cumulative effect of change in accounting principle	\$ (0.22)		\$ (0.38)	
Cumulative effect of change in accounting principle	(3.37)			
Basic and diluted earnings (loss) per common share	\$ (3.59)		\$ (0.38)	

The accompanying notes are an integral part of these statements.

Table of Contents**Applica Incorporated and Subsidiaries****CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

	Six Months Ended June 30,	
	2002	2001
	(In thousands)	
Cash flows from operating activities:		
Net earnings (loss)	\$ (84,067)	\$ (8,882)
Reconciliation to net cash provided by (used in) operating activities:		
Depreciation of property, plant and equipment	9,984	9,753
Amortization of intangible assets	4,575	9,341
Cumulative effect of change in accounting principle, net of tax	78,829	
Net change in allowance for losses on accounts receivable	(2,644)	(118)
Equity in net earnings (loss) of joint venture	185	
Consulting expense on non-employee stock options	52	25
Net change in deferred income	(35)	(36)
Changes in assets and liabilities:		
Accounts and other receivables	38,279	29,425
Inventories	(15,946)	26,671
Prepaid expenses and other	(6,482)	(2,784)
Other assets	(5,659)	1,178
Accounts payable and accrued expenses	17,226	(5,339)
Current and deferred income taxes	(11,566)	(6,943)
Other liabilities	509	
	<u>23,240</u>	<u>52,291</u>
Net cash provided by (used in) operating activities	\$ 23,240	\$ 52,291
Cash flows from investing activities:		
Purchase of Weitech, Inc.	(17,002)	
Additions to property, plant and equipment	(8,499)	(14,905)
Distributions from (investments in) joint ventures net	(169)	130
Receivables from affiliates	(559)	(124)
	<u>(26,229)</u>	<u>(14,899)</u>
Net cash (used in) provided by investing activities	(26,229)	(14,899)
Cash flows from financing activities:		
Notes payable	2,453	(11,239)
Long-term debt net	(8,456)	(33,104)
Exercise of stock options and issuance of common stock under employee stock purchase plan	968	461
Interest receivable from officer	(34)	
	<u>(5,069)</u>	<u>(43,482)</u>