CHROMCRAFT REVINGTON INC
Form 10-Q
May 14, 2001

UNITED STATES 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 March 31, 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 1-13970

CHROMCRAFT REVINGTON, INC.
(Exact name of registrant as specified in its charter)

Delaware	35-1848094
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

1100 North Washington Street, Delphi, IN 46923
(Address, including zip code, of registrant's principal executive offices)

(765) 564-3500
(Registrant's telephone number, including area code)

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 [ ]

The number of shares outstanding for each of the registrant's classes of common stock, as of the latest practicable date:

Common Stock, $.01 par value -- 9,573,248 shares as of May 1, 2001

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Part I. Financial Information

Item 1. Financial Statements

Condensed Consolidated Statements of Earnings (unaudited)
Chromcraft Revington, Inc.
(In thousands, except per share data)

	Three Months Ended	
	March 31, 2001	April 1, 2000
Sales	$62,901	$73,740
Cost of sales	48,402	55,625
Gross margin	14,499	18,115
Selling, general and administrative expenses	8,465	9,639
Operating income	6,034	8,476
Interest expense	310	478

Earnings before income tax expense	5,724	7,998
Income tax expense	2,232	3,139
Net earnings	$ 3,492	$ 4,859
Earnings per share of common stock		
Basic	$ .36	$ .49
Diluted	$ .36	$ .49
Shares used in computing earnings per share		
Basic	9,573	9,911
Diluted	9,705	10,006

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Balance Sheets (unaudited)
Chromcraft Revington, Inc.
(In thousands)

	March 31, 2001	April 1, 2000	December 31, 2000
Assets			
Cash	$ --	$ --	$ 441
Accounts receivable	27,742	35,513	25,552
Inventories	54,310	51,082	55,379
Other assets	3,636	3,463	3,447
Current assets	85,688	90,058	84,819
Property, plant and equipment, net	44,163	44,099	44,747
Intangibles and other assets	29,641	29,580	30,526
Total assets	$159,492	$163,737	$160,092
Liabilities and Stockholders' Equity			
Accounts payable	$ 7,553	$ 10,883	$ 6,474
Accrued liabilities	17,481	19,530	13,694

Revolving credit facility	--	23,400	--
Current liabilities	25,034	53,813	20,168
Revolving credit facility	10,300	--	19,200
Deferred compensation and other liabilities	10,421	8,943	10,479
Total liabilities	45,755	62,756	49,847
Stockholders' equity	113,737	100,981	110,245
Total liabilities and stockholders' equity	$159,492	$163,737	$160,092

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows (unaudited)
Chromcraft Revington, Inc.
(In thousands)

	Three Months Ended	
	March 31, 2001	April 1, 2000
Operating Activities		
Net earnings	$ 3,492	$ 4,859
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	1,518	1,567
Deferred income taxes	149	244
Changes in assets and liabilities		
Accounts receivable	(2,190)	(5,939)
Inventories	1,069	(632)
Accounts payable and accrued liabilities	4,866	6,066
Other	164	511
Cash provided by operating activities	9,068	6,676
Investing Activities		
Capital expenditures	(609)	(876)
Cash used by investing activities	(609)	(876)
Financing Activities		
Net repayment under revolving credit facility	(8,900)	(3,300)
Repurchase of common stock	--	(3,648)

Cash used by financing activities	(8,900)	(6,948)
Decrease in cash	(441)	(1,148)
Cash at beginning of period	441	1,148
Cash at end of period	$ --	$ --

See accompanying notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements (unaudited)
Chromcraft Revington, Inc.

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated 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 Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles, in the United States, for complete financial statement presentation.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001.

The balance sheet at December 31, 2000 has been derived from the audited financial statements at that date but does not include all information and footnotes required by generally accepted accounting principles for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in Chromcraft Revington's annual report on Form 10-K for the year ended December 31, 2000.

Note 2. Purchase Offer from Court Square Capital Limited

Chromcraft Revington received on December 22, 2000 a proposal from Court Square Capital Limited, a unit of Citigroup, under which the holders of Chromcraft Revington's publicly traded common stock would receive cash of $10.30 per share in a transaction to take Chromcraft Revington private. Court Square Capital Limited is presently conducting its due diligence review of Chromcraft Revington. Court Square Capital Limited owns 59.5% of Chromcraft Revington's common stock.

Note 3. Earnings per Share of Common Stock

Weighted average shares used in the calculation of diluted earnings per share included dilutive potential common shares (stock options) of approximately

132,000 and 95,000 for the three months ended March 31, 2001 and April 1, 2000, respectively.

Certain stock options to purchase shares of common stock were outstanding during the first three months of 2001 and 2000, but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares during those periods and, therefore, their effect would be antidilutive. Options excluded from the computation of diluted earnings per share and their weighted average exercise prices at March 31, 2001 and April 1, 2000 were 376,060 shares at $13.48 and 472,160 shares at $12.70, respectively.

Note 4. Inventories

The components of inventories consisted of the following:

	(In thousands)		
	March 31, 2001	April 1, 2000	December 31, 2000
Raw materials	$ 16,736	$ 18,125	$ 17,729
Work in process	9,631	8,429	9,083
Finished goods	30,439	26,661	30,870
Inventories at FIFO cost	56,806	53,215	57,682
LIFO reserve	(2,496)	(2,133)	(2,303)
	$ 54,310	$ 51,082	$ 55,379

Note 5. Accrued Liabilities

Accrued liabilities consisted of the following:

	(In thousands)		
	March 31, 2001	April 1, 2000	December 31, 2000
Employee benefit plans	$ 3,759	$ 4,653	$ 4,450
Salaries, wages and commissions	2,117	2,562	1,586
Income taxes payable	1,844	2,567	--
Vacation and holiday pay	1,332	1,583	1,035
Workers' compensation plans	1,079	1,614	1,013
Deferred income taxes	1,045	858	1,018
Other accrued liabilities	6,305	5,693	4,592
	$17,481	$19,530	$13,694

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

General

Chromcraft Revington designs, manufactures and sells residential and commercial furniture through its wholly owned subsidiaries Chromcraft Corporation ("Chromcraft"), Peters-Revington Corporation ("Peters-Revington"), Silver Furniture Co., Inc. ("Silver Furniture"), Cochrane Furniture Company, Inc. ("Cochrane Furniture") and Korn Industries, Incorporated ("Korn Industries").

The following table sets forth the results of operations of Chromcraft Revington for the three months ended March 31, 2001 and April 1, 2000 expressed as a percentage of sales.

	Three Months Ended	
	March 31, 2001	April 1, 2000
Sales	100.0%	100.0%
Cost of sales	76.9	75.4
Gross margin	23.1	24.6
Selling, general and administrative expenses	13.5	13.1
Operating income	9.6	11.5
Interest expense	.5	.7
Earnings before income tax expense	9.1	10.8
Income tax expense	3.5	4.2
Net earnings	5.6%	6.6%

Three Months Ended March 31, 2001 Compared to Three Months Ended April 1, 2000

Consolidated sales for the three months ended March 31, 2001 were $62,901,000, a decrease of 14.7% from sales of $73,740,000 for the three months ended April 1, 2000. First quarter 2001 shipments of occasional, dining room, bedroom, upholstered and commercial furniture were lower as compared to the first quarter last year. The sales decline was primarily due to the economic and retail slowdown that began in the second half of last year. Occasional and dining room furniture shipments were also negatively impacted by the bankruptcy of a major furniture retailer during 2000 and by increased import and domestic competition. The consolidated sales order backlog at March 31, 2001 was lower as compared to April 1, 2000.

In general, selling prices for the first three months of 2001 were at approximately the same level as during the prior year period.

Gross margin as a percentage of sales was 23.1% for the three months ended March 31, 2001 as compared to 24.6% for the three months ended April 1, 2000. The decline in the gross margin percentage for the first quarter of 2001 was

primarily due to labor inefficiencies and unabsorbed fixed overhead resulting from the lower sales volume.

Selling, general and administrative expenses as a percentage of sales were 13.5% and 13.1% for the three months ended March 31, 2001 and April 1, 2000, respectively. The increase in selling, general and administrative expenses as a percentage of sales for the first quarter of 2001 was primarily due to the spreading of certain fixed selling and administrative costs over a lower sales volume.

Interest expense during the first three months of 2001 was $310,000 as compared to $478,000 for the first three months of 2000. The decreased interest expense for 2001 was primarily due to lower average bank borrowings during the period.

Chromcraft Revington's effective tax rate was 39.0% and 39.2% for the three month periods ended March 31, 2001 and April 1, 2000, respectively. The decrease in the effective tax rate for 2001 was due to lower state income taxes.

Liquidity and Capital Resources

Operating activities provided $9,068,000 of cash during the three months ended March 31, 2001, an increase of $2,392,000 from the amount provided during the three months ended April 1, 2000. The increase in cash generated from operating activities during the first three months of 2001 as compared to the prior year period was primarily due to a reduction in working capital investment, offset by lower earnings. Accounts receivable increased $2,190,000 during the first quarter of 2001 as compared to an increase of $5,939,000 during the same period last year. The decrease in accounts receivable was primarily due to the lower sales volume. Inventories decreased $1,069,000 during the period as compared to an increase of $632,000 during the first three months of 2000.

During the quarter ended March 31, 2001, Chromcraft Revington invested $609,000 in capital expenditures as compared to $876,000 in the prior year period. Chromcraft Revington expects capital expenditures to be less than $4,000,000 for the year ending December 31, 2001.

Financing activities used $8,900,000 of cash during the three months ended March 31, 2001 to reduce bank indebtedness under a revolving credit facility. During the first three months of 2000, financing activities used $3,300,000 of cash to reduce bank indebtedness and $3,648,000 of cash to acquire shares of Chromcraft Revington's common stock under a stock repurchase plan.

At March 31, 2001, Chromcraft Revington had unused capacity under its revolving credit facility, after reduction for outstanding letters of credit, of $34,671,000.

Second Quarter 2001 Outlook

Due to the weak retail sales environment, Chromcraft Revington has scheduled selected downtime during the second quarter of 2001 at several of its manufacturing facilities to control inventories. Chromcraft Revington anticipates that second quarter earnings per share on a diluted basis will be between $.26 and $.31, as compared to $.40 last year.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

Certain matters included in this discussion are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Certain forward-looking statements are contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations." These forward-looking statements can be generally identified as such because the context of the statements includes words such as "plans," "may," "anticipates," "estimates" and "expects" or words of similar import. All forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reported or expected as of the date of this report. Among the risks and uncertainties that could cause actual results to differ materially from those reported or anticipated are (i) general economic conditions, (ii) cyclical nature of the furniture industry, and (iii) competition in the furniture industry.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

On January 12, 2001, Chromcraft Revington filed a Current Report on Form 8-K reporting that the Company received a proposal dated December 22, 2000 from Court Square Capital Limited, a unit of Citigroup, under which the holders of Chromcraft Revington's publicly traded common stock would receive cash of $10.30 per share in a transaction to take Chromcraft Revington private. Court Square Capital Limited owns 59.5% of Chromcraft Revington's common stock.

On January 23, 2001, Chromcraft Revington filed a Current Report on Form 8-K reporting that the Company and its directors have been named as defendants in three virtually identical lawsuits filed in connection with the Court Square Capital Limited proposal dated December 22, 2000. The complaints allege, among other things, that the defendants have breached their fiduciary duties to Chromcraft Revington common shareholders in connection with the proposed transaction.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Chromcraft Revington, Inc. has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Chromcraft Revington, Inc.

(Registrant)

Date: May 14, 2001

/s/ Frank T. Kane

Frank T. Kane
Vice President - Finance
(Duly Authorized Officer and
Chief Financial Officer)