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SL INDUSTRIES INC

Form 8-K/A

March 04, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

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

Date of Report (Date of earliest event reported): January 6, 2003

SL INDUSTRIES, INC.

(Exact Name of Registrant as Specified in Charter)

New Jersey	1-4987	21-0682685
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(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

520 Fellowship Road, Suite A114
Mount Laurel, New Jersey 08054

(Address of Principal Executive Offices and Zip Code)

(856) 727-1500

(Registrant's telephone number, including area code)

N/A

(Former Name or Former Address, if Changed Since Last Report)

INTRODUCTORY NOTE:

The Purpose of this Form 8-K/A is to amend the Registrant's current Report on Form 8-K filed with the Securities and Exchange Commission on January 17, 2003 to provide the required Unaudited Pro Forma Financial Statements to reflect the sale of the Registrant's wholly-owned German subsidiary, Elektro-Metall Export GmbH ("EME") and to reflect the use of the proceeds to pay current maturities of debt.

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ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On January 6, 2003 (the "Closing Date"), the Registrant sold its wholly-owned German subsidiary, Elektro-Metall Export GmbH ("EME"), pursuant to that certain Securities Purchase Agreement dated as of January 3, 2003 by and among the registrant, SL Industries Vertrieb GmbH ("Seller"), DCX-Chol Holding GmbH ("Purchaser"), DCX-Chol Enterprises, Inc. and Chol Enterprises, Inc., previously submitted on Form 8-K filed with the Securities and Exchange on January 17, 2003 (the "Purchase Agreement"). As a result of the transaction, SL Industries, Inc.'s net worth is expected to decrease by approximately \$3.5 million. The transaction is not anticipated to have a material tax impact.

Description of Assets

EME is a producer of electronic actuation devices and cable harness systems sold primarily to original equipment manufacturers in the aerospace and automotive industries. Its operations are located in Ingolstadt, Germany and Paks, Hungary. EME is expected to report sales of approximately \$27.6 million and net income of approximately \$2.2 million for the 2002 calendar year.

Consideration

Pursuant to the terms of the Purchase Agreement, the Seller received an aggregate consideration of \$11.6 million, determined by arms-length negotiation, comprised of cash, purchaser notes and assumption of bank debt. The purchaser notes are comprised of a \$3 million secured note that bears interest at the prime rate plus 2% and matures no later than May 1, 2003 and a \$1 million unsecured note that bears interest at an annual rate of 12% and matures April 3, 2004. Cash proceeds were used to pay down debt.

Relationship with Purchaser

The Registrant, on the one hand, and the Purchaser and its affiliates, on the other hand, have no common officers, directors or control persons.

For additional information, reference is made to the press release attached to the Registrant's Current Report on Form 8-K dated January 8, 2003.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(b) Pro Forma Financial Information.

Unaudited Pro Forma Consolidated Statement of Operations for the year ended December 31, 2001

Unaudited Pro Forma Consolidated Statement of Operations for the nine months ended September 30, 2002

Unaudited Pro Forma Consolidated Balance Sheet as of September 30, 2002

Basis of Presentation

The following unaudited pro forma consolidated financial statements reflect the sale of SL Industries Inc.'s wholly-owned German subsidiary, Elektro-Metall Export GmbH ("EME") after giving effect to the pro forma adjustments described in the accompanying notes. These unaudited pro forma consolidated financial statements have been prepared from, and should be read in conjunction with, the historical consolidated financial statements and notes thereto of SL Industries Inc. which are included in SL Industries' Annual Report

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on Form 10-K for the year ended December 31, 2001 and Quarterly Report on Form 10-Q as of September 30, 2002 and for the nine months ended September 30, 2002.

The unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred had the sale been consummated at the dates indicated, nor is it necessarily indicative of future operating results or financial position of SL Industries.

The unaudited pro forma consolidated statements of operations give effect to the sale as if it had occurred at the beginning of the periods presented. The unaudited pro forma consolidated balance sheet gives effect to the sale of EME as if it occurred on September 30, 2002 and the use of proceeds to pay current maturities of debt.

(c) Exhibits.
None

SL Industries, Inc
Pro Forma Consolidated Statement Of Operations
For The Year Ended December 31, 2001
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	SL Industries	(1) EME	Adjustments	Pro Forma
Net sales	138,467	25,609		112,858
Cost of sales	96,403	18,985		77,418
Engineering & product development	8,768	795		7,973
Selling, general and administrative	28,405	2,041		26,364
Depreciation and amortization	4,587	636		3,951
Restructuring costs	3,868	0		3,868
Impairment of intangibles	4,270	0		4,270
Total cost and expenses	146,301	22,457		123,844
Income (loss) from operations	(7,834)	3,152	--	(10,986)
Other income (expense):				
Interest income	366	213	228 (2)	381
Interest expense	(3,407)	(146)	617 (3)	(2,644)
Income (loss) from continuing operations	(10,875)	3,219	845	(13,249)
Income tax provision (benefit)	(4,172)	251	296 (4)	(4,127)
Income (loss) from continuing operations	(6,703)	2,968	549	(9,122)
Basic net income (loss) per common share	\$ (1.18)			\$ (1.60)
Diluted net income (loss) per				

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common share	\$ (1.18)	\$ (1.60)
Weighted shares outstanding - basic	5,698	5,698
Weighted shares outstanding - diluted	5,698	5,698

The accompanying notes are an integral part of the Pro Forma Financial Statements

SL Industries, Inc
Pro Forma Consolidated Statement Of Operations
For The Nine Months Ended September 30, 2002
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	SL Industries	(1) EME	Adjustments	Pro Forma
Net sales	101,937	19,396		82,541
Cost of sales	67,319	14,534		52,785
Engineering & product development	6,165	586		5,579
Selling, general and administrative	22,853	2,114		20,739
Depreciation and amortization	2,655	475		2,180
Restructuring costs	265	0		265
Special charges	1,834	0		1,834
Total cost and expenses	101,091	17,709	0	83,382
Income (loss) from operations	846	1,687	--	(841)
Other income (expense):				
Interest income	171	155	158 (2)	174
Interest expense	(1,428)	(157)	370 (3)	(901)
Income (loss) from continuing operations	(411)	1,685	528	(1,568)
Income tax provision (benefit)	(602)	623	185 (4)	(1,040)
Income (loss) from continuing operations	191	1,062	343	(528)
Basic net income (loss) per common share	\$ 0.03			\$ (0.09)
Diluted net income (loss) per common share	\$ 0.03			\$ (0.09)
Weighted shares outstanding - basic	5,856			5,856
Weighted shares outstanding - diluted	5,896			5,856

The accompanying notes are an integral part of the Pro Forma Financial Statements

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SL Industries, Inc Pro Forma Consolidated Balance Sheet 30-Sep-02 (UNAUDITED) (IN THOUSANDS)

	SL Industries	(5) EME	Adjustments	Pro Forma
Cash and equivalents	5,644	5,023		621
Accounts receivable, net	20,687	3,969		16,718
Notes Receivable			3,000 (6)	3,000
Inventories, net	18,929	4,516		14,413
Prepaid expenses	1,116	251	(217) (9)	648
Deferred taxes	6,364	100	(478) (8)	5,786
	-----	-----	-----	-----
Total current assets	52,740	13,859	2,305	41,186
Note receivable long term			1,000 (6)	1,000
Net fixed assets	18,197	6,612		11,585
Deferred taxes	2,003	40		1,963
Cash surrender value of life insurance	962			962
Intangible assets, net	14,505	2,431		12,074
Other assets	569	786	217 (9)	
	-----	-----	-----	-----
Total assets	88,976	23,728	3,522	68,770
	=====	=====	=====	=====
LIABILITIES				
Current liabilities:				
Short-term bank debt	4,109	4,109		
Long-term debt due within one year	20,149	92	(5,500) (7)	14,557
Accounts payable	5,736	537		5,199
Accrued income taxes	356	251		105
Accrued payroll and related costs	5,710			5,710
Accrued other	10,814	5,255		5,559
	-----	-----	-----	-----
Total current liabilities	46,874	10,244	(5,500)	31,130
Long-term debt less current portion	38	38		
Deferred compensation	4,276	748		3,528
Other liabilities	2,952		(1,380) (8)	1,572
	-----	-----	-----	-----
Total liabilities	54,140	11,030	(6,880)	36,230
ShareHolders' Equity				
Common stock	1,660			1,660
Capital in excess of par	38,763			38,763
Retained earnings	9,401	12,698	10,707 (11)	7,410
Accumulated other comprehensive income	305		(305) (10)	
Treasury stock at cost	(15,293)			(15,293)
	-----	-----	-----	-----
Total shareholders' equity	34,836	12,698	10,402	32,540
Total liabilities and shareholders' equity	88,976	23,728	3,522	68,770
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The accompanying notes are an integral part of the Pro Forma Financial Statements

SL Industries, Inc.
Notes to the Unaudited Pro Forma Financial Statements
(In Thousands)

1. Eliminates the results of operations of EME for the period as if the sale had been completed as of the beginning of the periods presented.
2. Reflects the increase in interest income related to purchaser notes of \$3,000 at an interest rate of prime rate plus 2% assumed to mature four months after the sale and a \$1,000 note, which matures fifteen months after the sale bearing an interest rate of 12% per annum.
3. Reflects the reduction in interest expense attributable to the application of the proceeds from the sale of EME to reduce debt due within one year.
4. Reflects income tax effect of the pro forma adjustments at the U. S. federal statutory rate of 35%.
5. Eliminates the net assets of EME as if the sale had been completed as of the balance sheet date.
6. Reflects the receipt of purchaser notes as partial consideration for the sale of EME. The \$3,000 note has an interest rate of prime rate plus 2% and the \$1,000 note has an interest rate of 12% per annum.
7. Reflects the application of the estimated proceeds from the sale of EME and the corresponding reduction of current maturities of long-term debt.
8. Removal of deferred tax liability related to the original purchase accounting adjustments per FASB No. 109 and deferred tax assets.
9. Reclassified for presentation purposes.
10. Reflects the elimination of currency translation adjustments that were associated with EME
11. Reflects the following equity adjustments:

Gross proceeds	\$ 8,000
Dividend from EME	2,000
Estimated transaction costs	(500)
Net deferred taxes accounts	902
Translation adjustment related to EME	305

Equity adjustment	\$ 10,707

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.

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SL Industries, Inc.

Date: March 4, 2003

By: /s/ David R. Nuzzo

David R. Nuzzo
Vice President Finance and
Administration