

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
- --- SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD  
ENDED SEPTEMBER 30, 1996.

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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 No. 0-1093

KAMAN CORPORATION  
(Exact Name of Registrant)

Connecticut 06-0613548  
(State of Incorporation) (I.R.S. Employer Identification No.)

Blue Hills Avenue  
Bloomfield, Connecticut 06002  
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (860)243-7100

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 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 the number of shares outstanding of each of the issuer's  
classes of common stock as of October 31, 1996:

Class A Common	18,032,940
Class B Common	667,814



KAMAN CORPORATION AND SUBSIDIARIES  
PART I - FINANCIAL INFORMATION

Item 1. Financial Statements:

Condensed Consolidated Balance Sheets(In thousands)

Assets -----	September 30, 1996 -----	December 31, 1995 -----
Current assets:		
Cash	\$ 5,268	\$ 4,078
Accounts receivable (net of allowance for doubtful accounts of \$2,772 in 1996, \$2,289 in 1995)	209,961	177,878
Inventories:		
Raw materials	\$ 9,548	\$ 8,761
Work-in-process	67,803	53,696
Finished goods	18,653	22,870
Merchandise for resale	113,430	107,407
	-----	-----
Other current assets	32,787	30,174
	-----	-----
Total current assets	457,450	404,864
Property, plant & equip., at cost	191,381	189,317
Less accumulated depreciation and amortization	113,397	106,263
	-----	-----
Net property, plant & equipment	77,984	83,054
Other assets	12,013	12,151
	-----	-----
	\$547,447	\$500,069
	=====	=====
Liabilities and Shareholders' Equity -----		
Current liabilities:		
Notes payable	\$ 75,297	\$ 63,498
Accounts payable	71,942	61,729
Accrued liabilities	37,832	38,151
Other current liabilities	39,249	42,895
	-----	-----
Total current liabilities	224,320	206,273
Deferred credits	13,847	13,127
Long-term debt, excl. current portion	85,760	66,386
Shareholders' equity:		
Series 2 preferred stock	\$ 57,167	\$ 57,167
Other shareholders' equity	166,353	157,116
	-----	-----
	\$547,447	\$500,069
	=====	=====

KAMAN CORPORATION AND SUBSIDIARIES  
PART I - FINANCIAL INFORMATION, Continued

Item 1. Financial Statements, continued:

Condensed Consolidated Statements of Earnings  
(In thousands except per share amounts)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	1996	1995	1996	1995
	----	----	----	----
Revenues	\$227,994	\$225,981	\$714,552	\$657,935
Costs and expenses:				
Cost of sales	170,361	169,196	533,541	486,592
Selling, general and administrative expense	45,103	46,768	144,648	139,989
Interest expense	2,472	2,308	7,278	6,392
Other expense	173	114	462	354
	-----	-----	-----	-----
	218,109	218,386	685,929	633,327
	-----	-----	-----	-----
Earnings before income taxes	9,885	7,595	28,623	24,608
Income taxes	4,051	3,024	12,175	9,824
	-----	-----	-----	-----
Net earnings	\$ 5,834	\$ 4,571	\$ 16,448	\$ 14,784
	=====	=====	=====	=====
Preferred stock dividend requirement	\$ (929)	\$ (929)	\$ (2,787)	\$ (2,787)
	=====	=====	=====	=====
Earnings applicable to common stock	\$ 4,905	\$ 3,642	\$ 13,661	\$ 11,997
	=====	=====	=====	=====
Net earnings per common share				
- Primary	\$ .26	\$ .20	\$ .73	\$ .65
- Fully diluted	\$ .25	\$ .20	\$ .70	\$ .64
	=====	=====	=====	=====
Dividends declared per share:				
- Series 2 preferred stock	\$ 3.25	\$ 3.25	\$ 9.75	\$ 9.75
- Common stock	\$ .11	\$ .11	\$ .33	\$ .33
	=====	=====	=====	=====



KAMAN CORPORATION AND SUBSIDIARIES  
PART I - FINANCIAL INFORMATION, Continued

Item 1. Financial Statements, continued:

Condensed Consolidated Statements of Cash Flows  
(In thousands)

	For the Nine Months Ended September 30,	
	1996	1995
Cash flows from operating activities:		
Net earnings	\$ 16,448	\$ 14,784
Depreciation and amortization	9,044	9,204
Gain on sale of assets	(264)	(1,779)
Changes in current assets and liabilities	(45,148)	(63,710)
Other, net	956	1,131
	-----	-----
Cash provided by (used in) operating activities	(18,964)	(40,370)
	-----	-----
Cash flows from investing activities:		
Proceeds from sale of assets	1,789	3,975
Expenditures for property, plant & equipment	(5,156)	(7,897)
Other, net	(366)	(101)
	-----	-----
Cash provided by (used in) investing activities	(3,733)	(4,023)
	-----	-----
Cash flows from financing activities:		
Additions to notes payable	11,799	11,955
Additions to long-term debt	20,000	40,000
Dividends paid	(8,929)	(8,837)
Other, net	1,017	733
	-----	-----
Cash provided by (used in) financing activities	23,887	43,851
	-----	-----
Net increase (decrease) in cash	1,190	(542)
Cash at beginning of period	4,078	3,711
	-----	-----
Cash at end of period	\$ 5,268	\$ 3,169
	=====	=====



KAMAN CORPORATION AND SUBSIDIARIES  
PART I - FINANCIAL INFORMATION, Continued

Item 1. Financial Statements, continued:

Notes to Condensed Consolidated Financial Statements  
(In Thousands)

Basis of Presentation

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The December 31, 1995 condensed consolidated balance sheet amounts have been derived from the previously audited consolidated balance sheet of Kaman Corporation and subsidiaries.

The balance of the condensed financial information reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented and are of a normal recurring nature unless otherwise disclosed in this report.

The statements should be read in conjunction with the notes to the consolidated financial statements included in Kaman Corporation's 1995 Annual Report.

Cash Flow Items

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Cash payments for interest were \$7,482 and \$6,167 for the nine months ended September 30, 1996 and 1995, respectively. Cash payments for income taxes for the comparable periods were \$9,070 and \$2,536, respectively.





KAMAN CORPORATION AND SUBSIDIARIES  
PART I - FINANCIAL INFORMATION, Continued

Item 2. Management's Discussion and Analysis of Financial  
Condition and Results of Operations

Results of Operations

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Consolidated revenues for the three month and nine month periods ended September 30, 1996 were up 1% and 9%, respectively, compared to the same periods of 1995. These results reflect year-to-date increases in revenues in both the Distribution and Diversified Technologies segments.

Distribution segment revenues increased approximately 2% and 6% for the quarter and nine months ended September 30, 1996, respectively, compared to the same periods of 1995. Revenue increases in both the industrial distribution (which constitutes 75% of the segment's revenues) and music distribution businesses contributed to these year-to-date results.

For the quarter and nine months ended September 30, 1996, Industrial Distribution sales have continued to increase at a stronger rate than that of industrial production generally. Results are due in part to the company's efforts to expand partnering relationships with suppliers, address the needs of customers who want to consolidate their vendor base, and provide value-added services in areas such as electrical and electronic systems, materials handling, and precision positioning systems. The company continues to open new branches in the south and midwest regions of the United States to service new customers and develop additional business. These are geographical regions where the company has not traditionally had a strong presence. In addition, the company is being given the opportunity to perform an "integrated supply" function for its larger customers, which includes management of the customer's parts inventories and associated personnel as well as selection of suppliers for the facility. Management believes that these initiatives, in combination with enhanced operating efficiencies attained during the past few years, have resulted in increased market share for this business.

Music Distribution revenues were level and up 9% for the three month and nine month periods, compared to the same periods of 1995. Demand for products were level in both the U.S. and international markets in the third quarter.

Diversified Technologies segment revenues were level for the quarter and up 14% for the nine months ended September 30, 1996, compared to the same periods of 1995. The year-to-date increases are primarily attributable to SH-2G retrofit work in connection with the Republic of Egypt's acquisition of ten (10) SH-2G helicopters from the U.S. Navy, sales of the K-MAX (Registered

KAMAN CORPORATION AND SUBSIDIARIES  
PART I - FINANCIAL INFORMATION, Continued

Item 2. Management's Discussion and Analysis of Financial  
Condition and Results of Operations

Trademark) helicopter, and to some extent, increases in scientific services.

Within the Diversified Technologies segment, management continues initiatives to adapt the corporation's businesses to conditions in defense and commercial aircraft markets. With respect to its SH-2 helicopter, management is pursuing the potential for use of this aircraft by foreign military services. In 1995, the corporation began work pursuant to a letter agreement between the Republic of Egypt and the U.S. Navy for the acquisition of ten (10) SH-2G helicopters. This work, which could have a value of up to \$160 million over a three-year period, involves the retrofit of SH-2F helicopters already manufactured for the U.S. Navy into the SH-2G configuration. The contract between the corporation and the U.S. Navy for this work is not yet finalized, however, the corporation has received a contract to provide long lead materials and services in support of the sale in the amount of \$93 million. Deliveries are scheduled to begin in the fourth quarter of 1997. The corporation is also seeking other opportunities for foreign sales and has established an office in Australia to coordinate work on competitions in New Zealand, Australia, and Malaysia. Regarding New Zealand's procurement of four (4) to six (6) aircraft, the corporation was the only U.S. company among the two competitors that were invited to enter the Best and Final Offer process, and the corporation's offer was submitted in February 1996. In July, the New Zealand government notified the corporation that the award announcement would be made after its general elections in October. Therefore, the earliest the corporation expects an announcement is the end of the year. In addition, the corporation has submitted a proposal to the Royal Australian Navy in connection with the procurement of fourteen (14) retrofitted aircraft. In the U.S., while the corporation is not manufacturing further aircraft for the U.S. Navy, sixteen (16) aircraft are currently in the Naval Reserves and the corporation expects to provide logistics and spare parts support for these aircraft.

As to its advanced technology defense programs, management continues to believe that it is well positioned to compete in the current defense environment where emphasis is being placed upon advanced technology "smart weapons" programs. The corporation has significant experience and expertise with advanced technology programs, having performed a multitude of government contracts over the years. These contracts have involved products and systems, as well as services such as computer software development, intelligence analysis, and research and development. The



KAMAN CORPORATION AND SUBSIDIARIES  
PART I - FINANCIAL INFORMATION, Continued

Item 2. Management's Discussion and Analysis of Financial  
Condition and Results of Operations

corporation continues to be successful in maintaining revenues from this type of business, however, competition for these contracts has increased. During the quarter the corporation was awarded a contract from the Air Force for software support services to Cheyenne Mountain Air Station, Colorado. This is the third consecutive award to the corporation to perform this work, dating back to 1987. The estimated value of the contract, including options for the next five years, is \$150 million.

The corporation also performs aerospace subcontracting work for several airframe manufacturing programs. This business had been adversely affected by weakness in the domestic aircraft industry for some time, however, there has recently been some evidence of renewed health in the industry with the roll out of the new Boeing 777 and the government's announcement regarding longer term production of the McDonnell Douglas C-17 being good examples.

The K-MAX program is now in its second year of commercial operation. K-MAX is a medium to heavy lift "aerial truck" with operating characteristics that distinguish it from other helicopters for use in logging, fire fighting, reforestation, utility power line work, and other applications. The aircraft is now certified in the United States, Canada, Japan, and Switzerland. The special lease program for the first five (5) helicopters has been substantially completed. The corporation continues to lease a few of the aircraft, generally with initial customers. Otherwise, the aircraft is being sold in the United States and abroad. Production of six (6) aircraft is scheduled for 1996. Management continues to take a conservative approach to market introduction of this aircraft and expects that sales and profitability will take some time to achieve. Management also believes that a conservative approach is prudent since the market has been affected by a number of military surplus aircraft that have been (and may be in the future) released to the public at lower cost than new aircraft.

In April 1996, the U.S. Navy Military Sealift Command ("MSC") awarded the corporation a contract to provide an extended demonstration of the K-MAX helicopter's vertical replenishment ("VERTREP") capability. That demonstration began in May, with two (2) K-MAX helicopters scheduled to support MSC airborne cargo movement for a period of seven (7) months. The value of the contract is estimated at \$5.7 million. The demonstration is being conducted under a charter/lease arrangement whereby the corporation provides the aircraft, crew, and all maintenance and logistics support. This is the second MSC award that the corporation has received for this type of work; the first award was for a two-month VERTREP demonstration in the third quarter of 1995. In October

KAMAN CORPORATION AND SUBSIDIARIES  
PART I - FINANCIAL INFORMATION, Continued

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

1996, the MSC issued a request for proposal for a seven-month VERTREP project scheduled to begin in April 1997, with an option for a six-month extension. The corporation plans to bid for this work, which would involve two aircraft under a charter/lease arrangement. Management believes that the federal government's continuing evaluation of the charter/lease concept for K-MAX in a non-combat role represents another significant step forward in the process of defense acquisition reform.

Total operating profits for the segments increased approximately 24% and 16% for the three month and nine month periods ended September 30, 1996 compared to the same periods of 1995. Operating profits for the Diversified Technologies segment increased some 26% and 15% for the quarter and nine month periods, from the same periods last year. Results for the first quarter of 1995 included a gain of \$1.8 million on the sale of real estate in this segment. If the gain is disregarded, operating profits for the first nine months of 1996 increased 24%, due primarily to increases in aerospace subcontracting work, two aerospace subcontract programs that are in the final stages of completion and work on the SH-2G sale for Egypt. Operating profits for the Distribution segment were up about 22% and 18% respectively for the three month and nine month periods ended September 30, 1996, compared to the same periods last year, due to relatively healthy domestic markets. Work continues in the Music business to improve efficiency in our European amplifier manufacturing operations.

Interest expense for the first nine months of 1996 increased almost 14% compared to the same period of 1995, due to increases in average borrowings and higher interest rates.

The consolidated effective income tax rate for the first nine months of 1996 was 42.5%. For the same period of 1995, the rate was 39.9%.

Net earnings for the quarter ended September 30, 1996 were \$5.8 million, compared to \$4.6 million for the same period of 1995. After giving effect to preferred stock dividend requirements, earnings available to common shareholders were \$4.9 million for the third quarter of 1996 compared to \$3.6 million for the same period of 1995.

Net earnings for the nine months ended September 30, 1996 were \$16.4 million, compared to \$14.8 million for the same period of 1995. After giving effect to preferred stock dividend requirements, earnings available to common shareholders were \$13.7 million for the nine-month period of 1996 compared to \$12.0 million for the same period of 1995. Results for 1995 included a gain of approximately \$1.8 million on the sale of real estate within the

KAMAN CORPORATION AND SUBSIDIARIES  
PART I - FINANCIAL INFORMATION, Continued

Item 2. Management's Discussion and Analysis of Financial  
Condition and Results of Operations (Continued)

Diversified Technologies segment. Adjusted to exclude this one-time gain, net earnings for the first nine months of 1996 were up approximately 20% over 1995.

Liquidity and Capital Resources

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The corporation's cash flow from operations has generally been sufficient to finance a significant portion of its working capital and other capital requirements. In recent periods, the corporation has financed somewhat more of its requirements from bank borrowings.

For general borrowing purposes, the corporation maintains a revolving credit agreement involving twelve domestic and foreign banks. This facility was established in January 1996 and provides a maximum unsecured line of credit of \$250 million. It replaces two previous revolving credit arrangements and involves many of the same lenders that participated in those arrangements. The agreement has a term of five years and contains various covenants, including debt to capitalization, consolidated net worth requirements, and limitations on other loan indebtedness that the corporation may incur.

As of September 30, 1996, the corporation's aggregate borrowings were \$124.7 million, most of which was borrowed under the revolving credit facility. Average borrowings were \$121.3 million for the first nine months of 1996, compared to \$90.7 million for the same period last year.

The corporation has a stock repurchase program under which it may repurchase slightly more than 700,000 Class A shares. As of September 30, 1996, a total of 189,000 Class A shares had been repurchased under the program. The primary purpose of the stock repurchase program is to meet the needs of the Employees Stock Purchase Plan and Stock Incentive Plan.

Management believes that the corporation's cash flow from operations and available unused bank lines of credit under its revolving credit agreement will be sufficient to finance its working capital and other capital requirements for the foreseeable future. These requirements may include working capital requirements for potential foreign sales of the SH-2 helicopter.

KAMAN CORPORATION AND SUBSIDIARIES  
PART I - FINANCIAL INFORMATION, Continued

Item 2. Management's Discussion and Analysis of Financial  
Condition and Results of Operations (Continued)

Forward Looking Statements

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This report includes forward-looking statements that describe the corporation's business prospects. Readers should keep in mind factors that could have an adverse impact on those prospects. These include political, economic, or other conditions, such as recessionary or expansive trends, inflation rates, currency exchange rates, taxes and regulations and laws affecting the business; and standard government contract provisions permitting termination for the convenience of the government; as well as product competition, pricing, the degree of acceptance of new products to the marketplace, and the difficulty of forecasting sales at various times in various markets.



KAMAN CORPORATION AND SUBSIDIARIES  
PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits to Form 10-Q:

(11) Earnings per common share computation

(27) Financial Data Schedule

(b) Reports on Form 8-K:

There have been no reports on Form 8-K filed during the quarter ended September 30, 1996.

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.

KAMAN CORPORATION  
Registrant

Date: November 12, 1996      By Charles H. Kaman  
Chairman and Chief Executive  
Officer  
(Duly Authorized Officer)

Date: November 12, 1996      By Robert M. Garneau  
Executive Vice President and  
Chief Financial Officer



KAMAN CORPORATION AND SUBSIDIARIES

Index to Exhibits

Exhibit 11	Earnings Per Common Share Computation	Attached
Exhibit 27	Financial Data Schedule	Attached





KAMAN CORPORATION AND SUBSIDIARIES  
EXHIBIT 11 - EARNINGS PER COMMON SHARE COMPUTATION  
(In thousands except per share amounts)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	1996	1995	1996	1995
	----	----	----	----
Primary:				
Net earnings applicable to common stock	\$ 4,905	\$ 3,642	\$ 13,661	\$ 11,997
	=====	=====	=====	=====
Weighted average number of common shares outstanding	18,642	18,367	18,575	18,299
Weighted average shares issuable on exercise of dilutive stock options	83	195	112	194
	-----	-----	-----	-----
Total	18,725	18,562	18,687	18,493
	=====	=====	=====	=====
Net earnings per common share - primary	\$ .26	\$ .20	\$ .73	\$ .65
	=====	=====	=====	=====
Fully diluted:				
Net earnings applicable to common stock	\$ 4,905	\$ 3,642	\$ 13,661	\$ 11,997
Elimination of interest expense on 6% subordinated convertible debentures(net after taxes)	286	299	857	896
Elimination of preferred stock dividend requirement	929	929	2,787	2,787
	-----	-----	-----	-----
Net earnings (as adjusted)	\$ 6,120	\$ 4,870	\$ 17,305	\$ 15,680
	=====	=====	=====	=====
Weighted avg. no. of shares out- standing including shares issuable on exercise of stock options	18,725	18,562	18,687	18,493
Shares issuable on conversion of 6% subordinated convertible debentures	1,421	1,421	1,421	1,421
Shares issuable on conversion of Series 2 preferred stock	4,552	4,552	4,552	4,552
Additional shares using ending market price instead of average market on treasury method use of stock option proceeds	27	-	14	8
	-----	-----	-----	-----
Total	24,725	24,535	24,674	24,474
	=====	=====	=====	=====
Net earnings per common share - fully diluted	\$ .25	\$ .20	\$ .70	\$ .64
	=====	=====	=====	=====









The schedule contains summary financial information extracted from the corporation's quarterly report to shareholders and is qualified in its entirety by reference to such financial statements.

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9-MOS		
	DEC-31-1996	
	JAN-01-1996	
	SEP-30-1996	
		5,268
		0
		212,733
		(2,772)
		209,434
		457,450
		191,381
		(113,397)
		547,447
	224,320	
		85,760
		0
		57,167
		18,689
		147,664
547,447		
		713,336
	714,552	
		533,541
		678,189
		462
		0
		7,278
		28,623
		12,175
	16,448	
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		0
		0
		16,448
		.73
		.70