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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended **May 31, 2001** Commission File Number **0-288**

Robbins & Myers, Inc.

(Exact name of registrant as specified in its charter)

Ohio

31-0424220

(State or other jurisdiction of
incorporation or organization)

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

1400 Kettering Tower, Dayton, Ohio

45423

(Address of Principal executive
offices)

(Zip
Code)

Registrant’s telephone number including area code **(937) 222-2610**

None

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 X NO

Common shares, without par value, outstanding as of May 31, 2001: **11,107,274**

ROBBINS & MYERS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET
(In thousands)

	May 31, 2001 (Unaudited)	August 31, 2000
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 13,123	\$ 11,244
Accounts receivable	79,450	80,872
Inventories:		
Finished products	19,835	18,656
Work in process	12,705	14,624
Raw materials	32,281	26,816
	64,821	60,096
Other current assets	7,055	7,189
Deferred taxes	7,441	7,482
Total Current Assets	171,890	166,883
Goodwill and Other Intangible Assets	200,528	204,319
Deferred Taxes	1,176	1,398
Other Assets	8,061	7,675
Property, Plant and Equipment	217,057	207,123
Less accumulated depreciation	103,137	91,719
	113,920	115,404
	<u>\$495,575</u>	<u>\$495,679</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 29,864	\$ 33,467
Accrued expenses	49,053	56,481
Current portion of long-term debt	832	1,341
Total Current Liabilities	79,749	91,289
Long-Term Debt—Less Current Portion	177,176	176,523
Other Long-Term Liabilities	52,354	53,134
Minority Interest	7,623	7,551
Shareholders' Equity:		
Common stock	30,140	27,794
Retained earnings	159,167	147,664
Accumulated other comprehensive loss	(10,634)	(8,276)
	178,673	167,182
	<u>\$495,575</u>	<u>\$495,679</u>

See Notes to Consolidated Condensed Financial Statements

ROBBINS & MYERS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED INCOME STATEMENT
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	May 31,	May 31,	May 31,	May 31,
	2001	2000	2001	2000
Net sales	\$113,177	\$104,303	\$313,448	\$293,572
Cost of sales	76,804	67,218	208,947	191,229
Gross profit	36,373	37,085	104,501	102,343
SG&A expenses	23,156	22,661	66,648	65,890
Amortization expense	2,022	2,045	5,950	6,006
Other	1,341	102	1,316	395
Income before interest and taxes	9,854	12,277	30,587	30,052
Interest expense	3,169	3,478	9,132	10,044
Income before income taxes and minority interest	6,685	8,799	21,455	20,008
Income tax expense	2,273	3,168	7,293	7,204
Minority interest	311	257	838	933
Net income	\$ 4,101	\$ 5,374	\$ 13,324	\$ 11,871
Net income per share:				
Basic	\$ 0.37	\$ 0.49	\$ 1.21	\$ 1.08
Diluted	\$ 0.35	\$ 0.45	\$ 1.12	\$ 1.02
Dividends per share:				
Declared	\$ 0.055	\$ 0.055	\$ 0.165	\$ 0.165
Paid	\$ 0.055	\$ 0.055	\$ 0.165	\$ 0.165

See Notes to Consolidated Condensed Financial Statements

ROBBINS & MYERS, INC AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended	
	May 31,	May 31,
	2001	2000
Operating Activities:		
Net income	\$ 13,324	\$ 11,871
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:		
Depreciation	12,197	12,806
Amortization	5,950	6,006
Changes in operating assets and liabilities:		
Accounts receivable	226	(2,186)
Inventories	(5,585)	(10,260)
Accounts payable	(3,196)	2,271
Accrued expenses	(6,591)	(2,308)
Other	(404)	3,446
Net Cash and Cash Equivalents Provided by Operating Activities	15,921	21,646
Investing Activities:		
Capital expenditures, net of nominal disposals	(11,510)	(13,577)
Purchase of Rodec	(2,763)	0
Net Cash and Cash Equivalents Used by Investing Activities	(14,273)	(13,577)
Financing Activities:		
Proceeds from debt borrowings	27,552	10,230
Payments of long-term debt	(27,787)	(9,105)
Proceeds from sale of common stock	2,287	855
Purchase of common stock and convertible subordinated notes	0	(6,169)
Dividends paid	(1,821)	(1,806)
Net Cash and Cash Equivalents Provided (Used) by Financing Activities	231	(5,995)
Increase in Cash and Cash Equivalents	1,879	2,074
Cash and Cash Equivalents at Beginning of Period	11,244	8,901
Cash and Cash Equivalents at End of Period	\$ 13,123	\$ 10,975

See Notes to Consolidated Condensed Financial Statements

NOTE 1—Preparation of Financial Statements

In the opinion of management, the accompanying unaudited consolidated condensed financial statements of Robbins & Myers, Inc. and subsidiaries (“Company”) contain all adjustments, consisting of normally recurring items, necessary to present fairly the financial condition of the Company and its subsidiaries as of May 31, 2001, and May 31, 2000, the results of their operations for the three and nine month periods ended May 31, 2001, and May 31, 2000, and their cash flows for the nine month periods ended May 31, 2001, and May 31, 2000. All intercompany transactions have been eliminated.

NOTE 2—Acquisition

On December 12, 2000 the Company acquired certain assets of Campbell Industries Ltd. (DBA Rodec Tubing Rotors) (“Rodec”) for \$2,763,000. Rodec is a Canadian company that designs, manufactures, and markets oil and gas production equipment including artificial lift accessories and down-hole tools.

NOTE 3—Net Income per Share

The following table sets forth the computation of basic and diluted net income per share:

	Three Months Ended		Nine Months Ended	
	May 31,	May 31,	May 31,	May 31,
	2001	2000	2001	2000
(In thousands, except per share amounts)				
Numerator:				
Basic:				
Net income	\$ 4,101	\$ 5,374	\$13,324	\$11,871
Effect of dilutive securities:				
Convertible debt interest	582	610	1,746	1,859
Income attributable to diluted shares	<u>\$ 4,683</u>	<u>\$ 5,984</u>	<u>\$15,070</u>	<u>\$13,730</u>
Denominator:				
Basic:				
Weighted average shares	11,090	10,948	11,028	10,944
Effect of dilutive securities:				
Convertible debt	2,191	2,297	2,191	2,332
Dilutive options and restricted shares	194	179	200	170
Diluted shares	<u>13,475</u>	<u>13,424</u>	<u>13,419</u>	<u>13,446</u>
Basic net income per share	<u>\$ 0.37</u>	<u>\$ 0.49</u>	<u>\$ 1.21</u>	<u>\$ 1.08</u>
Diluted net income per share	<u>\$ 0.35</u>	<u>\$ 0.45</u>	<u>\$ 1.12</u>	<u>\$ 1.02</u>

NOTE 4 — Income Statement Information

On April 16, 2001, the Company announced that it will consolidate operations in England, Mexico, and Asia-Pacific in order to strengthen its market presence and achieve more effective channels to market. In addition, the Company will discontinue selective product offerings in the Chemineer and Moyno businesses in order to improve long-term competitive positioning through a more cost-effective product focus. In the third quarter the Company incurred a one-time charge of \$2,300,000 with approximately \$1,300,000 related to severance and other costs associated with the regional consolidations, and the balance related to inventory writedowns from discontinued product offerings. The severance and other costs have been paid as of May 31, 2001. There were additional costs in the third quarter of fiscal 2001 of \$100,000 that were expensed as incurred primarily for equipment relocation, marketing and employee training.

In fiscal 1999, due to the downturn in the Company’s Energy Systems business segment, the Company

analyzed its capacity requirements for these products. As a result, on February 10, 1999, the Company recorded a charge of \$4,200,000 for the closure and relocation of the Company’s Fairfield, California, manufacturing operations. As of August 31, 2000, all costs except for environmental costs related to the closure of the facility have been paid in full. Following is a progression of the environmental cost liability:

	Environmental costs
	(In thousands)
Liability at August 31, 2000	\$ 836
Cash payments made	(64)
Change in estimated liability	(550)
Liability at May 31, 2001	\$ 222

Due to the Company’s remediation efforts to date and ongoing discussions with the California Environmental Protection Agency (“CEPA”) the Company reduced the estimated liability by \$550,000 in the second quarter of fiscal 2001. The timing of payments for the remaining liability for environmental costs is dependent on the final ruling by the CEPA. The Company estimates that the payment period will not exceed five years.

The Company incurred additional expenses relating to the Fairfield plant closure of \$102,000 and \$395,000 in the three and nine month periods ended May 31, 2000, respectively. These costs were for employee transfers, equipment relocation and training of new employees at the Texas facility.

In an unrelated transaction, during the second quarter of fiscal 2001 the Company paid \$525,000 in settlement of its portion of environmental remediation costs at a facility formerly leased by the Company.

NOTE 5—Long-Term Debt

	May 31, 2001
	(In thousands)
Senior debt:	
Revolving credit loan	\$ 13,606
Senior notes	100,000
Other	4,711
6.50% Convertible subordinated notes	59,691
Total debt	178,008
Less current portion	832
	\$177,176

The Company’s Bank Credit Agreement (“Agreement”) provides that the Company may borrow on a revolving credit basis up to a maximum of \$150,000,000. All outstanding amounts under the Agreement are due and payable on November 25, 2002. Interest is variable based upon formulas tied to LIBOR or prime, at the Company’s option, and is payable at least quarterly. At May 31, 2001, the weighted average interest rate for amounts outstanding under the Agreement was 5.14%. The outstanding amount is primarily an Italian Lira based borrowing in Italy. Indebtedness under the Agreement is unsecured, except for guarantees by the Company’s U.S. subsidiaries, the pledge of the stock of the Company’s U.S. subsidiaries and the pledge of the stock of certain non-U.S. subsidiaries. At May 31, 2001, the Company has available borrowings of approximately \$100,000,000 under the Agreement.

The Company has \$100,000,000 of Senior Notes (“Senior Notes”) issued in two series. Series A in the principal amount of \$70,000,000 has an interest rate of 6.76% and is due May 1, 2008, and Series B in the principal amount of \$30,000,000 has an interest rate 6.84% and is due May 1, 2010. Interest is payable semi-annually on May 1 and November 1.

The above agreements have certain restrictive covenants including limitations on cash dividends, treasury stock purchases and capital expenditures and minimum requirements for interest coverage and leverage ratios. The amount of cash dividends and treasury stock purchases, other than in relation to stock option exercises, the Company may incur in each fiscal year is restricted to the greater of \$2,500,000 or 50% of the Company’s consolidated net income for the immediately preceding fiscal year, plus a portion of any unused amounts from the preceding fiscal year.

The Company has \$59,691,000 of 6.50% Convertible Subordinated Notes Due 2003 (“Subordinated Notes”). The Subordinated Notes are due on September 1, 2003, payable semi-annually on March 1 and September 1 and are convertible into common stock at a rate of \$27.25 per share. Holders may convert at any time until maturity and the Company may call for redemption at a price ranging from the current price of 102.17% to 100% in fiscal 2003 and thereafter. The Notes are subordinated to all other indebtedness of the Company.

NOTE 6—Income Taxes

The estimated annual effective tax rates were 34% for the three and nine month periods of fiscal 2001 and 36% for the three and nine months periods of fiscal 2000.

NOTE 7—Comprehensive Income

	Three Months Ended		Nine Months Ended	
	May 31,	May 31,	May 31,	May 31,
	2001	2000	2001	2000
	(In thousands)			
Net income	\$ 4,101	\$ 5,374	\$13,324	\$11,871
Other comprehensive income:				
Foreign currency translation	(1,544)	(2,445)	(2,358)	(3,688)
Comprehensive income	<u>\$ 2,557</u>	<u>\$ 2,929</u>	<u>\$10,966</u>	<u>\$ 8,183</u>

NOTE 8—Business Segments

Sales and Income before Interest and Taxes (“IBIT”) by operating segment are presented in the following table. There has been no change in the presentation basis or measurement of segment information from the prior year end. Intersegment sales are immaterial and there is no material change in segment assets since the prior year end.

	Three Months Ended		Nine Months Ended	
	May 31,	May 31,	May 31,	May 31,
	2001	2000	2001	2000
	(In thousands)			
Unaffiliated customer sales:				
Process systems	\$ 83,491	\$ 80,305	\$229,815	\$231,537
Energy systems	<u>29,686</u>	<u>23,998</u>	<u>83,633</u>	<u>62,035</u>
Total	<u>\$113,177</u>	<u>\$104,303</u>	<u>\$313,448</u>	<u>\$293,572</u>
IBIT:				
Process Systems	\$ 5,876	\$ 9,495	\$ 18,641	\$ 26,532
Energy Systems	6,754	4,707	19,399	9,883
Corporate and eliminations	<u>(2,776)</u>	<u>(1,925)</u>	<u>(7,453)</u>	<u>(6,363)</u>
Total	<u>\$ 9,854</u>	<u>\$ 12,277</u>	<u>\$ 30,587</u>	<u>\$ 30,052</u>

NOTE 9—Subsequent Event

On June 12, 2001, the Company’s R&M Energy Systems unit acquired certain assets of Alberta Basic Industries (“ABI”) for \$3,200,000. ABI is a Canadian manufacturer of down-hole tools for oil and gas production equipment with annual sales of approximately \$3,000,000.

NOTE 10—New Accounting Standard

The Securities Exchange Commission issued Staff Accounting Bulletin 101, *Revenue Recognition*. This pronouncement is not required to be adopted by the Company until its fourth quarter of fiscal 2001. The Company anticipates no material impact from adopting this pronouncement.

Part I—Management’s Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The following table presents the components of the Company’s consolidated income statement and segment information for the three month and nine month periods of fiscal 2001 and 2000.

	Three Months Ended		Nine Months Ended	
	May 31,	May 31,	May 31,	May 31,
	2001	2000	2001	2000
Net Sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	67.9	64.4	66.7	65.1
Gross profit	32.1	35.6	33.3	34.9
SG&A expenses	20.4	21.7	21.2	22.5
Amortization	1.8	2.0	1.9	2.1
Other	1.2	0.1	0.4	0.1
IBIT	8.7%	11.8%	9.8%	10.2%

Segment	Three Months Ended		Nine Months Ended	
	May 31,	May 31,	May 31,	May 31,
	2001	2000	2001	2000
(in thousands)				
Process systems:				
Sales	\$83,491	\$80,305	\$229,815	\$231,537
IBIT	5,876	9,495	18,641	26,532
%	7.0%	11.8%	8.1%	11.5%
Energy Systems:				
Sales	\$29,686	\$23,998	\$ 83,633	\$ 62,035
IBIT	6,754	4,707	19,399	9,883
%	22.8%	19.6%	23.2%	15.9%

Net sales for the third quarter of fiscal 2001 were \$113.2 million compared to \$104.3 million, an increase of \$8.9 million or 8.5% from the same period of the prior year. Year to date sales of \$313.4 million increased \$19.9 million or 6.8% from the same period of the prior year.

The Process Systems segment had sales of \$83.5 million in the third quarter of fiscal 2001 compared to \$80.3 million in fiscal 2000. Year to date sales of \$229.8 million decreased \$1.7 million or .7% from the same period of the prior year. Volume levels were slightly higher than last year; however, the weakening of the euro and to a lesser extent the British pound sterling, against the U.S. dollar had a negative translation effect on sales of \$2.9 million in the third quarter and \$10.6 million year to date. Capital spending in the specialty chemical market remains low as operating rates and profitability levels have been low. Incoming orders in this segment were \$240.7 million in the first nine months of fiscal 2001 compared to \$247.3 million in the first nine months of fiscal 2000. The aforementioned weakening of the euro and British pound sterling had a negative translation effect on orders of \$10.5 million year to date. Excluding this impact, the improved orders versus the first nine months of fiscal 2000 are attributed to strength in the semiconductor and electronics markets. Backlog in this segment increased to \$83.6 million at the end of the third quarter of fiscal 2001 from \$72.8 million at August 31, 2000.

The Energy Systems segment had sales of \$29.7 million in the third quarter of fiscal 2001 compared to \$24.0 million in fiscal 2000, an increase of 23.8%. Year to date sales of \$83.6 million increased \$21.6 million or 34.8% from the same period of the prior year. These increases reflect the impact of higher crude

oil and natural gas prices. This increase in prices has spurred an increase in exploration and production activities. Incoming orders in this segment improved to \$83.9 million in the first nine months of fiscal 2001, compared to \$66.0 million in the first nine months of fiscal 2000. Backlog of \$7.9 million at the end of the third quarter of fiscal 2001 is consistent with the backlog of \$7.6 million at August 31, 2000.

The gross margin percentage decreased from 35.6% to 32.1% for the quarter and from 34.9% to 33.3% year to date from the prior year periods. Cost of sales includes one-time costs of \$1.0 million relating to the Company's Global Reorganization program. The costs are primarily inventory writedowns from discontinued product offerings. Without the one-time costs, the third quarter gross margin would be 33.0% and the year to date gross margin would be 33.7%. The decrease in gross margin is attributed to lower pricing in the Process Systems segment due to softening in end user markets. In addition, the Company's U.K. businesses have had to lower prices in order to maintain market share against continental Europe competitors. Finally, the weakened European currencies against the dollar caused a negative translation effect of \$.2 million in the third quarter and \$.9 million year to date.

SG&A expenses increased by \$.5 million and \$.8 million for the quarter and year to date periods ending May 31, 2001, but decreased as a percentage of sales from 21.7% to 20.4% for the third quarter and 22.5% to 21.2% year to date. The percentage decrease is due to the savings from reduced employment levels and severance actions taken in the Process Systems segment in fiscal 1999 as well as cost savings from the Fairfield, CA, plant closure and administrative consolidation in the Energy Systems segment.

Other expense in the third quarter includes \$1.3 million of one-time costs for the company's Global Reorganization program and \$.1 million of ongoing costs relating to that program for equipment relocation, marketing, and employee training. The one time costs are primarily for severance and other employee related costs. Year to date, other expense also includes a \$.525 million payment to settle the Company's portion of environmental remediation costs at a facility formerly leased by the Company and the reversal of \$.550 million of the Company's liability for the Fairfield facility environmental costs. In fiscal 2000, other expense is from ongoing costs to close and transfer the operations of the Fairfield, CA, manufacturing plant.

Interest expense decreased by \$.3 million in the third quarter and \$.9 million for the year. This was due to lower average debt levels.

The effective tax rate is 34.0% in fiscal 2001 compared to 36.0% in fiscal 2000. The decrease results from increased benefit of the Foreign Sales Corporation tax incentive driven by increased Energy Systems' exports.

The one-time charges for the Company's Global Reorganization program reduced third quarter and year to date net income and diluted net income per share by \$1.6 million and \$0.12, respectively. Excluding the one time charges, the increase in net income and diluted net income per share can be attributed to the recovery in the Energy Systems business. However, the translation effect of the European currencies into the dollar reduced diluted net income per share for the quarter by \$0.01 and \$0.05 for the year compared to fiscal 2000.

Liquidity and Capital Resources

Cash uses in the first nine months of fiscal 2001 were \$11.5 million for capital expenditures, and \$2.8 million to purchase certain assets of Rodec. Cash generated from operations of \$15.9 million funded these cash uses.

Cash uses in the first nine months of fiscal 2000 were \$13.6 million for capital expenditures and \$6.2 million to purchase Company stock and Convertible Subordinated Notes under the fiscal 1999 share buyback program. Cash generated from operations of \$21.6 million funded these cash uses.

The Company expects operating cash flow to be adequate for the remainder of fiscal year 2001 operating needs, capital expenditures, scheduled debt service and shareholder dividends. The major cash requirement for the remainder of fiscal 2001 is planned capital expenditures of approximately \$5 million. Capital expenditures are related to additional production capacity, cost reductions and replacement items.

Market Risk

In its normal operations the Company has market risk exposure to foreign currency exchange rates and interest rates. There has been no significant change in the Company's exposure to these risks, which has been previously disclosed.

Forward-looking Statements

In addition to historical information, this Report contains various forward-looking statements. All statements which address performance, events or developments that we expect or anticipate will occur in the future, including statements related to growth, operating margin performance, net income per share or statements expressing general opinions about future operating results, are forward-looking statements.

These forward-looking statements and performance trends are subject to certain risks and uncertainties that could cause actual results to differ materially from those statements and trends. Such factors include, but are not limited to, a significant decline in capital expenditure levels in the Company's served markets, a major decline in oil and gas prices, foreign exchange rate fluctuations, continued availability of acceptable acquisition candidates and general economic conditions that affect demand in the process industries. Forward-looking statements are made based on known events and circumstances at the time. The Company undertakes no obligation to update or revise any forward-looking statements to reflect events or circumstances that arise after the date of this Report.

Part II—Other Information

Item 6. Exhibits and Reports on Form 8-K

- a) See Index to Exhibits
- b) Reports on Form 8-K. During the quarter ended May 31, 2001, the Company did not file any reports on Form 8-K

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 thereunto duly authorized.

ROBBINS & MYERS, INC.

DATE:	July 6, 2001	BY	/s/ Kevin J. Brown
			Kevin J. Brown Vice President, Finance & CFO (Principal Financial Officer)
DATE:	July 6, 2001	BY	/s/ Thomas J. Schockman
			Thomas J. Schockman Corporate Controller (Principal Accounting Officer)

INDEX TO EXHIBITS

None