DT INDUSTRIES INC
Form 10-Q
May 09, 2001

1

FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the Quarterly Period Ended March 25, 2001

Commission File Number: 0-23400

DT INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	44-0537828
(State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)

1949 E. Sunshine, Suite 2-300, Springfield, Missouri 65804

(Address of principal executive offices) (Zip Code)

(417) 890-0102

(Registrant's telephone number, including area code)

(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

The number of shares of Common Stock, $0.01 par value, of the registrant outstanding as of May 4, 2001 was 10,337,274.

2

DT INDUSTRIES, INC.

INDEX
PAGE 1

3

DT INDUSTRIES, INC.

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
(UNAUDITED)
PAGE 2

ASSETS

Current assets:

Cash and cash equivalents

Accounts receivable, net

Costs and estimated earnings in excess of amounts billed on uncompleted contracts

Inventories, net

Prepaid expenses and other

Total current assets

Property, plant and equipment, net

Goodwill, net

Other assets, net

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Current portion of long-term debt

Senior secured term and revolving credit facility (Note 4)

Accounts payable

Customer advances

Accrued liabilities

Total current liabilities

Senior secured term and revolving credit facility (Note 4)

Other long-term debt

Deferred income taxes

Other long-term liabilities

Total long-term obligations

Commitments and contingencies (Note 10)

Company-obligated, mandatorily redeemable convertible
preferred securities of subsidiary DT Capital Trust holding solely
convertible junior subordinated debentures of the Company

Stockholders' equity:

Preferred stock, $0.01 par value; 1,500,000 shares
authorized; no shares issued and outstanding
Common stock, $0.01 par value; 100,000,000 shares
authorized; 10,157,274 and 10,107,274 shares outstanding, respectively

Additional paid-in capital

Retained earnings

Cumulative translation adjustment

Unearned portion of restricted stock

Treasury stock (1,218,488 and 1,268,488 shares, respectively), at cost

Total stockholders' equity

See accompanying Notes to Consolidated Financial Statements.

4

DT INDUSTRIES, INC.

ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF OPERATIONS
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
(UNAUDITED)
PAGE 3

	Three months ended	
	March 25,	March 26,

	2001	2000
Net sales	$ 123,965	$ 121,995
Cost of sales	103,371	95,958
Gross profit	20,594	26,037
Selling, general and administrative expenses	19,456	19,688
Net loss on disposal of assets	558	--
Operating income	580	6,349
Interest expense	3,776	2,834
Accrued dividends on Company-obligated, mandatorily redeemable convertible preferred securities of subsidiary DT Capital Trust holding solely convertible junior subordinated debentures of the Company, at 7.16% per annum	1,387	1,298
Income (loss) before provision (benefit) for income taxes	(4,583)	2,217
Provision (benefit) for income taxes	(1,149)	1,114
Net income (loss)	$ (3,434)	$ 1,103
Net earnings (loss) per common share:		
Basic	$ (0.34)	$ 0.11
Diluted	$ (0.34)	$ 0.11
Weighted average common shares outstanding:		
Basic	10,154,163	10,107,274
Diluted	10,154,163	10,216,318

See accompanying Notes to Consolidated Financial Statements.

DT INDUSTRIES, INC.

ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED MARCH 25, 2001
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
(UNAUDITED)
PAGE 4

	Retained earnings	Accumulated other comprehensive loss	Common stock	Additional paid-in capital	T
Balance, June 25, 2000	$ 64,378	$ (1,978)	$ 113	$ 133,348	$
Comprehensive loss:					
Net loss	(7,487)				
Foreign currency translation		(484)			
Total comprehensive loss					
Issuance of 50,000 shares of restricted stock to executive management				(1,173)	
Payment on stock subscriptions receivable				72	
Balance, March 25, 2001	$ 56,891	$ (2,462)	$ 113	$ 132,247	$

See accompanying Notes to Consolidated Financial Statements.

6

DT INDUSTRIES, INC.

ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CASH FLOWS
(DOLLARS IN THOUSANDS)
(UNAUDITED)
PAGE 5

	Nine Months March 25, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	$ (7,487)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation	7,243
Amortization	5,311
Net loss on disposal of assets	558
(Increase) decrease in current assets, excluding the effect of acquisitions/dispositions:	
Accounts receivable	6,745
Costs and earnings in excess of amounts billed	(14,367)
Inventories	(15,739)
Prepaid expenses and other	(3,774)
Increase (decrease) in current liabilities, excluding the effect of acquisitions/dispositions:	
Accounts payable	(774)
Customer advances	19,178
Accrued liabilities and other	(2,657)
Net cash used by operating activities	(5,763)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Capital expenditures	(2,649)
Acquisition of C.E. King net assets	--
Proceeds from the sale of assets	2,008
Other	--
Net cash used by investing activities	(641)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net borrowings from revolving loans	3,791

Payments on borrowings	(1,611)
Deferral of dividends on convertible preferred securities	4,095
Financing costs	(1,160)
Payments on stock subscriptions receivable	72
Net cash provided by financing activities	5,187
Effect of exchange rate changes	(604)
Net decrease in cash	(1,821)
Cash and cash equivalents at beginning of period	8,705
Cash and cash equivalents at end of period	$ 6,884

See accompanying Notes to Consolidated Financial Statements.

7

DT INDUSTRIES, INC.

ITEM 1. FINANCIAL STATEMENTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
(UNAUDITED)
PAGE 6

---

1. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements of DT Industries, Inc. (DTI or the Company) have been prepared in accordance with the instructions for Form 10-Q and do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. However, in the opinion of management, the information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of operations for the periods presented. Operating results for any quarter are not necessarily indicative of the results for any other quarter or for the full year. These statements should be read in conjunction with the consolidated financial statements and notes to the consolidated financial statements included in the Company's Form 10-K Annual Report for the fiscal year ended June 25, 2000.

2. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)

The accounts of the Company's foreign subsidiaries are maintained in their respective local currencies. The accompanying consolidated financial statements have been translated and adjusted to reflect U.S. dollars in accordance with accounting principles generally accepted in the United States.

3. ACQUISITIONS AND DISPOSITIONS

In March 2001, the Company completed the sale of substantially all of the assets of Vanguard Technical Solutions, Inc., a wholly-owned subsidiary of DT Industries, Inc., for approximately $523. The loss on the sale, including the write-off of certain other remaining assets, was approximately $1,152. The Company also sold its corporate airplane in January 2001 for approximately $1,465 recording a gain of approximately $640.

The pro forma effects of the above dispositions are not material to the Company's financial results for the nine months ended March 25, 2001.

---

4. FINANCING

As of March 25, 2001 and June 25, 2000, long-term debt consisted of the following:

	March 25, 2001	Jun 2
Term and revolving loans under senior credit facility:		
Term loan	$ 9,888	$
Revolving loans	108,358	1
Other long-term debt	8,328	
	126,574	1
Less - senior credit facility maturing July 2, 2001	118,246	
Less - current portion of other long-term debt	671	

	$ 7,657	$ 1
	=========	===

The Company's credit facility includes a $128,542 revolving credit facility and a $9,888 term credit facility and matures on July 2, 2001. Borrowings under the senior credit facility bear interest at floating rates based on the prime rate plus 2 5/8% or LIBOR plus 3 3/4% (at the option of DTI). Borrowings under the credit facility are secured by substantially all of the assets of DTI and its domestic subsidiaries. Because the company's credit facility matures on July 2, 2001, borrowings of $118,246 under this facility have been presented within current liabilities in the Company's March 25, 2001 consolidated balance sheet. Total borrowing availability under the credit facility as of March 25, 2001 was $14,850.

As a result of the Company's third quarter financial results, the Company is in default of certain financial covenants under its senior credit agreement and another agreement. The Company has obtained a temporary waiver of existing defaults of covenants and breaches of representations and warranties. The Company expects to announce before the end of the fourth quarter that it has reached an agreement with its lenders to amend the covenants under the senior credit agreement of which the Company is currently in default and to extend by 12 months the maturity of the credit facility, although there can be no assurance that such agreement will be reached. If the Company fails to obtain the necessary amendments, it will continue to be in default under such covenants and in breach of its representations and warranties. Accordingly, the lenders could accelerate their debt under the senior credit agreement.

9

DT INDUSTRIES, INC.

ITEM 1. FINANCIAL STATEMENTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
(UNAUDITED)
PAGE 8

---

5. COMPANY-OBLIGATED, MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED SECURITIES OF SUBSIDIARY DT CAPITAL TRUST HOLDING SOLELY CONVERTIBLE JUNIOR SUBORDINATED DEBENTURES OF THE COMPANY (CONVERTIBLE PREFERRED SECURITIES)

On June 12, 1997, the Company completed a private placement to institutional investors of 1,400,000 7.16% Convertible Preferred Securities (liquidation preference of $50 per Convertible Preferred Security). The placement was made through the Company's wholly owned subsidiary, DT Capital Trust (Trust), a Delaware business trust. The securities represent undivided beneficial ownership interests in the Trust. The sole asset of the Trust is the $72,165 aggregate principal amount of the 7.16% Convertible Junior Subordinated Deferrable Interest Debentures Due 2012 of the Company, which were acquired by the Trust with the proceeds from the offering as well as the sale of Common Securities of the Trust to the Company. The Company's obligations under the Convertible Junior Subordinated Debentures, the Indenture pursuant to which they were issued, the Amended and Restated Declaration of Trust of the Trust and the Guarantee of DTI, taken together, constitute a full and unconditional guarantee by DTI of amounts due on the Convertible Preferred Securities. The Convertible Preferred Securities are convertible at the option of the holders at any time into the common stock of DTI at an effective conversion price of $38.75 per share, are redeemable at DTI's option after June 1, 2000 and are mandatorily redeemable in 2012. The net proceeds of the offering of approximately $67,750 were used by DTI to retire indebtedness. In conjunction with an amendment to the Company's senior credit facility in September 1999, the Company elected to defer interest payments on the Convertible Junior Subordinated Debentures. As a result, quarterly distributions on the Convertible Preferred Securities have also been deferred and DTI will not declare or pay dividends on its common stock. Dividends on the Convertible Preferred Securities in the amount of $9,241 have been deferred and accrued as of March 25, 2001 and are included in the principal amount of the securities.

6. BUSINESS SEGMENTS

Financial information for the Company's reportable segments consisted of the following:

	Three Months Ended		Nine Mont
	March 25, 2001	March 26, 2000	March 25, 2001
Net sales			
Automation	$ 95,409	$ 81,633	$ 277,277
Packaging	19,682	30,004	67,381
Other	8,874	10,358	27,183
Consolidated total	$ 123,965	$ 121,995	$ 371,841

10

DT INDUSTRIES, INC.

ITEM 1. FINANCIAL STATEMENTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
(UNAUDITED)
PAGE 9

The reconciliation of segment operating income (loss) to consolidated income (loss) before income taxes consisted of the following:

	Three Months Ended		Nine Mont
	March 25, 2001	March 26, 2000	March 25, 2001
Automation	$ 5,574	$ 5,288	$ 17,825
Packaging	(1,995)	1,881	(4,559)
Operating income for reportable segments	3,579	7,169	13,266
Operating income for immaterial businesses	144	1,129	878
Net loss on disposal of assets	(558)	--	(558)
Corporate	(2,585)	(1,949)	(7,922)
Interest expense	(3,776)	(2,834)	(11,455)
Accrued dividends on Company-obligated, mandatorily redeemable convertible preferred securities	(1,387)	(1,298)	(4,095)
Consolidated loss before income taxes	$ (4,583)	$ 2,217	$ (9,886)

The results of operations of the Company's Automation segment for the nine months ended March 25, 2001 reflect the capitalization of $2,400 of certain engineering costs on the first of multiple systems being manufactured for a significant electronics customer. The Company is amortizing these engineering costs over the systems currently in backlog. Approximately $600 was amortized in the three months ended March 25, 2001.

Corporate operating loss for the three and nine months ended March 25, 2001 includes approximately $800 and $2,600, respectively, of non-recurring legal, professional and severance costs as a result of the accounting irregularities.

7. SUPPLEMENTAL BALANCE SHEET INFORMATION

	March 25, 2001	June 25, 20
Inventories, net:		
Raw materials	$ 28,081	$ 26,7
Work in process	32,844	17,2

Finished goods	5,988	8,9
	$ 66,913	$ 52,9

Accrued liabilities:

Accrued employee compensation and benefits	$ 12,327	$ 14,7
Dividends on convertible preferred securities	--	5,1
Accrued warranty	2,442	2,5
Other	13,142	12,9
	$ 27,911	$ 35,4

11

DT INDUSTRIES, INC.

ITEM 1. FINANCIAL STATEMENTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
(UNAUDITED)
PAGE 10

The dividends on convertible preferred securities have been classified as long-term and included in the principal balance of the securities at March 25, 2001.

8. STOCK COMPENSATION PLANS

A summary of stock option transactions pursuant to the 1994 Employee Stock Option Plan, the 1994 Directors Non-Qualified Stock Option Plan and the 1996 Long-Term Incentive Plan follows:

	AVERAGE PRICE	SHARES SUB TO OPTIC
Options outstanding at June 25, 2000	$ 14.27	1,328
Options granted	$ 4.58	122
Options exercised	--	
Options forfeited	$ 13.30	(323
Options outstanding at March 25, 2001	$ 13.50	1,126
Exercisable at March 25, 2001		680

During fiscal 2001, the Company issued 50,000 shares of restricted common stock of the Company with three and four-year vesting periods. Upon issuance of the restricted shares, unearned compensation equivalent to the market value at the date of grant was charged to Stockholders' Equity and will be amortized to expense over the vesting period. The lapsing of restrictions on these shares will be accelerated in certain circumstances, one of which is a change in control of the Company.

9. DERIVATIVES

Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities", establishes accounting and reporting standards for derivative instruments and for hedging activities and requires recognition of all derivatives on the balance sheet at fair value. The Company adopted the provisions of SFAS 133 during the fiscal year ended June 24, 2001. The Company holds no material derivative financial instruments at or for the nine months ended March 25, 2001.

10. COMMITMENTS AND CONTINGENCIES

Following the Company's announcements in August and September 2000 regarding the restatements of previously reported financial statements, the Company, its Kalish subsidiary and certain of their directors and officers were named as defendants in five complaints in putative class action lawsuits. During the third quarter, these actions were consolidated into a single class action and an amended complaint was filed (the "Securities Action") adding the Company's Sencorp subsidiary and certain additional officers and directors as defendants. The Consolidated Amended Complaint asserts causes of action under Section 10(b), and Rule 10b-5 promulgated thereunder, and Section 20(a) of the Securities Exchange Act of 1934, and alleges, among other things, that the accounting irregularities caused the Company's previously issued financial statements to be materially false and misleading. The Consolidated Amended Complaint also seeks damages in an unspecified amount and purports to be brought on behalf of purchasers of the Company's common stock during various periods, all of which fall between September 29, 1997 and August 23, 2000. The Company currently is evaluating these claims asserted as well as possible defenses thereto and intends to defend the Securities Action vigorously.

While it is not feasible to predict or determine the final outcome of the Securities Action or similar proceedings, or to estimate the amounts or potential range of loss with respect to these matters, management believes the Company, its subsidiaries and their officers and directors have adequate liability insurance to cover the liabilities, costs and expenses arising out of the Securities Action, although there can be no assurance that the insurance proceeds will be adequate to cover any such losses. Further, there can be no assurance that an adverse outcome with respect to the Securities Action will not have a material adverse impact on the Company's financial condition, results of operations or cash flow.

In addition, in November 1998, pursuant to the agreement by which the Company acquired Kalish, Mr. Graham L. Lewis, a former director of the Company, received an additional payment based on Kalish's earnings for each of the three years after the closing. As a result of the restatement discussed in the Company's Annual Report on Form 10-K for the fiscal year ended June 25, 2000, the Company believes that the additional payment should not have been made. During the third quarter, the Company commenced legal action against Mr. Lewis to recover this payment, and Mr. Lewis has counter-sued for wrongful termination against the Company. Management believes that the Company's suit against Mr. Lewis has merit. Management further believes that Mr. Lewis' counter-suit is without merit and the Company intends to defend this counter-suit vigorously.

The Company also is a party to certain lawsuits involving employee matters, product liability and other matters. Management does not expect the outcome of any such litigation to have a material adverse effect on the Company's financial position, results of operations or liquidity.

GENERAL OVERVIEW

The following discussion summarizes the significant factors affecting the consolidated operating results and financial condition of DT Industries, Inc. (DTI or the Company) for the three and nine months ended March 25, 2001 compared to the three and nine months ended March 26, 2000. This discussion should be read in conjunction with the consolidated financial statements and notes to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended June 25, 2000.

The Company primarily operates in two business segments, Automation and Packaging. The Automation segment designs and builds integrated systems for the assembly, test and handling of discrete products. The Packaging segment manufactures tablet processing, counting and liquid filling systems and plastics processing equipment, including thermoforming, blister packaging and heat-sealing systems.

The percentage of completion method of accounting is used by the Company to recognize revenues and related costs. Under the percentage of completion method, revenues for customer contracts are measured based on the ratio of engineering and manufacturing labor hours incurred to date compared to total estimated engineering and manufacturing labor hours or, for certain customer contracts, the ratio of total costs incurred to date to total estimated costs. Any revisions in the estimated total costs or values of the contracts during the course of the work are reflected when the facts that require the revisions become known. For contracts not accounted for under the percentage of completion method, revenue is recognized upon shipment to unaffiliated customers.

Costs and related expenses to manufacture the products are recorded as cost of sales when the related revenue is recognized. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

Gross margins may vary in a given period as a result of the variations in profitability of contracts for large orders of automated production systems or special machines. In addition, changes in the product mix in a given period affect gross margins.

The Company is reviewing various policies in place related to the valuation and collection of accounts receivable and the valuation and disposal of inventories. An assessment of the impairment of goodwill is also expected to be completed in the fourth quarter. Upon completion of such reviews, the Company anticipates possible charges in the fourth quarter, including a restructuring charge within the Packaging segment related to the closure of a facility and the downsizing of personnel.

Certain information contained in this report, particularly the information appearing under the headings "Results of Operations", "Liquidity and Capital Resources", "Backlog", and "Seasonality and Fluctuations in Quarterly Results", includes forward-looking statements. These statements, comprising all statements which are not historical, are based upon the Company's interpretation of what it believes are significant factors affecting its businesses, including many assumptions regarding future events, and are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. References to "opportunities", "growth potential", "objectives" and "goals", the words "anticipate", "believe", "estimate", "expect", and similar expressions used herein indicate such forward-looking statements. Actual results could differ materially from those anticipated in any forward-looking statements as a result of various factors, including economic downturns in industries or markets served, delays or cancellations of customer orders, delays in shipping dates of products, significant cost overruns on projects, excess product warranty expenses, collectability of past due customer receivables, significant restructuring or other special, non-recurring charges, foreign currency exchange rate fluctuations, delays in achieving anticipated cost savings or in fully implementing project and information management systems, availability of financing at acceptable

---

terms, ability to obtain amendments of, the Company's senior credit agreement, the Company's ability to sell existing business units on favorable terms, changes in interest rates, increased inflation, the outcome of pending litigation related to the previously announced accounting irregularities, and the Company's ability to implement operational and financial systems to manage the Company's decentralized operations. Additional information regarding important factors that could cause actual results of operations or outcomes of other events to differ materially from any such forward-looking statement also appears elsewhere herein, including under the headings "Results of Operations", "Liquidity and Capital Resources", "Backlog", and "Seasonality and Fluctuations in Quarterly Results".

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, the percentage of consolidated net sales represented by certain items reflected in the Company's consolidated statement of operations:

	Three Months Ended		
	March 25, 2001	March 26, 2000	March 200
Net sales	100.0%	100.0%	100
Cost of sales	83.4	78.7	82
Gross profit	16.6	21.3	17
Selling, general and administrative expenses	15.7	16.1	15
Net loss on disposal of assets	0.4	--	0
Operating income	0.5	5.2	1
Interest expense	3.1	2.3	3
Dividends on Company-obligated, mandatorily redeemable convertible preferred securities of subsidiary DT Capital Trust	1.1	1.1	1
Income loss before provision (benefit) for income taxes	(3.7)	1.8	(2
Provision (benefit) for income taxes	(0.9)	0.9	(0
Net income (loss)	(2.8)%	0.9%	(2

15

DT INDUSTRIES, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
PAGE 14

THREE MONTHS ENDED MARCH 25, 2001

COMPARED TO THREE MONTHS ENDED MARCH 26, 2000

Consolidated net sales for the three months ended March 25, 2001 were $124.0 million, an increase of $2.0 million, or 1.6%, from $122.0 million for the three months ended March 26, 2000. Net sales by segment were as follows (in millions):

	Three Months Ended March 25, 2001	Three Months Ended March 26, 2000	I (D
Automation	$ 95.4	$ 81.6	
Packaging	19.7	30.0	
Other	8.9	10.4	
	$ 124.0	$ 122.0	

Automation segment sales increased $13.8 million, or 16.9%, to $95.4 million during the three months ended March 25, 2001. The increase in sales is primarily the result of the ongoing capital program within the Company's primary electronics market. The Company is cross-manufacturing these electronics assembly systems across several automation business units. The Company expects continued strong revenue recognition into fiscal 2002 from its substantial electronics backlog.

Packaging segment sales decreased $10.3 million, or 34.4%, to $19.7 million during the three months ended March 25, 2001. Plastics-related equipment sales were down approximately $6.8 million from a combination of the discontinued extrusion business and significantly lower sales of thermoforming equipment. Extrusion equipment sales were approximately $3.3 million in the third quarter of fiscal 2000. Sales from the Company's Kalish business also continue to be below prior year levels. The Company has hired a new president to assume responsibility over the Kalish, Lakso, Swiftpack and King business units.

Sales from the Company's other businesses, primarily from Detroit Tool Metal Products Company (DTMP), a stamping and fabrication business serving the heavy trucking and agricultural equipment market, decreased $1.5 million, or 14.3%, to $8.9 million during the three months ended March 25, 2001. The Company expects lower sales for the remainder of fiscal 2001 from the market downturn in heavy trucking. The Company is seeking to sell DTMP as part of its divestiture program discussed further under Liquidity and Capital Resources.

Gross profit decreased $5.4 million, or 20.9%, to $20.6 million for the three months ended March 25, 2001 from $26.0 million for the three months ended March 26, 2000. The gross margin decreased to 16.6% from 21.3%. The decrease reflects lower gross margins across all business segments in the third quarter.

The Automation segment's margins over the past three quarters reflect a significant mix of lower margin electronics business. The lower margins are the result of a number of contributing factors including the significant ramp up of manufacturing headcount, the heavier use of contract labor and the substantial engineering being incurred on the first of multiple systems. The Company expects improving Automation segment gross margins on future repetitive systems in backlog.

The Packaging segment recognized lower gross margins in the third quarter of fiscal 2001 primarily from the softness in sales and the resulting unfavorable manufacturing variances. The Company has restructured both Sencorp and Kalish, significantly reducing labor and overhead costs from prior year levels. The Company continues to monitor these businesses closely. The Company is actively marketing the Stokes press and Scheu & Kniss press parts businesses for sale. Both of these businesses recognized lower gross margins in the third quarter.

16

DT INDUSTRIES, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
PAGE 15

SG&A expenses were $19.5 million for the three months ended March 25, 2001 compared to $19.7 million for the three months ended March 26, 2000. The Company incurred approximately $0.8 million of non-recurring special legal and professional expenses in the third quarter. These non-recurring legal and professional expenses related to the accounting irregularities discovered in the first quarter will continue in future quarters, although the Company expects the amounts will be less than the amounts expensed in the third quarter.

In the third quarter, the Company sold its corporate airplane and substantially all of the net assets of its Vanguard business. Proceeds from the sales of these assets were approximately $2.0 million resulting in a pre-tax loss of $0.6 million.

Operating income was $0.6 million for the three months ended March 25, 2001 versus $6.3 million for the three months ended March 26, 2000, as a result of the factors noted above.

Interest expense increased $0.9 million, or 33.2%, to $3.8 million for the three months ended March 25, 2001. The substantial increase pertains to both the increase in the Company's interest rate on borrowings pursuant to the senior secured credit facility and the increase in average borrowings outstanding. Average interest rates have increased approximately 2 percentage points. Borrowings have increased to fund working capital requirements. Dividends on the convertible preferred securities were $1.4 million and $1.3 million for the three months ended March 25, 2001 and March 26, 2000, respectively. The dividends are currently being deferred and accrued as a result of the September 1999 amendment to the credit facility.

The provision for income taxes reflects book income plus permanent differences, primarily non-deductible goodwill amortization related to certain acquisitions, multiplied by statutory federal and applicable state tax rates.

Net loss was $3.4 million for the three months ended March 25, 2001 versus net income of $1.1 million for the three months ended March 26, 2000. Basic and diluted loss per share were $(0.34) for the three months ended March 25, 2001 compared to basic and diluted earnings per share of $0.11 for the quarter ended March 26, 2000. Basic and diluted weighted average shares outstanding were approximately 10.2 million shares for the three months ended March 25, 2001 and March 26, 2000.

NINE MONTHS ENDED MARCH 25, 2001
COMPARED TO NINE MONTHS ENDED MARCH 26, 2000

Consolidated net sales for the nine months ended March 25, 2001 were $371.8 million, an increase of $40.7 million, or 12.3%, from $331.1 million for the nine months ended March 26, 2000. Net sales by segment were as follows (in millions):

	Nine Months Ended March 25, 2001	Nine Months Ended March 26, 2000	Increas (Decreas
Automation	$ 277.3	$ 209.4	$ 67.9
Packaging	67.4	94.0	(26.6
Other	27.1	27.7	(0.6
	$ 371.8	$ 331.1	$ 40.7

Automation segment sales increased $67.9 million, or 32.4%, to $277.3 million during the nine months ended March 25, 2001. The increase in sales is primarily the result of the ongoing capital program within the Company's primary electronics market. The Company is cross-manufacturing these electronics assembly systems across several automation business units. The Company expects continued strong revenue recognition into fiscal 2002 from its substantial electronics backlog.

Packaging segment sales decreased $26.6 million, or 28.3%, to $67.4 million during the nine months ended March 25, 2001. Plastics-related equipment sales were down approximately $12.4 million from a combination of the discontinued extrusion business and significantly lower sales of thermoforming equipment. Extrusion equipment sales were approximately $10.0 million for the nine months of fiscal 2000. Sales from the Company's other packaging businesses also decreased substantially in the first nine months of fiscal 2001 versus the first nine months of fiscal 2000. The decrease in sales was across several product lines including presses, counters, fillers and line integration primarily to pharmaceutical and nutritional markets. The Company has hired a new president to assume responsibility over the Kalish, Lakso, Swiftpack and King business units. The Company is actively marketing the Stokes press business and the Scheu & Kniss press parts business for sale.

Sales from the Company's other businesses, primarily DTMP, decreased $0.6 million, or 1.9%, to $27.1 million during the nine months ended March 25, 2001. The Company expects lower sales for the remainder of fiscal 2001 from the market downturn in heavy trucking. The Company is seeking to sell DTMP as part of its divestiture program discussed further under Liquidity and Capital Resources.

Gross profit decreased $3.2 million, or 4.7%, to $65.3 million for the nine months ended March 25, 2001 from $68.5 million for the nine months ended March 26, 2000. The gross margin decreased to 17.6% from 20.7%. The decrease reflects lower gross margins across all business segments in the third quarter.

The Automation segment's margins over the first nine months of fiscal 2001 reflect a significant mix of lower margin electronics business. The lower margins are the result of a number of contributing factors including the significant ramp up of manufacturing headcount, the heavier use of contract labor and the substantial engineering being incurred on the first of multiple systems. The margins during the current year reflect the capitalization of $2.4 million of certain engineering costs on the first system manufactured for this electronics customer. The first system was shipped in the second quarter. The Company is amortizing these engineering costs over the systems currently in backlog. Approximately $0.6 million was amortized in the three months ended March 25, 2001. The Company expects improving Automation segment gross margins on the future repetitive systems.

The Packaging segment recognized significantly lower gross margins in the first nine months of fiscal 2001 versus the prior year's comparable nine months. The gross margins are a reflection of the 28.3% decrease in sales and the resulting increase in unfavorable manufacturing absorption. The Company has significantly restructured both the Sencorp and Kalish operations in fiscal 2001 reducing headcount and overhead costs. Headcount at Sencorp and Kalish have been reduced approximately 30% and 45%, respectively. The Company continues to monitor these businesses closely. The Company is actively marketing the Stokes and Scheu & Kniss businesses for sale. Both of these businesses recognized lower gross margins in the quarter.

SG&A expenses were substantially flat at $59.1 million versus $58.9 million for the nine months ended March 25, 2001 and March 26, 2000, respectively. The Company incurred approximately $2.6 million in non-recurring legal, professional, consulting and severance related expenses during the first nine months of fiscal 2001 related to the effects of the investigations of the accounting irregularities at Kalish and Sencorp. These expenses will continue in future quarters, although the Company expects the amounts will be less than the amounts incurred in the third quarter. Excluding the $2.6 million in non-recurring expenses, SG&A expenses were down 4.1% from the prior year nine months.

In the third quarter, the Company sold its corporate airplane and substantially all of the net assets of its Vanguard business. Proceeds from the sales of these assets were approximately $2.0 million resulting in a pre-tax loss of $0.6 million.

Operating income decreased $3.9 million, or 40.8%, to $5.7 million for the nine months ended March 25, 2001 from $9.6 million for the nine months ended March

26, 2000, as a result of the factors noted above.

Interest expense increased $4.2 million, or 57.5%, to $11.5 million for the nine months ended March 25, 2001. The substantial increase pertains to both the increase in the Company's interest rate on borrowings pursuant to the senior secured credit facility and the increase in average borrowings outstanding. Borrowings have increased to fund working capital requirements. Dividends on the convertible preferred securities were $4.1 million and $3.8 million for the nine months ended March 25, 2001 and March 26, 2000, respectively. The dividends are currently being deferred and accrued in conjunction with the September 1999 amendment to the credit facility.

The income tax benefit was $2.4 million for the nine months ended March 25, 2001 versus income tax expense of $0.4 million for the nine months ended March 26, 2000. The income tax benefit reflects book losses less permanent differences, primarily non-deductible goodwill amortization related to certain acquisitions, multiplied by statutory federal and applicable state tax rates.

Net loss increased $5.6 million to $7.5 million for the nine months ended March 25, 2001 from $1.9 million for the nine months ended March 26, 2000. Basic and diluted losses per share were $(0.74) for the nine months ended March 25, 2001 compared to basic and diluted losses per share of $(0.19) for the nine months ended March 26, 2000. Basic and diluted weighted average shares outstanding were approximately 10.1 million for the nine months ended March 25, 2001 and March 26, 2000.

19

DT INDUSTRIES, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
PAGE 18

LIQUIDITY AND CAPITAL RESOURCES

The net loss plus non-cash operating charges provided $5.6 million of operating cash flow for the nine months ended March 25, 2001. Net increases in working capital balances used operating cash of $11.4 million, resulting in net cash used by operating activities of $5.8 million for the nine months ended March 25, 2001. The increase in working capital balances reflects increased costs and earnings in excess of amounts billed (CIE) and increased inventories, partially offset by increased customer advances and lower trade receivables. The increase in CIE and inventories is primarily in the Automation segment relating to the high project activity and the timing of customer progress billings. The higher customer advances reflect several larger projects at very early stages in the project life. Lower trade receivables primarily reflect the low level of shipping across the Automation segment.

Working capital balances can fluctuate significantly between periods as a result of the significant costs incurred on individual contracts, the relatively large amounts invoiced and collected by the Company for a number of large contracts, and the amounts and timing of customer advances or progress payments associated with certain contracts.

During the nine months ended March 25, 2001, the Company borrowed $3.8 million on its revolving credit facility and received proceeds of approximately $2.0 million from the sale of the corporate airplane and substantially all of the assets of Vanguard Technical Solutions, Inc. The funds were used primarily for working capital requirements discussed above, capital expenditures of $2.6 million, debt repayments of $1.6 million and financing costs of $1.2 million. The Company has deferred $4.1 million of dividends on the convertible preferred securities in fiscal 2001.

During the nine months ended March 26, 2000, the Company borrowed $18.7 million on its revolving credit facility. The funds were used for working capital requirements, the acquisition of C. E. King for $2.1 million, capital expenditures of $4.5 million and financing costs of $1.1 million.

The Company's credit facility includes a $128.5 million revolving credit facility and a $9.9 million term credit facility and matures on July 2, 2001. Borrowings under the amended credit facility bear interest at floating rates based on the prime rate plus 2 5/8% or LIBOR plus 3 3/4% (at the option of DTI). Borrowings under the credit facility are secured by substantially all of the assets of DTI and its domestic subsidiaries. Because the Company's credit facility matures on July 2, 2001, borrowings of $118.2 million under this facility have been presented within current liabilities in the Company's March 25, 2001 consolidated balance sheet. Total borrowing availability under the credit facility as of March 25, 2001 was $14.9 million.

As a result of the Company's third quarter financial results, the Company is in default of certain financial covenants under its senior credit agreement and another agreement. The Company has obtained a temporary waiver of existing defaults of covenants and breaches of representations and warranties. The Company expects to announce before the end of the fourth quarter that it has reached an agreement with its lenders to amend the covenants under the senior credit agreement of which the Company is currently in default and to extend by 12 months the maturity of the credit facility, although there can be no assurance that such agreement will be reached. If the Company fails to obtain the necessary amendments, it will continue to be in default under such covenants and in breach of its representations and warranties. Accordingly, the lenders could accelerate their debt under the senior credit agreement.

The Company has implemented various cash management initiatives in fiscal 2001, including the reduction of discretionary capital expenditures, increased focus on collections of accounts receivable, and accelerated payment terms from customers, among other things. With the assistance of an investment banking firm, the Company is also actively marketing the sale of several business units with the intention of using the proceeds to pay down debt. The business units expected to be divested include Detroit Tool Metal Products Co., the Peer Division, Assembly Technology and Test, Inc., the Stokes Division and the Scheu & Kniss Division. These five business units had combined sales in fiscal 2000 of over $120 million. The Company has signed letters of intent and expects to close the sale of three of these businesses by the end of the current fiscal year. The Company is also working on the sale of various other smaller businesses and a product line of the Packaging segment. As discussed earlier, the Company sold its corporate airplane and substantially all of the net assets of Vanguard Technical Solutions, Inc. in the third quarter for approximately $2.0 million.

In conjunction with an amendment to the credit facility in September 1999, the Company elected to defer interest payments on its convertible junior subordinated debentures. The credit facility requires that the deferral continue until the maturity of the credit facility. As a result, quarterly distributions on the Convertible Preferred Securities are also being deferred and DTI is not declaring or paying any dividends on its common stock. Dividends on the Convertible Preferred Securities in the amount of $9.2 million have been deferred and accrued as of March 25, 2001.

Management currently anticipates that capital expenditures in the current fiscal year will be approximately $3 million to $4 million. This includes recurring replacement or refurbishment of machinery and equipment, and purchases to improve production methods or processes or to expand manufacturing capabilities. Funding for capital expenditures is expected to be provided by cash from operating activities and through the Company's credit facilities.

Based on its ability to generate funds from operations and thereby increase the availability of funds under its current credit facilities, the Company believes that it will have sufficient funds available to meet its currently anticipated operating and capital expenditure requirements.

BACKLOG

The Company's backlog is based upon customer purchase orders that the Company believes are firm. As of March 25, 2001, the Company had $262.3 million of orders in backlog, which compares to a backlog of approximately $257.5 million as of March 26, 2000. Orders for the three and nine months ended March 25, 2001 were approximately $79.8 million and $374.6 million, respectively.

The backlog for the Automation segment at March 25, 2001 was $228.1 million, which increased $13.4 million or 6.2% from a year ago. The increase is a result of the significant backlog of electronics systems. As part of the current capital program within the Company's electronics market, additional duplicated systems orders are expected to be placed in the next six months. The Automation segment's backlog also reflects a significant project in the diesel engine market booked in the first quarter of fiscal 2001. Backlog for the Packaging segment was $26.2 million, a decrease of $9.6 million, or 26.8%, over the comparable period in fiscal 2000. The decrease in backlog is primarily due to the soft order activity for Kalish and Sencorp for the first nine months of fiscal 2001.

The level of backlog at any particular time is not necessarily indicative of the future operating performance of the Company. Additionally, certain purchase orders are subject to cancellation by the customer upon notification. Certain orders are also subject to delays in completion and shipment at the request of the customer. The Company expects that less than one-half of the orders in the backlog will be recognized as sales during the fourth quarter.

SEASONALITY AND FLUCTUATIONS IN QUARTERLY RESULTS

In general, the Company's business is not subject to seasonal variations in demand for its products. However, because orders for certain of the Company's products can be several million dollars, a relatively limited number of orders can constitute a meaningful percentage of the Company's revenue in any one quarterly period. As a result, a relatively small reduction or delay in the number of orders can have a material impact on the timing of recognition of the Company's revenues. Certain of the Company's revenues are derived from fixed price contracts. To the extent that original cost estimates prove to be inaccurate, profitability from a particular contract may be adversely affected. Gross margins may vary between comparable periods as a result of the variations in profitability of contracts for large orders of special machines as well as product mix between the various types of custom and proprietary equipment manufactured by the Company. Accordingly, results of operations of the Company for any particular quarter are not necessarily indicative of results that may be expected for any subsequent quarter or related fiscal year.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk of the Company's Annual Report on Form 10-K for the year ended June 25, 2000. There has been no material change to that information that is required to be disclosed in this Quarterly Report on Form 10-Q.

22

DT INDUSTRIES, INC.

PART II. OTHER INFORMATION

PAGE 21

ITEM 1. LEGAL PROCEEDINGS

Following the Company's announcements in August and September 2000 regarding the restatements of previously reported financial statements, the Company, its Kalish subsidiary and certain of their directors and officers were named as defendants in five complaints in putative class action lawsuits. During the third quarter, these actions were consolidated into a single class action and an amended complaint was filed (the "Securities Action") adding the Company's Sencorp subsidiary and certain additional officers and directors as defendants. The Consolidated Amended Complaint asserts causes of action under Section 10(b), and Rule 10b-5 promulgated thereunder, and Section 20(a) of the Securities Exchange Act of 1934, and alleges, among other things, that the accounting irregularities caused the Company's previously issued financial statements to be materially false and misleading. The Consolidated Amended Complaint also seeks damages in an unspecified amount and purports to be brought on behalf of purchasers of the Company's common stock during various periods, all of which fall between September 29, 1997 and August 23, 2000. The Company currently is evaluating these claims asserted as well as possible defenses thereto and intends to defend the Securities Action vigorously.

While it is not feasible to predict or determine the final outcome of the Securities Action or similar proceedings, or to estimate the amounts or potential range of loss with respect to these matters, management believes the Company, its subsidiaries and their officers and directors have adequate liability insurance to cover the liabilities, costs and expenses arising out of the Securities Action, although there can be no assurance that the insurance proceeds will be adequate to cover any such losses. Further, there can be no assurance that an adverse outcome with respect to the Securities Action will not have a material adverse impact on the Company's financial condition, results of operations or cash flow.

In addition, in November 1998, pursuant to the agreement by which the Company acquired Kalish, Mr. Graham L. Lewis, a former director of the Company, received an additional payment based on Kalish's earnings for each of the three years after the closing. As a result of the restatement discussed in the Company's Annual Report on Form 10-K for the fiscal year ended June 25, 2000, the Company believes that the additional payment should not have been made. During the third quarter, the Company commenced legal action against Mr. Lewis to recover this payment, and Mr. Lewis has counter-sued for wrongful termination against the Company. Management believes that the Company's suit against Mr. Lewis has merit. Management further believes that Mr. Lewis' counter-suit is without merit and the Company intends to defend this counter-suit vigorously.

The Company also is a party to certain lawsuits involving employee matters, product liability and other matters. Management does not expect the outcome of any such litigation to have a material adverse effect on the Company's financial position, results of operations or liquidity.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

See Management's Discussion and Analysis of Financial Conditions and Results of Operations - Liquidity and Capital Resources.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit 4 - Amendment No. 2 to Rights Agreement by and between DT Industries, Inc. and ChaseMellon Shareholder Services, L.L.C., dated as of November 17, 2000.

Exhibit 10.1* - Employment Agreement, dated as of November 6, 2000, by and between DT Industries, Inc. and Stephen J. Perkins.

Exhibit 10.2* - Termination and Change of Control Agreement, dated as of November 6, 2001, by and between DT Industries, Inc. and Stephen J. Perkins.

Exhibit 10.3* - Restricted Stock Agreement, dated April 25, 2001, by and between DT Industries, Inc. and Stephen J. Perkins.

Exhibit 11 - Statement Regarding Computation of Earnings Per Share

----

*Management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K:

On January 24, 2001, a Current Report on Form 8-K was filed to report, pursuant to Items 5 and 7 thereof, a release announcing John M. Casper as the Company's new Chief Financial Officer and the appointment of John F. Schott as the Company's Chief Operating Officer.

On February 8, 2001, a Current Report on Form 8-K was filed to report, pursuant to Items 5 and 7 thereof, the release of the Company's earnings for the second quarter of fiscal 2001, among other things.

24

DT INDUSTRIES, INC.

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.

DT INDUSTRIES, INC.

Date: May 9, 2001

/s/ John M. Casper

(Signature)

John M. Casper
Senior Vice President, Finance and Chief Financial Officer
(Principal Financial and Accounting Officer)

25

EXHIBIT INDEX

Exhibit 11 Statement Regarding Computation of Earnings Per Share

Exhibits:

Exhibit 4 - Amendment No. 2 to Rights Agreement by and between DT Industries, Inc. and ChaseMellon Shareholder Services,

L.L.C., dated as of November 17, 2000.

Exhibit 10.1* - Employment Agreement, dated as of November 6, 2000, by and between DT Industries, Inc. and Stephen J. Perkins.

Exhibit 10.2* - Termination and Change of Control Agreement, dated as of November 6, 2001, by and between DT Industries, Inc. and Stephen J. Perkins.

Exhibit 10.3* - Restricted Stock Agreement, dated April 25, 2001, by and between DT Industries, Inc. and Stephen J. Perkins.

Exhibit 11 - Statement Regarding Computation of Earnings Per Share

----

*Management contract or compensatory plan or arrangement.

(c) Reports on Form 8-K:

On January 24, 2001, a Current Report on Form 8-K was filed to report, pursuant to Items 5 and 7 thereof, a release announcing John M. Casper as the Company's new Chief Financial Officer and the appointment of John F. Schott as the Company's Chief Operating Officer.

On February 8, 2001, a Current Report on Form 8-K was filed to report, pursuant to Items 5 and 7 thereof, the release of the Company's earnings for the second quarter of fiscal 2001, among other things.