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APPLIED INDUSTRIAL TECHNOLOGIES INC  
Form 8-K  
October 14, 2003

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): October 13, 2003

APPLIED INDUSTRIAL TECHNOLOGIES, INC.  
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(Exact name of registrant as specified in its charter)

OHIO -----	1-2299 -----	34-0117420 -----
(State or Other Jurisdiction of Incorporation or Organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

One Applied Plaza, Cleveland, Ohio 44115  
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(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: (216) 426-4000.

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Attached to this filing and incorporated by reference herein is the text of registrant's press release dated October 13, 2003 regarding first quarter results.

None of the contents of this Form 8-K should be deemed incorporated by reference into a Securities Act registration statement.

SIGNATURE  
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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.

APPLIED INDUSTRIAL TECHNOLOGIES, INC.  
(Registrant)

By: /s/ Fred D. Bauer  
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Fred D. Bauer  
Vice President-General Counsel  
& Secretary

Date: October 14, 2003

## APPLIED INDUSTRIAL TECHNOLOGIES REPORTS FIRST QUARTER SALES AND EARNINGS IN LINE WITH GUIDANCE

CLEVELAND, OHIO (October 13, 2003) - Applied Industrial Technologies (NYSE: AIT) today reported that financial results for its fiscal 2004 first quarter, which ended September 30, 2003, were consistent with the company's previously provided guidance.

Net sales for the quarter were \$361,146,000, down 1.9% compared with \$368,019,000 in the comparable period a year ago. Earnings per share rose 25%. Net income for the quarter was \$4,832,000, or \$0.25 per share, versus income of \$3,905,000 or \$0.20 per share, last year.

Commenting on results, Applied Chairman & Chief Executive Officer David L. Pugh said, "While the economic outlook remains troubling, we continue to make progress on profit levels by focusing on margin management.

"Operating margin for the first quarter was particularly strong when you consider last year's first quarter results included the benefit of relatively high real estate gains. The company also had \$359,000 of additional expense in this current quarter as we began to expense stock options pursuant to our election to adopt SFAS 123 and 148. All elements of our balance sheet are well under control, and we are in a solid financial position.

"Looking ahead, our sales guidance for our second quarter is \$340 million to \$350 million, with earnings per share between \$0.20 and \$0.25. We are maintaining full year fiscal 2004 guidance for earnings between \$1.10 and \$1.20 per share with sales ranging from \$1.4 billion to \$1.5 billion."

During the first quarter, the company repurchased 91,000 shares of its common stock for approximately \$2 million. At September 30, 2003, board authorization was in place to repurchase up to 1 million additional shares.

Applied will host its fourth quarter conference call at 4 p.m. ET today, (Monday, October 13). To join the call, dial 1-800-810-0924 and passcode 399869. The call will be conducted by Chairman & CEO David L. Pugh, President & COO Bill L. Purser, and CFO John R. Whitten. The call will also be webcast and can be accessed live online at

-More-

www.applied.com and will be archived there for seven days. A replay of the

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teleconference will be available at 1-888-203-1112 from 6 p.m. ET on October 13 through midnight on October 27.

With more than 430 facilities and 4,300 employee associates across North America, Applied Industrial Technologies offers more than 2 million parts critical to the operations of MRO and OEM customers in virtually every industry. In addition, Applied provides engineering, design and systems integration for industrial and fluid power applications, as well as customized mechanical, fabricated rubber and fluid power shop services. For its fiscal year ended June 30, 2003, the Company posted sales of \$1.46 billion. Applied can be visited on the Internet at [www.applied.com](http://www.applied.com).

This press release contains statements that are forward-looking, as that term is defined by the Securities and Exchange Commission in its rules, regulations and releases. Forward-looking statements are often identified by qualifiers such as "expect," "guidance," "see" and similar expressions. Applied intends that such forward-looking statements be subject to the safe harbors created thereby. All forward-looking statements are based on current expectations regarding important risk factors including trends in the industrial sector of the economy, and other risk factors identified in Applied's most recent periodic report and other filings made with the Securities and Exchange Commission. Accordingly, actual results may differ materially from those expressed in the forward-looking statements, and the making of such statements should not be regarded as a representation by the Company or any other person that the results expressed therein will be achieved. Applied assumes no obligation to update publicly or revise any forward-looking statements, whether due to new information, or events, or otherwise.

(A financial summary is attached.)

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For more information, contact John R. Whitten, Vice President - Chief Financial Officer & Treasurer, at 216/426-4245.

APPLIED INDUSTRIAL TECHNOLOGIES, INC. AND SUBSIDIARIES  
CONDENSED STATEMENTS OF CONSOLIDATED INCOME  
(Thousands, except per share data)

	Three Months Ended September 30	
	2003	2002
NET SALES	\$ 361,146	\$ 368,019
Cost of sales	267,669	278,117
GROSS PROFIT	93,477	89,902
Selling, distribution and administrative	84,481	82,058
OPERATING INCOME	8,996	7,844

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Interest expense, net	1,318	1,261
Other	166	288
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INCOME BEFORE INCOME TAXES	7,512	6,295
INCOME TAXES	2,680	2,390
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NET INCOME	\$ 4,832	\$ 3,905
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NET INCOME PER SHARE - BASIC	\$ 0.25	\$ 0.21
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NET INCOME PER SHARE - DILUTED	\$ 0.25	\$ 0.20
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AVERAGE SHARES OUTSTANDING - BASIC	19,008	19,016
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AVERAGE SHARES OUTSTANDING - DILUTED	19,413	19,289
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- (1) Cost of sales for interim financial statements is computed using estimated gross profit percentages, which are adjusted throughout the year based upon available information. Adjustments to actual cost are primarily made based upon physical inventories and the effect of year-end inventory quantities on LIFO costs.
- (2) During the quarter ended September 30, 2003, the Company adopted the fair value recognition provisions of SFAS 123, "Accounting for Stock-Based Compensation," using the modified prospective method for the transition. Under the modified prospective method, stock based compensation cost recognized during this fiscal year is the same as that which would have been recognized had the fair value recognition provisions been applied to all awards granted after July 1, 1995. The compensation expense recorded during the quarter ended September 30, 2003 was \$359 or \$.01 per share.

APPLIED INDUSTRIAL TECHNOLOGIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Amount in Thousands)

	September 30, 2003	June 30, 2003
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ASSETS		
Cash	\$37,088	\$55,079
Accounts receivable, less allowances of \$6,200 and \$6,100	173,218	173,915
Inventories	163,998	159,798
Other current assets	12,643	11,702
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Total current assets	386,947	400,494
Property - net	82,953	77,942

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Goodwill	49,609	49,687
Other assets	24,963	25,281
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TOTAL ASSETS	\$544,472	\$553,404
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LIABILITIES		
Accounts payable	\$71,902	\$75,411
Other current liabilities	55,075	65,724
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Total current liabilities	126,977	141,135
Long-term debt	78,360	78,558
Other liabilities	25,563	25,855
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TOTAL LIABILITIES	230,900	245,548
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SHAREHOLDERS' EQUITY	313,572	307,856
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$544,472	\$553,404
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APPLIED INDUSTRIAL TECHNOLOGIES, INC. AND SUBSIDIARIES  
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS  
(Amount in Thousands)

	Three Months Ended September 30	
	2003	2002
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CASH PROVIDED FROM OPERATIONS:		
Net income	\$4,832	\$3,905
Items not requiring cash:		
Depreciation and amortization	4,085	4,159
Other	2,781	594
Gain on sale of property	(37)	(1,329)
Cash effect of changes in working capital	(20,295)	13,587
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CASH PROVIDED FROM (USED IN) OPERATIONS	(8,634)	20,916
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INVESTING ACTIVITIES:		
Property purchases	(8,742)	(2,884)
Proceeds from property sales	636	2,931
Deposits and other	215	1,488
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CASH PROVIDED FROM (USED IN) INVESTING ACTIVITIES	(7,891)	1,535
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FINANCING ACTIVITIES:		
Proceeds from termination of interest rate swap		2,517
Purchase of common stock for treasury	(1,982)	(1,773)
Cash dividends paid	(2,294)	(2,304)
Other	2,810	93
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CASH USED BY FINANCING ACTIVITIES	(1,466)	(1,467)

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INCREASE (DECREASE) IN CASH	\$ (17,991)	\$20,984
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