

ABRAMS INDUSTRIES INC

Form 10-Q

December 13, 2001

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-Q  
QUARTERLY REPORT

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Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

For the Quarter Ended  
October 31, 2001

Commission File No.  
0-10146

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**ABRAMS INDUSTRIES, INC.**  
(Exact name of Registrant as specified in its charter)

Georgia

58-0522129

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(State or other jurisdiction of  
incorporation or organization)

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

1945 The Exchange, Suite 300, Atlanta, Georgia 30339

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(Address of principal executive offices) (Zip Code)  
(770) 953-0304

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(Registrant's telephone number, including area code)  
N/A

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(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

The number of shares of \$1.00 par value Common Stock of the Registrant outstanding as of November 30, 2001, was 2,920,609.

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PART 1. FINANCIAL INFORMATION

**ITEM 1. FINANCIAL STATEMENTS**

**ABRAMS INDUSTRIES, INC.  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)**

October 31, 2001	April 30, 2001
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**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents (note 3)	
\$6,146,744	\$11,448,750
Receivables (note 2)	
22,543,855	15,510,253
Less: Allowance for doubtful accounts	
(973,777)	(961,461)
Costs and earnings in excess of billings	
1,310,635	1,483,195
Property held for sale (note 5)	
12,864,946	33,404
Deferred income taxes	
864,036	786,460
Other	
944,147	785,799

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Total current assets	
43,700,586	29,086,400

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INCOME-PRODUCING PROPERTIES, net	
26,319,820	26,712,359
PROPERTY, PLANT AND EQUIPMENT, net	
766,124	1,284,689
REAL ESTATE HELD FOR FUTURE SALE OR DEVELOPMENT (note 6)	
23,562,661	36,100,308
OTHER ASSETS	

Intangible assets, net (note 10)  
 2,198,458 1,220,147  
 Goodwill (notes 9 & 10)  
 1,741,831  
 Other  
 3,322,990 3,215,782

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\$101,612,470 \$97,619,685

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**LIABILITIES AND SHAREHOLDERS  
 EQUITY**

**CURRENT LIABILITIES**

Trade and subcontractors payables  
 \$14,511,706 \$8,803,760  
 Billings in excess of costs and earnings  
 2,029,497 1,506,766  
 Accrued expenses  
 2,668,946 3,720,661  
 Net liabilities of discontinued operations  
 (note 3)  
 1,903,375  
 Current maturities of long-term debt  
 (note 5)  
 13,831,769 1,709,490

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Total current liabilities  
 33,041,918 17,644,052

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DEFERRED INCOME TAXES  
 3,495,986 3,372,824  
 OTHER LIABILITIES  
 4,034,229 3,916,647  
 MORTGAGE NOTES PAYABLE, less  
 current maturities (note 5)  
 20,351,191 32,915,932

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OTHER LONG-TERM DEBT, less  
current maturities  
16,841,876 17,264,687

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Total liabilities  
77,765,200 75,114,142

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SHAREHOLDERS EQUITY

Common stock, \$1 par value; authorized  
5,000,000 shares; 3,049,439 issued and  
2,920,709 outstanding in October 2001,  
3,041,039 issued and 2,943,303  
outstanding in April 2001  
3,049,439 3,041,039  
Additional paid-in capital  
2,120,502 2,097,315  
Deferred stock compensation  
(36,073) (75,094)  
Retained earnings  
19,321,772 17,930,914

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24,455,640 22,994,174  
Less cost of treasury stock  
608,370 488,631

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Total shareholders equity  
23,847,270 22,505,543

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\$101,612,470 \$97,619,685



See accompanying notes to consolidated financial statements.



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**ABRAMS INDUSTRIES, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	<b>SECOND QUARTER ENDED OCTOBER 31,</b>		<b>FIRST SIX MONTHS ENDED OCTOBER 31,</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
<b>REVENUES</b>				
Construction				
\$28,979,970	\$50,415,128	\$64,905,126	\$98,025,853	
Real estate				
3,188,194	3,050,763	6,428,045	6,225,186	
Energy management				
796,616	1,615,928			
32,964,780	53,465,891	72,949,099	104,251,039	
Interest				
43,250	127,132	127,509	256,437	
Other				
28,709	11,825	42,623	23,281	
33,036,739	53,604,848	73,119,231	104,530,757	



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COSTS AND EXPENSES

Applicable to REVENUES

Construction

28,215,507 46,917,840 63,115,704 92,040,379

Rental property operating expenses, excluding interest

1,632,269 1,783,143 3,257,585 3,378,008

Energy management

433,995 849,364

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30,281,771 48,700,983 67,222,653 95,418,387

Selling, general and administrative

Construction

810,802 1,679,936 1,546,794 2,696,147

Real estate

105,033 224,365 243,954 640,874

Energy management

336,767 647,325

Parent

629,500 643,254 1,355,307 1,270,556

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1,882,102 2,547,555 3,793,380 4,607,577

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Interest

1,117,222 1,285,590 2,269,686 2,578,454

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33,281,095 52,534,128 73,285,719 102,604,418

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EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES

(244,356) 1,070,720 (166,488) 1,926,339

INCOME TAX EXPENSE

(98,000) 421,000 (72,000) 754,000

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EARNINGS (LOSS) FROM CONTINUING OPERATIONS

(146,356) 649,720 (94,488) 1,172,339

DISCONTINUED OPERATIONS (note 3)

Earnings from discontinued operations, adjusted for applicable income tax expense of \$1,056,000, \$59,000, \$1,056,000, and \$81,000, respectively

1,720,749 92,756 1,720,749 130,237

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NET EARNINGS

\$1,574,393 \$742,476 \$1,626,261 \$1,302,576

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NET EARNINGS (LOSS) PER SHARE FROM:

Continuing Operations-Basic and Diluted

\$(.05) \$ .22 \$(.03) \$ .40

Discontinued Operations-Basic and Diluted

.59 .03 .59 .04

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NET EARNINGS PER SHARE-BASIC AND DILUTED

\$.54 \$.25 \$.56 \$.44

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DIVIDENDS PER SHARE

\$.04 \$.04 \$.08 \$.08

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WEIGHTED AVERAGE SHARES OUTSTANDING

2,928,627 2,935,451 2,935,776 2,935,903

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See accompanying notes to consolidated financial statements.

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**ABRAMS INDUSTRIES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

**SIX MONTHS ENDED  
OCTOBER 31,**

2001	2000
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## Cash flows from operating activities:

Net income

\$1,626,261 \$1,302,576

Adjustments to reconcile net income to net  
cash used in operating activities:

Discontinued operations, net of tax

(1,221,731) 671,625

Depreciation and amortization

1,173,143 1,579,338

Changes in assets and liabilities:

Receivables, net

(7,084,517) (9,341,189)

Costs and earnings in excess of billings

172,560 (2,235,877)

Other current assets

124,687 67,494

Other assets

(125,429) (281,282)

Trade and subcontractors payable

5,707,946 5,895,881

Accrued expenses

(1,954,330) (1,204,993)

Billings in excess of costs and earnings

522,731 1,125,601

Other liabilities

30,269 101,997

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Net cash used in operating activities

(1,028,410) (2,318,829)

## Cash flows from investing activities:

Additions to properties, property, plant  
and equipment, net

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(69,799) (276,744)  
Changes in intangible assets  
(31,661)  
Acquisition, net of cash acquired  
(2,971,663)  
Repayments received on notes receivable  
67,732 62,464

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Net cash used in investing activities  
(3,005,391) (214,280)

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Cash flows from financing activities:

Debt repayments  
(921,962) (603,306)  
Repurchase of capital stock  
(110,839) (14,833)  
Cash dividends  
(235,404) (234,908)

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Net cash used in financing activities  
(1,268,205) (853,047)

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Net decrease in cash and cash equivalents  
(5,302,006) (3,386,156)  
Cash and cash equivalents at beginning of  
period  
11,448,750 7,268,974

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Cash and cash equivalents at end of period  
\$6,146,744 \$3,882,818

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Supplemental disclosure of noncash  
investing activities:

Transfer of Real estate held for future  
development or sale to Property held for  
sale  
\$12,831,542 \$

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Transfer of Property to Real estate held for  
future development or sale  
\$321,710 \$

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Supplemental schedule of cash flow  
information

Interest paid, net of amounts capitalized  
\$2,124,627 \$2,475,279

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Income taxes paid (refunded), net  
\$143,452 \$(198,856)

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See accompanying notes to consolidated financial statements.

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**ABRAMS INDUSTRIES, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
OCTOBER 31, 2001, AND APRIL 30, 2001  
(UNAUDITED)

**NOTE 1. UNAUDITED STATEMENTS**

The accompanying unaudited consolidated financial statements have been prepared by the Company in accordance with generally accepted accounting principles, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, the accompanying financial statements contain all adjustments, which consist solely of normal recurring accruals, necessary for a fair statement of the results for the interim periods presented. These financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report to Shareholders for the year ended April 30, 2001. Results of operations for interim periods are not necessarily indicative of annual results.

**NOTE 2. RECEIVABLES**

All net contract and trade receivables are expected to be collected within one year.

**NOTE 3. DISCONTINUED OPERATIONS**

During the quarter ended January 31, 2000, the Board of Directors of the Company decided to discontinue the operations of the Manufacturing Segment. The remaining assets and liabilities of the Manufacturing Segment were consolidated and presented as Net liabilities of discontinued operations on the Consolidated Balance Sheet at April 30, 2001, which included a \$2.76 million deferred gain, a current liability, related to the amount awarded to the Company in connection with the Georgia World Congress Center Authority's condemnation of the Company's former manufacturing facility. The award was under appeal by both parties at April 30, 2001, and was settled in October 2001. Earnings from discontinued operations for the quarter and six-month period ended October 31, 2001, represent the gain related to the condemnation.

At October 31, 2001, Cash on the Consolidated Balance Sheet includes \$526,345 formerly included in discontinued operations.

**NOTE 4. OPERATING SEGMENTS**

In May 2001, the Company formed a third operating segment, Energy Management, and subsequently acquired substantially all of the assets of Servidyne Systems, Inc., an energy management and engineering services company. Through this new segment, the Company offers its institutional customers energy efficiency products and engineering services that reduce energy consumption, labor, equipment maintenance, and capital costs in commercial buildings.



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The table below exhibits selected financial data on a segment basis. Earnings (loss) from continuing operations before income taxes is total revenue less operating expenses of continuing operations, including depreciation and interest. Parent expenses have not been allocated to the subsidiaries.

<b>For the Quarter Ended October 31, 2001</b>	<b>Construction</b>	<b>Real Estate</b>	<b>Energy Management</b>	<b>Parent</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Revenues from unaffiliated customers	\$28,979,970	\$3,188,194	\$796,616	\$		