

STEWART & STEVENSON SERVICES INC

Form 10-Q

September 04, 2003

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended August 2, 2003

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 0-8493

STEWART & STEVENSON SERVICES, INC.

(Exact name of registrant as specified in its charter)

Texas

(State or other jurisdiction of
incorporation or organization)

74-1051605

(I.R.S. Employer
Identification No.)

2707 North Loop West, Houston, Texas

(Address of principal executive offices)

77008

(Zip Code)

(713) 868-7700

(Registrant's telephone number, including area code)

not applicable

(Former name, former address and former fiscal year,
if changed since last report)

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 No

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Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

Common Stock, Without Par Value
(Class)

28,572,414 Shares
(Outstanding at August 15, 2003)

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

The following information required by Rule 10-01 of Regulation S-X is provided herein for Stewart & Stevenson Services, Inc. and Subsidiaries (collectively, the Company):

Consolidated Condensed Balance Sheets August 2, 2003 and January 31, 2003.

Consolidated Condensed Statements of Earnings Three and Six Months Ended August 2, 2003 and August 3, 2002.

Consolidated Condensed Statements of Cash Flows Three and Six Months Ended August 2, 2003 and August 3, 2002.

Notes to Consolidated Condensed Financial Statements.

STEWART & STEVENSON SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(In thousands, except share data)

	August 2, 2003 (Unaudited)	January 31, 2003 (Audited)
Assets		
Current Assets:		
Cash and cash equivalents	\$ 80,442	\$ 107,994
Accounts and notes receivable, net	151,285	151,839
Recoverable costs and accrued profits not yet billed	44,489	11,668
Inventories	237,660	244,416
Excess of current cost over LIFO values	(43,401)	(42,785)
Deferred income tax asset	16,004	16,126
Other current assets	8,423	3,967
Total assets of discontinued operations	8,861	14,404
Total Current Assets	503,763	507,629
Property, Plant and Equipment, net	118,781	118,964
Deferred Income Tax Asset	13,572	11,754
Intangibles and Other Assets, net	15,197	14,288
Total Assets	\$ 651,313	\$ 652,635
Liabilities and Shareholders' Equity		
Current Liabilities:		
Notes payable	\$ 2,546	\$ 1,454
Current portion of long-term debt	250	30,250
Accounts payable	74,121	60,159
Accrued payrolls and incentives	14,773	17,408
Billings in excess of incurred costs	71,611	62,568
Other current liabilities	34,412	29,537
Total liabilities of discontinued operations	3,021	4,092
Total Current Liabilities	200,734	205,468
Long-Term Debt, net	26,531	26,531
Accrued Postretirement Benefits and Pension	57,972	54,681
Other Long-Term Liabilities	4,042	3,947
Total Liabilities	289,279	290,627
Shareholders' Equity:		
Common stock, without par value, 100,000,000 shares authorized; 28,564,414 and 28,490,849 shares issued, respectively	56,085	54,843
Accumulated other comprehensive loss	(21,980)	(21,703)
Retained earnings	327,929	328,868
Total Shareholders' Equity	362,034	362,008
Total Liabilities and Shareholders' Equity	\$ 651,313	\$ 652,635

See accompanying notes to consolidated condensed financial statements.

STEWART & STEVENSON SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS
(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	August 2, 2003	August 3, 2002	August 2, 2003	August 3, 2002
	(Unaudited)		(Unaudited)	
Sales	\$ 312,851	\$ 285,035	\$ 602,623	\$ 584,705
Cost of sales	272,190	243,158	521,082	499,076
Gross profit	40,661	41,877	81,541	85,629
Selling and administrative expenses	36,515	35,063	71,824	70,487
Pension curtailment expense			2,400	
Interest expense	693	837	1,936	1,969
Interest and investment income	(559)	(374)	(1,059)	(712)
Other income, net	(564)	(492)	(476)	(513)
	36,085	35,034	74,625	71,231
Earnings from continuing operations before income taxes	4,576	6,843	6,916	14,398
Income tax provision	1,348	2,236	2,029	4,895
Net earnings from continuing operations before cumulative effect of change in accounting principle	3,228	4,607	4,887	9,503
Loss from discontinued operations, net of tax of \$(284), \$(2,649), \$(710) and \$(3,248)	(158)	(5,503)	(982)	(6,600)
Loss from disposal of discontinued operations, net of tax of \$(2,705)				