DT INDUSTRIES INC
Form 10-Q
February 07, 2001

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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 December 24, 2000

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 February 2, 2001 was 10,107,274.

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DT INDUSTRIES, INC.

ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
(UNAUDITED)
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	December 24, 2000	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,544	$
Accounts receivable, net	53,520	
Costs and estimated earnings in excess of amounts billed on uncompleted contracts	118,451	
Inventories, net	59,291	
Prepaid expenses and other	17,072	
Total current assets	256,878	
Property, plant and equipment, net	69,978	
Goodwill, net	170,670	
Other assets, net	4,258	
	$ 501,784	$
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 680	$
Senior secured term and revolving credit facility (Note 4)	135,208	
Accounts payable	43,223	
Customer advances	34,662	
Accrued liabilities	26,010	
Total current liabilities	239,783	
Senior secured term and revolving credit facility (Note 4)	---	

Other long-term debt	8,855	
Deferred income taxes	10,375	
Other long-term liabilities	3,858	
Total long-term obligations	23,088	
Commitments and contingencies (See Note 10)		
Company-obligated, mandatorily redeemable convertible preferred securities of subsidiary DT Capital Trust holding solely convertible junior subordinated debentures of the Company	77,854	
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; 10,107,274 shares outstanding	113	
Additional paid-in capital	133,420	
Retained earnings	60,325	
Cumulative translation adjustment	(2,021)	
Less - Treasury stock (1,268,488 shares), at cost	(30,778)	
Total stockholders' equity	161,059	
	$ 501,784	$

See accompanying Notes to Consolidated Financial Statements.

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DT INDUSTRIES, INC.

ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF OPERATIONS
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
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	Three months ended		Six months ended	
	December 24, 2000	December 26, 1999	December 24, 2000	December 26, 1999
Net sales	$ 131,425	$ 107,982	$ 247,876	$ 209,111
Cost of sales	106,750	85,588	203,197	166,666
Gross profit	24,675	22,394	44,679	42,445
Selling, general and administrative expenses	19,875	19,372	39,596	39,218
Operating income	4,800	3,022	5,083	3,227
Interest expense	4,218	2,642	7,679	4,440
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	1,365	1,275	2,707	2,528
Loss before provision (benefit) for income taxes	(783)	(895)	(5,303)	(3,741)
Provision (benefit) for income taxes	146	(8)	(1,250)	(717)
Net loss	$ (929)	$ (887)	$ (4,053)	$ (3,024)
Net loss per common share:				
Basic	$ (0.09)	$ (0.09)	$ (0.40)	$ (0.30)
Diluted	$ (0.09)	$ (0.09)	$ (0.40)	$ (0.30)
Weighted average common shares outstanding:				
Basic	10,107,274	10,107,274	10,107,274	10,107,274
Diluted	10,107,274	10,107,274	10,107,274	10,107,274

See accompanying Notes to Consolidated Financial Statements.

DT INDUSTRIES, INC.

ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED DECEMBER 24, 2000
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
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	Retained earnings	Accumulated other comprehensive loss	Common stock	Additional paid-in capital
Balance, June 25, 2000	$ 64,378	$ (1,978)	$ 113	$ 133,348
Comprehensive loss:				
Net loss	(4,053)			
Foreign currency translation		(43)		
Total comprehensive loss				
Payment on stock subscriptions receivable				72
Balance, December 24, 2000	$ 60,325	$ (2,021)	$ 113	$ 133,420

See accompanying Notes to Consolidated Financial Statements.

DT INDUSTRIES, INC.

ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CASH FLOWS
(DOLLARS IN THOUSANDS)
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	Six Months Ended December 24, 2000	Dec
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (4,053)	$
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	4,862	
Amortization	3,452	
(Increase) decrease in current assets, excluding the effect of acquisitions:		
Accounts receivable	5,404	
Costs and earnings in excess of amounts billed	(23,526)	
Inventories	(6,365)	
Prepaid expenses and other	(2,966)	
Increase (decrease) in current liabilities, excluding the effect of acquisitions:		
Accounts payable	(3,966)	
Customer advances	12,251	
Accrued liabilities	(1,582)	
Other	149	
Net cash used by operating activities	(16,340)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(1,799)	
Acquisition of C.E. King net assets	--	
Other	--	
Net cash used by investing activities	(1,799)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings from revolving loans	19,460	
Payments on borrowings	(717)	

Financing costs	(808)	
Payments on stock subscriptions receivable	72	
Net cash provided by financing activities	18,007	
Effect of exchange rate changes	(29)	
Net increase (decrease) in cash	(161)	
Cash and cash equivalents at beginning of period	8,705	
Cash and cash equivalents at end of period	$ 8,544	$

See accompanying Notes to Consolidated Financial Statements.

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ITEM 1. FINANCIAL STATEMENTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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.

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 U.S. generally accepted accounting principles.

3. ACQUISITIONS

In July 1999, the Company completed the acquisition of certain net assets of C. E. King, Ltd. (King), a manufacturer of tablet counting, liquid filling and capping equipment located in Chertsey, England. The purchase price of $2,116 was primarily financed by borrowings under the Company's revolving credit facility. The purchase price has been allocated to the acquired assets and assumed liabilities based on their estimated fair value at the date of acquisition. The excess of purchase price over the estimated fair value of net assets acquired has been recorded as goodwill and is being amortized over a 40 year period. The accompanying consolidated financial statements include the results of King from the date of acquisition.

The pro forma effect of the above acquisition is not material to the Company's financial results for the six months ended December 26, 1999.

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4. FINANCING

As of December 24, 2000 and June 25, 2000, long-term debt consisted of the following:

	December 24, 2000
Term and revolving loans under senior credit facility:	
Term loan	$ 9,989
Revolving loans	125,219
Other long-term debt	9,535
	144,743
Less - senior secured credit facility maturing July 2, 2001	135,208
Less - current portion of other long-term debt	680

$	8,855

The Company's credit facility includes a $130,000 revolving credit facility and a $10,000 term credit facility and matures on July 2, 2001. Borrowings under the credit facility bore interest at floating rates based on the prime rate plus 2 3/8% or LIBOR plus 3 1/2% for foreign currency borrowings. Borrowings under the credit facility are secured by substantially all of the assets of DTI and its domestic subsidiaries. The Company had substantially no borrowing availability under the credit facility as of December 24, 2000.

As a result of the Company's fiscal 2000 financial results, the Company was in default of a number of provisions of its senior credit agreement and another agreement. The Company and the lenders amended the relevant credit agreements effective October 10, 2000. The amendment to the credit agreements included provisions that amended the financial covenants, waived certain existing defaults of covenants and breaches of representations and warranties and increased the interest rate on borrowings made pursuant to the facility. From October 10, 2000 until February 14, 2001, all borrowings under the amended credit facility bear interest at a floating rate based on the prime rate plus 2 3/8%, except for foreign currency borrowings, which bear interest at a floating rate equal to LIBOR plus 3 1/2%. After February 15, 2001, such borrowings will bear interest at floating rates based on the prime rate plus 2 5/8% or LIBOR plus 3 3/4%, as applicable. The overall line of credit and maturity were not amended.

Since the Company's credit facility matures on July 2, 2001, borrowings of $135,208 under this facility have been presented within current liabilities in the Company's December 24, 2000 consolidated balance sheet. The Company has initiated discussions with several lenders for purposes of refinancing borrowings under its credit facilities, and expects to complete such refinancing prior to July 2, 2001, although there can be no assurance that such refinancing will be completed by this date. The Company has also implemented other cash management initiatives for fiscal 2001, including a reduction in discretionary capital expenditures, increased focus on collections of accounts receivable, accelerated payment terms from customers, among other things. On a longer term basis, the Company has engaged an investment banking firm and is actively marketing the sale of several business units.

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 the amendment of the credit facility as discussed in Note 4, 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 $7,854 have been deferred and accrued as of December 24, 2000 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		Six Months Ended	
	December 24, 2000	December 26, 1999	December 24, 2000	December 1999
Net sales				
Automation	$ 97,511	$ 66,975	$181,868	$127,768
Packaging	24,888	32,109	47,699	63,977
Other	9,026	8,898	18,309	17,366
Consolidated total	$131,425	$107,982	$247,876	$209,111

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ITEM 1. FINANCIAL STATEMENTS
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The reconciliation of segment operating income (loss) to consolidated income (loss) before income taxes consisted of the following:

	Three Months Ended		Six Months
	December 24, 2000	December 26, 1999	December 24, 2000
Automation	$ 9,309	$ 2,124	$ 12,324
Packaging	(1,458)	2,300	(2,564)
Operating income for reportable segments	7,851	4,424	9,760
Operating income for immaterial businesses	333	599	735
Corporate	(3,384)	(2,001)	(5,412)
Interest expense	(4,218)	(2,642)	(7,679)
Accrued dividends on Company-obligated, mandatorily redeemable convertible preferred securities	(1,365)	(1,275)	(2,707)
Consolidated loss before income taxes	$ (783)	$ (895)	$ (5,303)

In the second quarter, results of operations of the Company's Automation segment 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 will be amortizing these engineering costs over the systems currently in backlog.

Corporate operating loss in the second quarter of fiscal 2001 includes approximately $1,800 of non-recurring legal, professional and severance costs as a result of the accounting irregularities.

7. SUPPLEMENTAL BALANCE SHEET INFORMATION

	December 24, 2000	June
Inventories, net:		
Raw materials	$28,697	
Work in process	24,955	
Finished goods	5,638	
	$59,291	
Accrued liabilities:		
Accrued employee compensation and benefits	$11,687	
Dividends on convertible preferred securities	--	
Accrued warranty	2,040	
Other	12,283	
	$26,010	

The dividends on convertible preferred securities have been classified as long-term and included in the principal balance of the securities at December 24, 2000.

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8. STOCK OPTION 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
Options outstanding at June 25, 2000	$ 14.27
Options granted	$ 4.62
Options exercised	---
Options forfeited	$ 13.52
Options outstanding at December 24, 2000	$ 13.60
Exercisable at December 24, 2000	

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 six months ended December 24, 2000.

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 officers have been named as defendants in at least five complaints in purported class action lawsuits. The complaints received by the Company allege that, among other things, as a result of accounting irregularities, the Company's previously issued financial statements were materially false and misleading and thus constituted violations of federal securities laws by the Company and certain officers. The actions allege that the defendants violated Section 10(b) and Section 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder (the "Securities Actions"). The Securities Actions complaints seek damages in unspecified amounts. These Securities Actions purport 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 is currently evaluating these claims and possible defenses thereto and intends to defend these suits vigorously.

While it is not feasible to predict or determine the final outcome of the Securities Actions or similar proceedings, or to estimate the amounts or potential range of loss with respect to these matters, management believes the Company and its officers and directors have adequate liability insurance to cover the liabilities, costs and expenses arising out of the Securities Actions, 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 Actions will not have a material adverse impact on the Company's financial condition, results of operations or cash flow.

In November 1998, DTI made an additional payment to the sellers of Kalish as determined by formulae based on the earnings of the acquired business for each of the three years after the closing of the acquisition, prior to the restatement discussed in the Company's Annual Report on Form 10-K for the fiscal year ended June 25, 2000. The additional purchase price specified within the Kalish agreement, based on earnings from the acquisition date to June 28, 1998, amounted to $3,000 and was paid through a combination of stock and cash. This additional purchase price was recorded as goodwill. Mr. Lewis, a former director of the Company, was the controlling shareholder of Kalish prior to its acquisition by the Company. Because of the overstatement of certain asset accounts of the acquired business and the resulting restatement of the Company's financial statements for fiscal years 1997 and 1998, the additional purchase price was recalculated to be zero. In connection with the termination of Mr. Lewis' employment with the Company, the Board of Directors requested Mr. Lewis' immediate resignation from the Board and the Company made a written demand for the return of the additional purchase price and any bonuses deemed unearned as a result of the restatements. No amounts with respect thereto have been reflected in the June 25, 2000 or December 24, 2000 consolidated financial statements. Mr. Lewis resigned from the Board effective November 2, 2000. The Company intends to commence legal action against Mr. Lewis in the third quarter to recover these amounts.

The Company is also 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 months ended December 24, 2000 compared to the three months ended December 26, 1999. 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.

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, 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		Six
	December 24, 2000	December 26, 1999	December 24, 2000
Net sales	100.0%	100.0%	100.0
Cost of sales	81.2	79.3	82.0
Gross profit	18.8	20.7	18.0
Selling, general and administrative expenses	15.1	17.9	15.9
Operating income	3.7	2.8	2.1
Interest expense	3.3	2.4	3.1
Dividends on Company-obligated, mandatorily redeemable convertible preferred securities of subsidiary DT Capital Trust	1.0	1.2	1.1
Loss before provision (benefit) for income taxes	(0.6)	(0.8)	(2.1
Provision (benefit) for income taxes	0.1	---	(0.5
Net loss	(0.7)%	(0.8)%	(1.6

DT INDUSTRIES, INC.

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

THREE MONTHS ENDED DECEMBER 24, 2000
COMPARED TO THREE MONTHS ENDED DECEMBER 26, 1999

Consolidated net sales for the three months ended December 24, 2000 were $131.4 million, an increase of $23.4 million, or 21.7%, from $108.0 million for the three months ended December 26, 1999. Net sales by segment were as follows (in millions):

	Three Months Ended December 24, 2000	Three Months Ended December 26, 1999	Increase (Decrease)
Automation	$ 97.5	$ 67.0	$ 30.5
Packaging	24.9	32.1	(7.2)
Other	9.0	8.9	0.1
	$ 131.4	$ 108.0	$ 23.4

Automation segment sales increased $30.5 million, or 45.6%, to $97.5 million during the three months ended December 24, 2000. The increase in sales is primarily the result of the ongoing capital program within the Company's primary electronics market. Order activity over the last 18 months from a significant electronics customer has been strong and the outlook remains positive. The Company is successfully cross-manufacturing these electronics assembly lines across several automation business units. The Company expects continued strong revenue recognition from its substantial electronics backlog throughout fiscal 2001.

Packaging segment sales decreased $7.2 million, or 22.5%, to $24.9 million during the three months ended December 24, 2000. Plastics-related equipment sales decreased $4.1 million or 41% primarily related to extrusion systems where the Company has struggled to achieve expected profitability levels. The Company has discontinued its extrusion business. Extrusion equipment sales in the second quarter of fiscal 2000 were $3.5 million. Sales from the Company's other packaging businesses also decreased substantially in the second quarter of fiscal 2001 versus the second quarter of fiscal 2000. The decrease in sales was across several product lines, primarily presses and liquid filling systems. The Company has announced the integration of the Kalish, Lakso, Swiftpack and King business units under common management and is seeking to

hire a president for this integrated business unit and to reestablish the sales and marketing efforts.

Sales from the Company's other businesses primarily include Detroit Tool Metal Products Company (DTMP), a stamping and fabrication business serving the heavy trucking and agricultural equipment market. 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 increased $2.3 million, or 10.2%, to $24.7 million for the three months ended December 24, 2000 from $22.4 million for the three months ended December 26, 1999. The gross margin decreased to 18.8% from 20.7%. The decrease reflects lower gross margins in the Packaging segment in the second quarter of fiscal 2001. The Automation segment's gross margin increased slightly in the second quarter versus the prior year's quarter.

The Packaging segment recognized significantly lower gross margins in the second quarter of fiscal 2001 compared to the prior year's second quarter. The gross margins are a reflection of the 22.5% decrease in sales and the resulting increase in unfavorable manufacturing absorption and the ongoing low profitability on certain projects at Kalish and Sencorp. Sencorp went through a significant restructuring in the second quarter reducing overhead costs by $2.0 million annually primarily through a 20% headcount reduction. Sencorp's strategic plans include focusing on its core product lines. The Kalish business remains in a period of transition as the Company integrates it under common management.

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 slightly higher gross margin of the Automation segment in the second quarter of fiscal 2001 reflects the capitalization of $2.4 million of certain engineering costs on the first of multiple systems being manufactured for a significant electronics customer. The first system was shipped in the second quarter. The Company will be amortizing these engineering costs over the systems currently in backlog.

SG&A expenses were $19.9 million for the three months ended December 24, 2000 compared to $19.4 million for the three months ended December 26, 1999. The Company incurred approximately $1.8 million in non-recurring legal, professional, consulting and severance related expenses in the second quarter related to the effects of the investigations at Kalish and Sencorp. These expenses will continue in the third quarter and fourth quarters, although less than the amounts expensed in the second quarter. Excluding the $1.8 million in non-recurring expenses, SG&A expenses were down 6.7% from the prior year quarter on substantially higher sales.

Operating income was $4.8 million for the three months ended December 24, 2000 versus $3.0 million for the three months ended December 26, 1999, as a result of

the factors noted above.

Interest expense increased $1.6 million, or 59.7%, to $4.2 million for the three months ended December 24, 2000. 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 December 24, 2000 and December 26, 1999, 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 $0.9 million for the three months ended December 24, 2000 and December 26, 1999. Basic and diluted loss per share were $0.09 for the three months ended December 24, 2000 and December 26, 1999. Basic and diluted weighted average shares outstanding were 10.1 million shares for the three months ended December 24, 2000 and December 26, 1999.

SIX MONTHS ENDED DECEMBER 24, 2000
COMPARED TO SIX MONTHS ENDED DECEMBER 26, 1999

Consolidated net sales for the six months ended December 24, 2000 were $247.9 million, an increase of $38.8 million, or 18.5%, from $209.1 million for the six months ended December 26, 1999. Net sales by segment were as follows (in millions):

	Six Months Ended December 24, 2000	Six Months Ended December 26, 1999	Increase (Decrease)
Automation	$ 181.9	$ 127.7	$ 54.2
Packaging	47.7	64.0	(16.3)
Other	18.3	17.4	0.9
	$ 247.9	$ 209.1	$ 38.8

Automation segment sales increased $54.2 million, or 42.3%, to $181.9 million during the six months ended December 24, 2000. The increase in sales is primarily the result of the ongoing capital program within the Company's primary electronics market. Order activity over the last 18 months from a significant electronics customer has been strong and the outlook remains positive. The Company is successfully cross-manufacturing these electronics assembly lines across several automation business units. The Company expects continued strong revenue recognition from its substantial electronics backlog throughout fiscal 2001.

Packaging segment sales decreased $16.3 million, or 25.4%, to $47.7 million during the six months ended December 24, 2000. Plastics-related equipment sales decreased $5.6 million or 29% primarily related to extrusion systems where the Company has struggled to achieve expected profitability levels. The Company has discontinued its extrusion business. Extrusion equipment sales in the first six months of fiscal 2000 were $6.7 million. Sales from the Company's other packaging businesses also decreased substantially in the six months of fiscal 2001 versus the six 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 announced the integration of the Kalish, Lakso, Swiftpack and King business units under common management and is seeking to hire a president for this integrated business unit and to reestablish the sales and marketing efforts.

Sales from the Company's other businesses primarily include DTMP, a stamping and fabrication business serving the heavy trucking and agricultural equipment market. 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 increased $2.3 million, or 5.3%, to $44.7 million for the six months ended December 24, 2000 from $42.4 million for the six months ended December 26, 1999. The gross margin decreased to 18.0% from 20.3%. The decrease in gross margins reflects decreased margins in both the Automation and Packaging segments.

The margins in the Automation segment were down from the prior year primarily reflecting lower margins on the new 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 of multiple systems being manufactured for a significant electronics customer. The first system was shipped in the second quarter. The Company will be amortizing these engineering costs over the systems currently in backlog.

The Packaging segment recognized significantly lower gross margins in the six

months of fiscal 2001 versus the prior year's comparable six months. The gross margins are a reflection of the 25.4% decrease in sales and the resulting increase in unfavorable manufacturing absorption and the ongoing low profitability on certain projects at Kalish and Sencorp. Sencorp went through a significant restructuring in November 2000 reducing overhead costs by $2.0 million annually primarily through a 20% headcount reduction. Sencorp's strategic plans include focusing on its core product lines. The Kalish business remains in a period of transition as the Company integrates it under common management.

SG&A expenses increased $0.4 million to $39.6 million for the six months ended December 24, 2000 from $39.2 million for the six months ended December 26, 1999. The Company incurred approximately $1.8 million in non-recurring legal, professional, consulting and severance related expenses during the first six months of fiscal 2001 related to the effects of the investigations at Kalish and Sencorp. These expenses will continue in the third quarter and fourth quarters, although less than the amounts expensed in the first six months. Excluding the $1.8 million in non-recurring expenses, SG&A expenses were down 3.6% from the prior year quarter on substantially higher sales.

Operating income increased $1.9 million, or 57.5%, to $5.1 million for the six months ended December 24, 2000 from $3.2 million for the six months ended December 26, 1999, as a result of the factors noted above.

Interest expense increased $3.2 million, or 73.0%, to $7.7 million for the six months ended December 24, 2000. 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 $2.7 million and $2.5 million for the six months ended December 24, 2000 and December 26, 1999, respectively. The dividends are currently being deferred and accrued in conjunction with the amendment to the credit facility.

The income tax benefit was $1.3 million and $0.7 million for the six months ended December 24, 2000 and December 26, 1999, respectively, reflecting an effective tax benefit rate of approximately 23.6% and 19.2% for each period, respectively. The income tax benefit reflects book losses less permanent differences, primarily non-deductible goodwill amortization related to certain acquisitions, multiplied by statutory federal tax rates. The income tax benefit reflects minimal state tax benefits.

Net loss increased $1.1 million to $4.1 million for the six months ended December 24, 2000 from $3.0 million for the six months ended December 26, 1999. Basic and diluted losses per share were $(0.40) for the six months ended December 24, 2000 compared to basic and diluted losses per share of $(0.30) for the six months ended December 26, 1999, respectively. Basic and diluted weighted average shares outstanding were 10.1 million for the six months ended December 24, 2000 and December 26, 1999.

LIQUIDITY AND CAPITAL RESOURCES

The net loss plus non-cash operating charges provided $4.3 million of operating cash flow for the six months ended December 24, 2000. Net increases in working capital balances used operating cash of $20.6 million, resulting in net cash used by operating activities of $16.3 million for the six months ended December 24, 2000. The higher working capital balances primarily reflect 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 the continued higher order levels and several larger projects at very early stages. 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 and 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 six months ended December 24, 2000, the Company borrowed $19.5 million on its revolving credit facility. The funds were used primarily for working capital requirements discussed above, capital expenditures of $1.8 million and financing costs of $0.8 million.

During the six months ended December 26, 1999, the Company borrowed $21.4 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 $3.4 million and financing costs of $1.0 million. The Company did have a large increase in cash at December 26, 1999, the result of some significant customer payments received during the last few days of the quarter.

In November 1998, DTI made an additional payment to the sellers of Kalish as determined by formulae based on the earnings of the acquired business for each of the three years after the closing of the acquisition, prior to the restatement discussed in the Company's Annual Report on Form 10-K for the fiscal year ended June 25, 2000. The additional purchase price specified within the Kalish agreement, based on earnings from the acquisition date to June 28, 1998, amounted to $3.0 million and was paid through a combination of stock and cash. This additional purchase price was recorded as goodwill. Mr. Lewis, a former director of the Company, was the controlling shareholder of Kalish prior to its acquisition by the Company. Because of the overstatement of certain asset accounts of the acquired business and the resulting restatement of the Company's financial statements for fiscal years 1997 and 1998, the additional purchase price was recalculated to be zero. In connection with the termination of Mr. Lewis' employment with the Company, the Board of Directors requested Mr. Lewis' immediate resignation from the Board and the Company made a written demand for the return of the additional purchase price and any bonuses deemed unearned as a result of the restatements. No amounts with respect thereto have been reflected in the June 25, 2000 or December 24, 2000 consolidated financial statements. Mr. Lewis resigned from the Board effective November 2, 2000. The Company intends to commence legal action against Mr. Lewis in the third quarter to recover these amounts.

The Company's credit facility includes a $130 million revolving credit facility and a $10 million term credit facility and matures on July 2, 2001. Borrowings under the amended credit facility bore interest at floating rates based on the prime rate plus 2 3/8% or LIBOR plus 3 1/2% for foreign currency borrowings. Borrowings under the credit facility are secured by substantially all of the assets of DTI and its domestic subsidiaries. The Company had substantially no borrowing availability under the credit facility as of December 24, 2000.

As a result of the Company's fiscal 2000 financial results, the Company was in default of a number of provisions of its senior credit agreement and another agreement. The Company and the lenders amended the credit agreements effective October 10, 2000. The amendment to the credit agreements included provisions that amended the financial covenants, waived certain existing defaults of covenants and breaches of representations and warranties and increased the interest rate on borrowings made pursuant to the facility. From October 10, 2000 until February 14, 2001, all borrowings under the amended credit facility bear interest at a floating rate based on the prime rate plus 2 3/8%, except for foreign currency borrowings, which bear interest at a floating rate equal to LIBOR plus 3 1/2%. After February 15, 2001, such borrowings will bear interest at floating rates based on the prime rate plus 2 5/8% % or LIBOR plus 3 3/4%, as applicable. The overall line of credit and maturity were not amended.

Since the Company's credit facility matures on July 2, 2001, borrowings of $135.2 million under this facility have been presented within current liabilities in the Company's December 24, 2000 consolidated balance sheet. The Company has initiated discussions with several lenders for purposes of refinancing borrowings under its credit facilities, and expects to complete such refinancing prior to July 2, 2001, although there can be no assurance that such refinancing will be completed by this date. The Company has also implemented other cash management initiatives for fiscal 2001, including a reduction in discretionary capital expenditures, increased focus on collections of accounts receivable, accelerated payment terms from customers, among other things. On a longer term basis, the Company has engaged an investment banking firm that is actively marketing several business units with the proceeds being used to help 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 is also working on the sale of various other smaller businesses and a product line of the Packaging segment. Also, the Company sold its airplane in January 2001.

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 $7.9 million have been deferred and accrued as of December 24, 2000.

Management currently anticipates that capital expenditures in the current fiscal year will be approximately $4 million to $6 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 December 24, 2000, the Company had $306.5 million of orders in backlog, which compares to a backlog of approximately $253.3 million as of December 26, 1999.

The backlog for the Automation segment at December 24, 2000 was $264.4 million, which increased $57.8 million or 28.0% from a year ago. The increase is a result of significant bookings over the last 12 months primarily from the electronics industry. The Company also booked a significant project in the first quarter of fiscal 2001 in the diesel engine market. The Company remains cautious about order expectations for the remainder of fiscal 2001. Backlog for the Packaging segment was $32.5 million, a decrease of $4.8 million over the comparable period in fiscal 2000. The decrease in backlog is primarily due to the soft order activity for Kalish and Sencorp in the first six 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 believes that a majority of the orders in the backlog will be recognized as sales during the current fiscal year.

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.

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DT INDUSTRIES, INC.

PART II. OTHER INFORMATION
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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 officers have been named as defendants in at least five complaints in purported class action lawsuits. The complaints received by the Company allege that, among other things, as a result of accounting irregularities, the Company's previously issued financial statements were materially false and misleading and thus constituted violations of federal securities laws by the Company and certain officers. The actions allege that the defendants violated Section 10(b) and Section 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder (the "Securities Actions"). The Securities Actions complaints seek damages in unspecified amounts. These Securities Actions purport 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 is currently evaluating these claims and possible defenses thereto and intends to defend these suits vigorously.

While it is not feasible to predict or determine the final outcome of the Securities Actions or similar proceedings, or to estimate the amounts or potential range of loss with respect to these matters, management believes the Company and its officers and directors have adequate liability insurance to cover the liabilities, costs and expenses arising out of the Securities Actions, 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 Actions will not have a material adverse impact on the Company's financial condition, results of operations or cash flow.

The Company is also 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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On November 9, 2000, the Annual Meeting of the Stockholders of DTI was held, at which the following matters were voted upon:

1. Election of Directors. Each of the following nominees received the number of votes set forth opposite his name:

		FOR
Class I	James J. Kerley	6,078,146
(term expires 2003)	Charles F. Pollnow	7,469,727
	John F. Logan	7,468,815

2. Ratification of Appointment of Accountants for the fiscal year ending June 24, 2001. The vote to ratify the appointment of PricewaterhouseCoopers LLP as independent accountants for the fiscal year ending June 24, 2001 was 8,161,546 for, 1,384,987 against and 8,006 abstaining.

3. Stockholder Proposal Regarding Rights Plan. The vote on the stockholder proposal recommending that the Board of Directors terminate the Company's Rights Plan and redeem the rights distributed thereunder was 4,502,609 for, 3,704,806 against, 140,870 abstaining and 1,206,247 broker non-votes.

ITEM 5. OTHER INFORMATION

On November 17, 2000, the Board of Directors of the Company amended the Company's By-laws. The specific amendments to the By-laws and the full text of the Amended and Restated By-laws are attached as Exhibits 3.1 and 3.2, respectively. Specifically, the By-laws were amended to provide that (i) at all times, at least a majority of the Company's directors shall be "Independent Directors", as such term is defined as of November 17, 2000 by the Council of Institutional Investors; and (ii) that the Audit and Finance Committee of the Board of Directors shall be composed entirely of Independent Directors.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit 3.1 Amendment to By-Laws of the Company

Exhibit 3.2 Amended and Restated By-Laws of the Company

Exhibit 10 Seventh Amendment to Fourth Amended and Restated

Credit Facilities Agreement, dated as of October 10, 2000, among Bank of America, N.A., formerly NationsBank, N.A., as Administrative Agent, and Bank of America, N.A. and the other Lenders listed therein and DT Industries, Inc. and the other Borrowers listed therein.

Exhibit 11 - Statement Regarding Computation of Earnings Per Share

(b) Reports on Form 8-K:

On September 19, 2000, a Current Report on Form 8-K was filed to report, pursuant to Item 5 and 7 thereof, a restructuring of the Company's senior management team, the expansion of the accounting investigation, and that the Plaster Group proposal relating to the management of the Company had been considered and rejected.

On October 18, 2000, a Current Report on From 8-K was filed to report, pursuant to Items 5 and 7 thereof, the release of the Company's restatement of its financial data for fiscal years 1997, 1998 and 1999, as well as the first three quarters of fiscal 2000, the release of the Company's earnings for the three and twelve months ended June 25, 2000, and the amendment of the Company's credit facility.

On November 7, 2000, a Current Report on Form 8-K was filed to report, pursuant to Items 5 and 7 thereof, a release announcing Stephen J. Perkins as the Company's new President and Chief Executive Officer.

On November 9, 2000, 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 three months ended September 24, 2000.

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: February 7, 2001

/s/ John M. Casper

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

Officer)

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EXHIBIT INDEX

Exhibit 3.1	Amendments to By-Laws of the Company
Exhibit 3.2	Amended and Restated By-Laws of the Company
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