FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the quarterly period ended June 30, 1994

Commission file number 1-10716

# TRIMAS CORPORATION
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 38-2687639 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

| | |
|---|---|
| 315 East Eisenhower Parkway, Ann Arbor, Michigan | 48108 |
| (Address of principal executive offices) | (Zip Code) |

(313) 747-7025
(Telephone number)

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.

| Class | Shares Outstanding at August 5, 1994 |
|---|---|
| Common Stock, $.01 Par Value | 36,644,101 |

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TRIMAS CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TRIMAS CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

| | June 30, 1994 (Unaudited) | December 31, 1993 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 72,330,000 | $ 69,770,000 |
| Receivables | 81,770,000 | 58,710,000 |
| Inventories | 78,400,000 | 76,700,000 |
| Prepaid expenses | 10,150,000 | 9,790,000 |
| Total current assets | 242,650,000 | 214,970,000 |
| Property and equipment | 164,740,000 | 162,230,000 |
| Excess of cost over net assets of acquired companies | 150,630,000 | 152,210,000 |
| Notes receivable | 8,390,000 | 8,160,000 |
| Other assets | 24,600,000 | 26,560,000 |
| Total assets | $591,010,000 | $564,130,000 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | $ 21,650,000 | $ 20,330,000 |
| Accrued liabilities | 33,080,000 | 30,550,000 |
| Current portion of long-term debt | 320,000 | 320,000 |
| Total current liabilities | 55,050,000 | 51,200,000 |
| Deferred income taxes and other | 29,600,000 | 29,190,000 |
| Long-term debt | 238,630,000 | 238,890,000 |
| Total liabilities | 323,280,000 | 319,280,000 |
| Shareholders' equity: | | |
| Common stock, $.01 par value, authorized 100 million shares, outstanding 36.6 million shares | 370,000 | 370,000 |
| Paid-in capital | 154,080,000 | 154,190,000 |
| Retained earnings | 114,900,000 | 91,700,000 |
| Cumulative translation adjustments | (1,620,000) | (1,410,000) |
| Total shareholders' equity | 267,730,000 | 244,850,000 |
| Total liabilities and shareholders' equity | $591,010,000 | $564,130,000 |

The accompanying notes are an integral part of the consolidated financial statements.

TRIMAS CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(UNAUDITED)

| | Six Months Ended June 30, 1994 | Six Months Ended June 30, 1993 | Three Months Ended June 30, 1994 | Three Months Ended June 30, 1993 |
|---|---|---|---|---|
| Net sales | $281,400,000 | $225,520,000 | $146,940,000 | $118,600,000 |
| Cost of sales | (190,820,000) | (154,510,000) | (97,620,000) | (80,360,000) |
| Selling, general and administrative expenses | (42,750,000) | (34,730,000) | (21,890,000) | (17,470,000) |
| Operating profit | 47,830,000 | 36,280,000 | 27,430,000 | 20,770,000 |
| Interest expense | (5,930,000) | (4,080,000) | (3,090,000) | (1,790,000) |
| Other income (expense), net | 1,410,000 | 1,530,000 | 780,000 | 670,000 |
| | (4,520,000) | (2,550,000) | (2,310,000) | (1,120,000) |
| Income before income taxes | 43,310,000 | 33,730,000 | 25,120,000 | 19,650,000 |
| Income taxes | 17,540,000 | 13,660,000 | 10,180,000 | 8,000,000 |
| Net income | $ 25,770,000 | $ 20,070,000 | $ 14,940,000 | $ 11,650,000 |
| Preferred stock dividends, MascoTech, Inc. | | $ 3,500,000 | | $ 1,750,000 |
| Earnings available for common stock | $ 25,770,000 | $ 16,570,000 | $ 14,940,000 | $ 9,900,000 |
| Earnings per common share: | | | | |
| Primary | $.70 | $.57 | $.40 | $.34 |
| Fully diluted | $.66 | $.54 | $.38 | $.32 |
| Dividends declared per common share | $.07 | $.055 | $.04 | $.03 |
| Weighted average number of common and common equivalent shares outstanding: | | | | |
| Primary | 37,038,000 | 29,152,000 | 37,038,000 | 29,171,000 |
| Fully diluted | 42,121,000 | 36,974,000 | 42,120,000 | 36,974,000 |

The accompanying notes are an integral part of the consolidated condensed financial statements.

TRIMAS CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| | Six Months Ended June 30, 1994 | Six Months Ended June 30, 1993 |
|---|---|---|
| CASH FROM (USED FOR): | | |
| OPERATIONS: | | |
| Net income | $25,770,000 | $20,070,000 |
| Adjustments to reconcile net income to net cash from operations: | | |
| Depreciation and amortization | 10,490,000 | 8,960,000 |
| Deferred income taxes | 600,000 | 500,000 |
| (Increase) decrease in receivables | (23,290,000) | (18,310,000) |
| (Increase) decrease in inventories | (1,700,000) | 5,020,000 |
| Increase (decrease) in accounts payable and accrued liabilities | 4,670,000 | 4,020,000 |
| Other, net | (490,000) | (2,200,000) |
| Net cash from (used for) operations | 16,050,000 | 18,060,000 |
| INVESTMENTS: | | |
| Capital expenditures | (11,030,000) | (8,870,000) |
| Net cash from (used for) investments | (11,030,000) | (8,870,000) |
| FINANCING: | | |
| Retirement of long-term debt | (260,000) | (50,000) |
| Preferred stock dividends paid to MascoTech, Inc. | | (8,750,000) |
| Common stock dividends paid | (2,200,000) | (1,440,000) |
| Net cash from (used for) financing | (2,460,000) | (10,240,000) |
| CASH AND CASH EQUIVALENTS: | | |
| Increase (decrease) for the period | 2,560,000 | (1,050,000) |
| At beginning of period | 69,770,000 | 64,770,000 |
| At end of period | $72,330,000 | $63,720,000 |

The accompanying notes are an integral part of the consolidated condensed financial statements.

## Notes to Consolidated Condensed Financial Statements

A. Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included, and such adjustments are of a normal recurring nature. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1993. Certain amounts in the 1993 financial statements have been reclassified to conform with the current presentation.

B. Inventories by component are as follows:

| | June 30, 1994 | December 31, 1993 |
|---|---|---|
| Finished goods | $39,230,000 | $41,950,000 |
| Work in process | 13,130,000 | 12,230,000 |
| Raw material | 26,040,000 | 22,520,000 |
| | $78,400,000 | $76,700,000 |

C. Property and equipment reflects accumulated depreciation of $97.3 million and $92.3 million as of June 30, 1994 and December 31, 1993, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

## Results of Operations

Net sales during the second quarter of 1994 equalled $146.9 million, exceeding last year's second quarter sales by 23.9 percent, and established a new quarterly sales record for the Company. First half 1994 sales increased 24.8 percent over the comparable period in 1993 to $281.4 million, again representing a record for the relevant period. Operating results during 1994 include those of Lamons Metal Gasket Co., acquired in November, 1993.

All four of the Company's business segments experienced an increase in sales during the second quarter of 1994 over the comparable period last year. Net sales of the Towing Systems segment increased 19.1 percent over 1993's second quarter to $53.8 million. Sales for the six month period were $95.5 million, an 18.5 percent increase over the $80.6 million achieved in the comparable period in 1993. These increases were the result of several factors, including the strength of the automotive industry, primarily the continuing trend in new vehicle sales toward light trucks and sport utility vehicles which are more apt to use towing systems products, ongoing new product introductions and strong demand for marine aftermarket products. The seasonality of the end-markets served by this segment cause its sales to be concentrated in the second and third quarters of each year.

Second quarter 1994 sales by the Specialty Fasteners segment were $35.7 million, a 15.0 percent increase over the comparable period in 1993. Strong demand from the heavy-duty truck, distribution, and other original equipment industrial markets continue to favorably impact the performance of this segment. For the first six months of 1994, sales by the Specialty Fasteners segment increased 15.3 percent over the first six months of 1993 to $71.0 million.

Specialty Container Products segment sales for the second quarter of 1994 were $40.2 million, a 42.6 percent increase over the second quarter of 1993, reflecting the inclusion of the results of Lamons Metal Gasket Co. in 1994. For the first six months sales increased 54.0 percent to $81.4 million. In addition to the effect of the Lamons Metal Gasket acquisition, year-to-date sales of specialty container closures, dispensing equipment and compressed gas cylinders improved as the strength of the general economy continued to impact the markets served by these products.

Second quarter sales by the Corporate Companies segment increased 21.2 percent to $17.3 million over 1993's revenues of $14.3 million. For the first six months of 1994, sales exceeded 1993 results by 9.9 percent equalling $33.6 million. The segment continues to benefit from record demand for specialty industrial tape products, and strong demand for vapor barrier products used in many construction applications.

The Company's consolidated gross margin for the second quarter of 1994 was 33.6 percent compared to 32.2 percent for the second quarter of 1993. For the first six months of 1994 and 1993 gross margin was 32.2 percent and 31.5 percent, respectively. Because of the seasonal factors relating to the Towing Systems segment and the volume sensitive nature of the Company's operations, gross margin recorded in the second quarter is typically higher than that which is realized during the first quarter. Maintaining high gross margins is an important operating strategy of the Company as it helps maximize earnings growth as a result of sales increases.

The Company's consolidated operating profit of $27.4 million during the second quarter of 1994 represents a 32.1 percent increase over the second quarter of 1993. The operating margin increased to 18.7 percent from 17.5 percent achieved in the second quarter of 1993. Operating profit for the first six months of 1994 was $47.8 million and represented an operating margin of 17.0 percent compared to 1993's first six months operating profit of $36.3 million or 16.1 percent of net sales. The operating profits of all of the Company's reporting segments increased during the second quarter and the first six months of 1994 compared to comparable periods in 1993. This improvement in profit is primarily the result of the successful cost reduction efforts employed by the operating units, as well as the previously mentioned sales increases and related volume sensitivity.

Earnings available for common stock for the six months and three months ended June 30, 1994 were $25.8 million and $14.9 million respectively, compared to $16.6 million and $9.9 million respectively, after provisions for preferred stock dividends, in last year's comparable periods. Primary earnings per common share equalled $.70 on 37.0 million shares for the first six months of 1994 compared to 1993's primary earnings per common share of $.57 on 29.2 million shares. The increase in common shares outstanding was the result of the conversion of the Company's $100 Convertible Participating Preferred Stock in December, 1993. Fully diluted earnings per common share were $.66 on 42.1 million shares versus $.54 on 37.0 million shares for the six months ended June 30, 1994 and 1993. The increase in fully diluted shares was the result of the issuance of Convertible Subordinated Debentures in August, 1993. Primary and fully diluted earnings per common share for the second quarters of 1994 and 1993 were $.40 and $.38, and $.34 and $.32, respectively.

Liquidity, Working Capital and Cash Flows

The Company's financial strategies include maintaining a relatively high level of liquidity. Historically, TriMas Corporation has generated sufficient cash flows from operating activities to fund capital expenditures, debt service and dividends, while maintaining its strategic level of liquidity. At June 30, 1994 the current ratio was 4.4 to 1 and working capital equalled $187.6 million, including $72.3 million of cash and cash equivalents. At December 31, 1993 the current ratio was 4.2 to 1 and working capital equalled $163.8 million. At June 30, 1994, the Company had available credit of $228.0 million under its revolving credit facility.

Cash flows from operations provided $16.1 million and $18.1 million during the first six months of 1994 and 1993, respectively. These operating cash flows were net of increases in accounts receivable of $23.3 million in 1994 and $18.3 million in 1993 due mainly to the seasonality of the Towing Systems segment as well as increased sales by all of the Company's business segments. Historically, the cash flow provided by the seasonal increase in receivables is realized later in the year. Capital expenditures equalled $11.0 million in 1994 and $8.9 million in 1993. The conversion of the Company's Preferred Stock into common shares in December, 1993 and an increase in the common stock dividend rate resulted in an increase in common stock dividends paid to $2.2 million in 1994 versus $1.4 million in 1993. No preferred stock dividends were paid in the first six months of 1994, as compared to $8.8 million during 1993.

The Company believes its cash flows from operations, along with its borrowing capacity and access to financial markets, are adequate to fund its strategies for future growth, including working capital, expenditures for manufacturing expansion and efficiencies, market share initiatives, and corporate development activities.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

11 Computation of Earnings Per Common Share
12 Computation of Ratios of Earnings to Fixed Charges

(b) Reports on Form 8-K:

None were filed during the quarter ended June 30, 1994.

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 undersigned thereunto duly authorized.

TRIMAS CORPORATION

Date: August 10, 1994

By: /s/William E. Meyers
William E. Meyers
Vice President - Controller
(Chief accounting officer
and authorized signatory)



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Exhibit Index

| Exhibit Number | Description of Document |
| --- | --- |
| 11 | Computation of Earnings Per Common Share. |
| 12 | Computation of Ratios of Earnings to Fixed Charges. |

Exhibit 11

TRIMAS CORPORATION AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER COMMON SHARE
(In Thousands, Except Per Share Amounts)

| | Six Months Ended June 30, 1994 | Six Months Ended June 30, 1993 | Three Months Ended June 30, 1994 | Three Months Ended June 30, 1993 |
|---|---|---|---|---|
| Primary: | | | | |
| Net income | $25,770 | $20,070 | $14,940 | $11,650 |
| Preferred stock dividend requirement | | (3,500) | | (1,750) |
| Earnings available for common stock | $25,770 | $16,570 | $14,940 | $ 9,900 |
| Weighted average common shares outstanding | 36,644 | 28,867 | 36,644 | 28,867 |
| Dilution of stock options | 394 | 285 | 394 | 304 |
| Weighted average common and common equivalent shares outstanding after assumed exercise of options | 37,038 | 29,152 | 37,038 | 29,171 |
| Primary earnings per common share | $.70 | $.57 | $.40 | $.34 |
| Fully diluted: | | | | |
| Net income | $25,770 | $20,070 | $14,940 | $11,650 |
| Add after tax convertible debenture related expenses | 1,840 | | 920 | |
| Net income as adjusted | $27,610 | $20,070 | $15,860 | $11,650 |
| Weighted average common shares outstanding | 36,644 | 28,867 | 36,644 | 28,867 |
| Dilution of stock options | 394 | 329 | 393 | 329 |
| Addition from assumed conversion of convertible preferred stock | | 7,778 | | 7,778 |
| Addition from assumed conversion of convertible debentures | 5,083 | | 5,083 | |
| Weighted average common and common equivalent shares outstanding on a fully diluted basis | 42,121 | 36,974 | 42,120 | 36,974 |
| Fully diluted earnings per common share | $.66 | $.54 | $.38 | $.32 |

Exhibit 12

TRIMAS CORPORATION AND SUBSIDIARIES
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(Dollar Amounts in Thousands)

| | Six Months Ended June 30, | | Three Months Ended June 30, | |
|---|---|---|---|---|
| | 1994 | 1993 | 1994 | 1993 |
| Earnings: | | | | |
| Income before income taxes | $43,310 | $33,730 | $25,120 | $19,650 |
| Fixed charges | 6,420 | 4,490 | 3,330 | 2,010 |
| Earnings before fixed charges | $49,730 | $38,220 | $28,450 | $21,660 |
| Fixed Charges: | | | | |
| Interest | $6,050 | $4,200 | $3,150 | $1,850 |
| Portion of rental expense | 440 | 360 | 220 | 200 |
| Fixed charges | $6,490 | $4,560 | $3,370 | $2,050 |
| Ratios of earnings to fixed charges | 7.7 | 8.4 | 8.4 | 10.6 |