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BARNES GROUP INC
Form 8-K
April 17, 2003

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 17, 2003

Barnes Group Inc.

(Exact name of registrant as specified in its charter)

Delaware

1-04801

06-0247840

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(IRS Employer
Identification No.)

123 Main Street

Bristol, CT

06010

(Address of principal executive offices)

(Zip Code)

(860) 583-7070

Registrant's telephone number, including area code

N/A

(Former name or former address, if changed since last report)

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Item 7. Exhibits.

99.1 Press Release issued April 17, 2003 announcing first
quarter 2003 results of operations.

Item 9. Regulation FD Disclosure.

The information furnished under this "Item 9. Regulation FD
Disclosure" is intended to be furnished under "Item 12. Results
of Operations and Financial Condition" in accordance with SEC

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Release No. 33-8216.

On April 17, 2003, Barnes Group Inc. issued a press release announcing its first quarter 2003 results of operations. A copy is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

SIGNATURES

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 hereunto duly authorized.

Dated: April 17, 2003 BARNES GROUP INC.

By:/s/ William C. Denninger

William C. Denninger
Senior Vice President and
Chief Financial Officer

Exhibit Index

| Exhibit No. | Document Description |
|-------------|-------------------------------------|
| 99.1 | Press Release, dated April 17, 2003 |

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Barnes Group Inc.
Executive Office
Bristol, CT 06010
Tel: 860.583.7070

EXHIBIT 99.1

BARNES GROUP INC. [Logo]

News Release

FOR IMMEDIATE RELEASE
April 17, 2003

Contact:
Phillip J. Penn
Investor Relations
(860) 973-2126

Stephen J. McKelvey
Corporate Communications
(860) 973-2132

BARNES GROUP FIRST QUARTER SALES SET NEW RECORD

o Operating income, operating margin, net income and diluted E.P.S. all improve.

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- o Kar Products integration proceeding on schedule.

BRISTOL, CONNECTICUT, APRIL 17, 2003---Barnes Group Inc. (NYSE: B) today announced financial results for the quarter ended March 31, 2003. Net sales for the first quarter of 2003 were a record \$218.7 million, up 13 percent from \$194.2 million in the first quarter of 2002. The Company reported a 14 percent increase in operating income to \$13.2 million, as net income increased to \$7.4 million, or \$0.37 per diluted share, in the first quarter of 2003, from \$6.8 million, or \$0.36 per diluted share, in the comparable year-ago period.

"We achieved a good quarter, as net sales, operating income and net income all grew nicely. We've laid a stable foundation for our three businesses for the rest of 2003, even as our end markets were somewhat impacted by a number of external challenges," said Edmund M. Carpenter, Barnes Group Inc.'s President and C.E.O.

Sales at Barnes Distribution were \$93.8 million for the quarter ended March 31, 2003, up 29 percent from \$72.9 million in the quarter ended March 31, 2002. Of this \$20.9 million increase, \$19.2 million was contributed by Kar Products, which was purchased by Barnes Group on February 6, 2003. Barnes Distribution generated operating income of \$3.2 million in the first quarter of 2003, up 68 percent from operating income of \$1.9 million in the first quarter of 2002. The improvement in operating results was driven primarily by higher profitability in Barnes Distribution's North American operations, which included a higher gross profit margin, and incremental operating profit contributed by Kar Products.

"We continue to enjoy success with the new growth programs we put into place in 2002," Carpenter stated. "Two of these programs, our increased focus on new national and regional customer development and our e-commerce platforms, contributed roughly \$2.4 million in sales to the most recent quarter. We added 34 new national and regional customers this quarter, bringing to 150 the total new customers gained since the beginning of 2002," Carpenter added.

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Carpenter continued, "The integration of Kar Products is running at or slightly ahead of our original schedule. Customer and salesperson retention has been extremely strong, and the first elements of the infrastructure consolidation took place at the end of the first quarter. Clearly, the successful integration of Kar will remain a primary focus for the team at Barnes Distribution for the balance of the year."

Sales at Associated Spring were \$85.1 million for the quarter ended March 31, 2003, up 13 percent from \$75.6 million in the quarter ended March 31, 2002. Top line growth in the 2003 period reflected approximately \$10.1 million of incremental sales from recent acquisitions and continued growth in the sales of nitrogen gas spring products. Partially offsetting these items were a drop in sales related to a planned withdrawal from the heavy truck brake spring market, as well as a decline in organic sales to the telecommunications and electronics markets.

Associated Spring's operating profit was \$7.6 million for the first quarter of 2003, up from an operating profit of \$7.0 million in the first quarter of 2002. Operating profit growth reflected a higher sales volume and the benefits of consolidation of the Dallas facility, which were partially offset by higher personnel costs, primarily pension and other postretirement

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expenses.

Carpenter commented, "We indicated, at the time we announced the Dallas plant closure, that our actions would provide us with long-term expense reduction benefits. These benefits started to manifest themselves in the most recent quarter, as Associated Spring grew operating profit even as it began to absorb a higher pension expense burden."

Sales at Barnes Aerospace were \$42.3 million for the first quarter of 2003, down 11 percent from \$47.4 million in the first quarter of 2002. Operating profit was \$2.7 million for the quarter ended March 31, 2003, down slightly from \$2.9 million in the comparable year-ago period, reflecting the lower sales volume. Operating income was positively impacted by reduced employment levels and other actions taken throughout Barnes Aerospace in 2002 aimed at positioning the business for a period of lower commercial aerospace volume.

Barnes Aerospace recorded orders of \$38.3 million during the first quarter of 2003; order backlog remained solid at \$148.2 million at March 31, 2003, compared with \$151.8 million at year-end 2002. Impacting first-quarter 2003 orders and backlog was an order cancellation of approximately \$7.1 million related to a single OEM customer. Direct and indirect orders for the U.S. military were approximately 26% of the orders booked during the first quarter of 2003.

"This was an encouraging quarter for Barnes Aerospace, as we largely maintained our profitability as volume fell. Backlog declined only slightly during the period in a very challenging commercial aerospace environment, a continuing testament to the fact that the investments we have made over the past few years in sales, marketing and engineering within Barnes Aerospace are continuing to create new opportunities," Carpenter stated.

William C. Denninger, Barnes Group Inc.'s Chief Financial Officer, commented, "As one can see from the balance sheet and the analysis of change in net debt, net debt increased by \$59.4 million in the first quarter of 2003. Net debt before acquisitions, however, was reduced by \$1.8 million. This was accomplished through good control of working capital and capital expenditures. This compares to an increase in net debt before acquisitions of \$7.2 million in the first quarter of 2002."

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Barnes Group will conduct a conference call with investors to discuss first quarter results on Thursday, April 17, 2003 at 10:30 AM ET. A webcast of the live call, supporting materials and an archived replay will be available on the Barnes Group investor relations website (ir.barnesgroupinc.com).

Barnes Group Inc. (www.barnesgroupinc.com) is a diversified international manufacturer of precision metal components and distributor of industrial supplies, serving a wide range of markets and customers. Founded in 1857 and headquartered in Bristol, Connecticut, Barnes Group consists of three businesses with 2002 sales of \$784 million: Associated Spring, one of the world's largest manufacturers of precision mechanical and nitrogen gas springs; Barnes Aerospace, a manufacturer and repairer of highly engineered assemblies and products for commercial and military aircraft engines, airframes, and land-based industrial gas turbines; and Barnes Distribution, an international, full-service distributor of maintenance, repair and operating supplies. Over 6,200 dedicated employees at more than 60 locations

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worldwide contribute to Barnes Group Inc.'s success.

This release may contain certain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those contained in the statements. Investors are encouraged to consider these risks and uncertainties as described within the Company's periodic filings with the Securities and Exchange Commission, including the following: the ability of the Company to integrate newly acquired businesses and to realize acquisition synergies on schedule; changes in market demand for the types of products and services produced and sold by Barnes Group; the Company's success in identifying, and attracting customers in, new markets; the Company's ability to develop new and enhanced products to meet customers' needs timely; the effectiveness of the Company's marketing and sales programs; increased competitive activities including pricing, advertising and promotions that could adversely affect customer demand for the Company's products; changes in economic and political conditions, worldwide and in the locations where the Company does business; interest and foreign exchange rate fluctuations; and regulatory changes.

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BARNES GROUP INC.
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except per share data)
Unaudited

| | Three months ended March 31 | |
|-----------------------------|-----------------------------|------------|
| | 2003 | 2002 |
| Net sales | \$ 218,734 | \$ 194,236 |
| Cost of sales | 142,230 | 130,298 |
| Selling and admin. expenses | 63,294 | 52,381 |
| | 205,524 | 182,679 |
| Operating income | 13,210 | 11,557 |
| Operating margin | 6.0% | 5.9% |
| Other income | 613 | 427 |
| Interest expense | 4,110 | 3,390 |
| Other expenses | 278 | 137 |
| | 9,435 | 8,457 |
| Income before income taxes | 9,435 | 8,457 |
| Income taxes | 2,076 | 1,691 |
| | 7,359 | 6,766 |
| Net income | \$ 7,359 | \$ 6,766 |

Per common share:

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| | | |
|-----------------------|------------|------------|
| Net income - basic | \$ 0.38 | \$ 0.37 |
| - diluted | 0.37 | 0.36 |
| Dividends | 0.20 | 0.20 |
| Average common shares | | |
| Outstanding - basic | 19,531,719 | 18,497,371 |
| - diluted | 19,894,312 | 19,026,049 |

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BARNES GROUP INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
Unaudited

| | March 2003 | March 2002 |
|--------------------------------------------|---------------|---------------|
| | ----- | ----- |
| Assets | | |
| Current assets | | |
| Cash and short-term investments | \$ 32,061 | \$ 30,669 |
| Accounts receivable | 129,358 | 112,969 |
| Inventories | 103,504 | 89,412 |
| Deferred income taxes and prepaid expenses | 27,052 | 28,618 |
| | ----- | ----- |
| Total current assets | 291,975 | 261,668 |
| Deferred income taxes | 22,294 | 5,290 |
| Property, plant and equipment | 157,550 | 162,173 |
| Goodwill | 212,549 | 160,162 |
| Other assets | 89,331 | 64,944 |
| | ----- | ----- |
| | \$ 773,699 | \$ 654,237 |
| | ===== | ===== |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Notes payable | \$ -- | \$ 8,000 |
| Accounts payable | 78,405 | 67,453 |
| Accrued liabilities | 72,443 | 61,279 |
| Long-term debt - current | 6,849 | 57,583 |
| | ----- | ----- |
| Total current liabilities | 157,697 | 194,315 |
| Long-term debt | 277,187 | 177,890 |
| Deferred income taxes | 7,166 | 6,073 |
| Other liabilities | 96,102 | 74,265 |
| Stockholders' equity | 235,547 | 201,694 |
| | ----- | ----- |
| | \$ 773,699 | \$ 654,237 |
| | ===== | ===== |

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BARNES GROUP INC.
 ANALYSIS OF CHANGE IN NET DEBT
 (Dollars in thousands)
 Unaudited

| | March 2003 | March 2002 |
|--------------------------------------------------------|---------------|---------------|
| | ----- | ----- |
| Notes payable | \$ -- | \$ 8,000 |
| Long-term debt-current | 6,849 | 57,583 |
| Long-term debt | 277,187 | 177,890 |
| | ----- | ----- |
| Total debt | 284,036 | 243,473 |
| | ----- | ----- |
| Cash and short-term investments | 32,061 | 30,669 |
| | ----- | ----- |
| Net debt | 251,975 | 212,804 |
| Net debt beginning of year | 192,607 | 182,573 |
| | ----- | ----- |
| (Increase) in net debt | (59,368) | (30,231) |
| | ----- | ----- |
| Business acquisitions | 61,167 | 23,011 |
| | ----- | ----- |
| Decrease (Increase) in net debt before acquisitions | \$ 1,799 | \$ (7,220) |
| | ===== | ===== |

NOTE: Management believes that net debt before acquisitions is an important measurement of liquidity and is indicative of underlying cash generation from Barnes Group's operations, of which investors should be aware.

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