

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended
March 31, 1996

Commission File No. 0-3134

PARK-OHIO INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

OHIO
(State or other jurisdiction of
incorporation or organization)34-6520107
(I.R.S. Employer
Identification No.)23000 EUCLID AVENUE
CLEVELAND, OHIO44117
(Zip Code)

(Address of principal executive offices)

Registrant's telephone number, including
area code

216/692-7100

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 twelve 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

Number of shares outstanding of registrant's Common Stock, par value \$1.00 per share, as of April 30, 1996: 10,969,331 including 562,500 shares held in escrow.

The Exhibit Index is located on page 13.

PARK-OHIO INDUSTRIES, INC. AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Consolidated condensed balance sheets - March 31, 1996 and
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March 31, 1996 and 1995Consolidated condensed statements of cash flows - Three months
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PART I

FINANCIAL INFORMATION

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CONSOLIDATED CONDENSED BALANCE SHEETS
PARK-OHIO INDUSTRIES, INC. AND SUBSIDIARIES

	(Unaudited) March 31 1996	December 31 1995
	-----	-----
	(In Thousands)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,607	\$ 2,662
Accounts receivable, less allowances for doubtful accounts of \$1,332,000 at March 31, 1996 and \$962,000 at December 31, 1995	71,668	61,787
Inventories	83,300	83,177
Deferred taxes	8,000	8,000
Other current assets	4,710	4,394
	-----	-----
Total Current Assets	170,285	160,020
Property, Plant and Equipment	141,200	137,724
Less accumulated depreciation	70,257	67,373
	-----	-----
	70,943	70,351
Excess Purchase Price Over Net Assets Acquired, net	44,505	44,070
Deferred taxes	13,400	15,400
Other Assets	18,277	17,129
	-----	-----
	\$ 317,410	\$ 306,970
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Trade accounts payable	\$ 34,454	\$ 34,769
Accrued expenses	18,479	18,067
Current portion of long-term liabilities	7,176	5,971
	-----	-----
Total Current Liabilities	60,109	58,807
Long-Term Liabilities, less current portion		
Long-term debt	98,673	92,450
Other postretirement benefits	29,422	30,561
Other	6,891	6,963
	-----	-----
	134,986	129,974

Convertible Senior Subordinated Debentures	22,235	22,235
Shareholders' Equity		
Capital stock, par value \$1 a share:		
Serial Preferred Stock	-0-	-0-
Common Stock	10,407	10,402
Additional paid-in capital	49,224	49,184
Retained earnings	40,449	36,368
	<u>100,080</u>	<u>95,954</u>
	<u>\$ 317,410</u>	<u>\$ 306,970</u>

Note: The balance sheet at December 31, 1995 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.
See notes to consolidated condensed financial statements.

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CONSOLIDATED CONDENSED STATEMENTS OF INCOME (UNAUDITED)
PARK-OHIO INDUSTRIES, INC. AND SUBSIDIARIES
(In Thousands - Except Per Share Data)

	Three Months Ended March 31	
	1996	1995
	<u>-----</u>	<u>-----</u>
Net sales	\$ 110,672	\$ 62,810
Cost of products sold	91,253	52,327
	<u>-----</u>	<u>-----</u>
Gross profit	19,419	10,483
Selling, general and administrative expenses	10,621	6,042
	<u>-----</u>	<u>-----</u>
Operating income	8,798	4,441
Interest expense	2,217	651
	<u>-----</u>	<u>-----</u>
Income before Income Taxes	6,581	3,790
Income taxes	2,500	50
	<u>-----</u>	<u>-----</u>
Net income	<u>\$ 4,081</u>	<u>\$ 3,740</u>
Net income per common share	<u>\$.38</u>	<u>\$.43</u>
Common shares used in the computation	10,816	8,731

See notes to consolidated condensed financial statements.

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CONSOLIDATED CONDENSED STATEMENTS
OF CASH FLOWS (UNAUDITED)
PARK-OHIO INDUSTRIES, INC. AND SUBSIDIARIES
(In Thousands)

	Three Months Ended March 31	
	1996	1995
	----	----
OPERATING ACTIVITIES		
Net income	\$ 4,081	\$ 3,740
Adjustments to reconcile net income to net cash provided (used):		
Depreciation and amortization	3,598	1,981
Deferred taxes	2,000	-0-
	-----	-----
	9,679	5,721
Changes in operating assets and liabilities excluding acquisitions of businesses:		
Accounts receivable	(9,881)	(13,316)
Inventories and prepaid expenses	(440)	(2,279)
Accounts payable and accrued expenses	97	6,250
Other	(3,373)	(166)
	-----	-----
Net Cash Provided (Used) by Operations	(3,918)	(3,790)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment, net	(3,611)	(2,377)
Cost of acquisitions, net of cash acquired	-0-	(33,394)
	-----	-----
Net Cash Used by Investing Activities	(3,611)	(35,771)
FINANCING ACTIVITIES		
Proceeds from bank arrangements for acquisitions	-0-	33,894
Proceeds from bank arrangements for operations	7,500	5,075
Payments on bank borrowing	(71)	(46)
Issuance of common stock under stock option plan	45	-0-
	-----	-----
Net Cash Provided from Financing Activities	7,474	38,923
	-----	-----
Increase (Decrease) in Cash and Cash Equivalents	(55)	(638)
Cash and Cash Equivalents at Beginning of Period	2,662	2,172
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 2,607	\$ 1,534
	=====	=====

See notes to consolidated condensed financial statements.

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 1996 are not necessarily indicative of the results that may be expected for the year ending December 31, 1996. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1995.

NOTE B - ACQUISITION OF RB&W CORPORATION

On March 31, 1995, the Company acquired all of the shares of RB&W Corporation ("RB&W") in exchange for 2,023,000 shares of the Company's common stock (\$11.50 market value as of March 31, 1995) and cash of \$30,968,000. The transaction has been accounted for as a purchase.

The table below reflects the current value of the net assets acquired of RB&W:

	(In thousands)
Cash	\$ 510
Accounts receivable	29,551
Inventories	36,131
Property, plant and equipment	5,591
Excess purchase price over net assets acquired	25,596
Deferred tax assets	13,300
Other assets	12,620
Notes payable	(28,739)
Trade accounts payable	(21,524)
Accrued expenses	(9,172)
Long-term liabilities	(9,622)

Total Cost of Acquisition	\$ 54,242
	=====

The following unaudited pro forma results of operations assume the acquisition occurred on January 1, 1995. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the acquisition occurred on the date indicated, or which may result in the future.

	1995

	(In thousands - Except per share data)
Net sales	\$ 109,842
Gross profit	15,978
Net income	2,724
Net income per common share	\$.25

NOTE C - INVENTORIES

The components of inventory consist of the following:

	March 31 1996	December 31 1995
	-----	-----
	(In thousands)	
In process and finished goods	\$ 61,107	\$ 59,964
Raw materials and supplies	22,193	23,213
	-----	-----
	\$ 83,300	\$ 83,177
	=====	=====

NOTE D - INCOME TAXES

Effective December 31, 1995, the Company recorded the deferred tax assets relating to anticipated future income tax benefits from utilization of net operating loss carryforwards. As a result, as of January 1, 1996, the Company began to fully provide for Federal income taxes. Federal income tax expense for the three months ended March 31, 1995 was reduced by \$1,300,000 due to the utilization of net operating loss carryforwards. State income taxes, which had previously been included in selling, general and administrative expenses are now included in income taxes. The effect for the period ended March 31, 1995 was immaterial.

NOTE E - SHAREHOLDERS' EQUITY

Capital stock consists of the following:

Serial Preferred Stock:

Authorized - 632,470 shares; none issued

Common Stock:

Authorized - 20,000,000 shares

Issued and outstanding - 10,406,831 shares at March 31, 1996 and 10,401,831 at December 31, 1995. The increase in outstanding shares results from the issuance of 5,000 common shares upon the exercise of stock options.

NOTE F - NET INCOME PER COMMON SHARE

Net income per common share is based on the average number of common shares outstanding and assumes the exercise of outstanding dilutive stock options and the issuance of certain additional shares subject to earn-out provisions. On a fully diluted basis, both net earnings and shares outstanding are adjusted to assume the conversion of the convertible senior subordinated debentures. Fully diluted earnings per share were \$.36 and \$.42 for the three months ended March 31, 1996 and March 31, 1995, respectively.

Independent Accountants' Review Report

Board of Directors and Shareholders
Park-Ohio Industries, Inc.

We have reviewed the accompanying consolidated condensed balance sheet of Park-Ohio Industries, Inc. and subsidiaries as of March 31, 1996, and the related consolidated condensed statements of income and cash flows for the three-months ended March 31, 1996 and 1995. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated condensed financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Park-Ohio Industries, Inc. and subsidiaries as of December 31, 1995, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended, not presented herein, and in our report dated February 22, 1996, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated condensed balance sheet as of December 31, 1995, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

April 22, 1996
Cleveland, Ohio

MANAGEMENT'S DISCUSSION

RESULTS OF OPERATIONS

FIRST QUARTER 1996 VERSUS FIRST QUARTER 1995

Effective March 31, 1995, the Company acquired all of the shares of RB&W Corporation (RB&W) in exchange for \$31 million and 2.0 million of its common shares in a transaction valued at \$54.2 million. The combination has been accounted for as a purchase and, accordingly, the operations of RB&W are included in the consolidated financial statements as of that date. The metal forming business of RB&W is included within the transportation group, and the supply chain management business is included in a newly formed logistics group.

Net sales increased by \$47.9 million or 76% in the current period from the corresponding period of the prior year. Practically the entire sales increase pertains to incorporating RB&W in the consolidated results for the first quarter of 1996.

Gross profit rose to \$19.4 million in the current period from \$10.5 million in the first three months of 1995. Of the \$8.9 million increase in gross profits, RB&W accounted for 88% of the increase. The remainder primarily relates to the container products group. Consolidated gross margins were 18% of sales in the first three months of 1996 compared with 17% of sales during the prior period. The increase was due to a significant improvement in gross

margins in the container products segment during the current period.

Selling, general and administrative costs increased by 76% in the period as a result of including RB&W in the consolidated results for the period. As a percentage of sales, consolidated selling, general and administrative costs accounted for 9.6% of the sales dollar in both the current period as well as the corresponding period of the prior year.

Interest expense increased by \$1.6 million in the first three months of 1996 due to higher levels of debt outstanding during the period. Average debt outstanding for the period increased from \$35.8 million in 1995 to \$121.5 million in 1996. The increase in borrowings was caused by the acquisition of RB&W, other acquisitions and to higher levels of revolving credit debt to support increased sales. Interest rates averaged 7.30% versus 7.26% in the first three months of 1995.

As of December 31, 1995, the Company recorded the deferred tax assets relating to anticipated future income benefits from utilization of net operating loss carryforwards. As a result, as of January 1, 1996, the Company began to fully provide for Federal income taxes. At December 31, 1995, the Company had net operating loss carryforwards for tax purposes of \$16.0 million available to offset future taxable income. Additionally, a subsidiary of the Company has net operating loss carryforwards for tax purposes of approximately \$10.0 million subject to certain limitations. For financial reporting purposes, the Company has additional net operating loss carryforwards relating to deductible temporary differences, the most significant of which relates to other postretirement benefits. Federal income tax expense for the 1995 period was reduced by \$1.3 million due to the utilization of net operating loss carryforwards.

LIQUIDITY AND SOURCES OF CAPITAL

Current financial resources (working capital and available bank borrowing arrangements) and anticipated funds from operations are expected to be adequate to meet current cash requirements, including capital expenditures. The Company's recent growth has largely been fueled by acquisitions. In the event additional capital resources are needed for other acquisition opportunities in the near future, the Company believes adequate financing is either in place or would be available.

During the three-month period ended March 31, 1996, the Company generated \$9.7 million from operations before changes in operating assets and liabilities. After giving effect to changes in the operating accounts of \$13.6 million, the Company used \$3.9 million in operating activities. This amount coupled with capital expenditures of \$3.6 million was funded by an increase in bank borrowings of \$7.5 million.

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REVIEW BY INDEPENDENT ACCOUNTANTS

The condensed consolidated financial statements at March 31, 1996, and for the three-month period then ended have been reviewed, prior to filing, by Ernst & Young LLP, the Company's independent accountants, and their report is included herein.

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PART II

OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the first quarter of 1996.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

The following exhibits are included herein:

- (11) Computation of net income per common share
- (15) Letter re: unaudited financial information

The Company did not file any reports on Form 8-K during the three months ended March 31, 1996.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PARK-OHIO INDUSTRIES, INC.

(Registrant)

By /s/ J.S. WALKER

Name: J.S. Walker

Title: Vice President and Chief Financial Officer

Dated May 13, 1996

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EXHIBIT INDEX

QUARTERLY REPORT ON FORM 10-Q

PARK-OHIO INDUSTRIES, INC. AND SUBSIDIARIES
FOR THE QUARTER ENDED MARCH 31, 1996

EXHIBIT

- - - - -

11	Computation of net income per common share
15	Letter re: unaudited financial information
27	Financial data schedule (Electronic filing only)

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