

Black & Decker Seeking to Sell McCulloch Unit

Charge of \$93.7 Million Led
To 4th-Period Net Loss;
Payout Is Cut Six Cents

By a WALL STREET JOURNAL Staff Reporter

TOWSON, Md.—Black & Decker Manufacturing Co., caught in a deep slump in the once booming do-it-yourself market for chain saws, has put up for sale its McCulloch gasoline chain-saw operations.

The maker of power tools took a \$93.7 million after-tax charge in the fourth quarter ended Sept. 26 on the intended sale and expected operating losses from chain-saw operations while the company tries to find a buyer. The charges resulted in a net loss of \$108.8 million, against net income of \$16.5 million, or 39 cents a share, a year earlier. Partly because of the charge, the company also cut its quarterly dividend to 13 cents a share from 19 cents.

A spokesman said Black & Decker is discussing the proposed sale with three potential buyers, none of which operations were making chain saws, but declined to identify them. The company, one of the top three chain-saw makers in the U.S., said it plans to continue its chain-saw business until a sale is completed.

Sagging Market

Black & Decker's decision to pull out of the chain-saw market highlights the changing fortunes of an industry that enjoyed a sudden glamour in the late 1970s. As oil prices shot up, amateur woodsmen traipsed into the nation's forests in search of a cheap energy source. According to the Chain Saw Manufacturers Association, unit sales of chain saws in the U.S. climbed to 3.7 million in 1980 from 1.4 million in 1973, the year the U.S. went into its first "oil shock."

In response, Black & Decker said it approximately tripled production capacity of its chain-saw plant at Lake Havasu City, Ariz. in the late 1970s, and this year opened a second, though much smaller, chain-saw plant in the Lake Como area of Italy. The company currently makes 14 chain-saw models, after introducing just this past summer a new model for novices, the "eager beaver."

In 1981, unit sales across the industry dropped 38% from the 1980 peak, to 2.3 million. Industry sources expect sales to fall further this year. Black & Decker has slashed the work force in its McCulloch division to 1,100 from 2,000 two years ago.

"Our crystal ball was a little fuzzy, and we didn't see the turndown," said Francis P. Lucier, chairman and chief executive officer of Black & Decker. Mr. Lucier said the chain-saw industry has slumped badly in Europe after heady growth in the 1970s just as it has in the U.S. Black & Decker's chain-saw sales are divided about equally between the U.S. and Europe.

In addition to the provision for the disposal of its chain-saw operations, Black &

INTER OFFICE CORRESPONDENCE

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Decker posted a \$23.6 million operating loss on chain saws in 1982, compared with a \$6.2 million loss in 1981. The company didn't disclose details for previous years, but a spokesman said that since Black & Decker bought its McCulloch division in 1973, "there were profits more years than not."

Operating Profit Fell

Black & Decker's earnings from operations in 1982 excluding the chain-saw business fell to \$40.7 million, or 97 cents a share, from \$73 million, or \$1.74 a share, a year earlier. The troubled Mexican economy and the strength of the U.S. dollar were important reasons for the earnings decline, the company said. More than half of Black & Decker's total sales are outside the U.S.

After the charge for the chain-saw operations, Black & Decker had a net loss in 1982 of \$76.6 million, against profit of \$66.8 million in 1981. Sales in 1982 were \$1.16 billion versus \$1.25 billion the year before.

For the fourth quarter, Black & Decker had a \$7.9 million loss from operations excluding its chain-saw business, against profit of \$18.4 million, or 43 cents a share, a year earlier. Sales fell to \$250.2 million from \$265.5 million.

In addition to its gasoline-saw operations, Black & Decker is trying to sell the other, less important, assets in its McCulloch division, which also makes a log splitter, weed

and grass trimmers and portable electric generators. Black & Decker said it doesn't intend to sell its electric chain-saw operations, though it might offer to supply electric saws to a buyer of the other assets.

But, some observers questioned whether the company will be able to unload any chain-saw operations right now, given overcapacity in the industry. "I would say it's bleak," said William Genco, an analyst with Merrill Lynch, Pierce, Fenner & Smith Inc. He said any one of the top U.S. makes "could satisfy 100% of the market right now" in the U.S.

Mr. Genco estimated that Black & Decker's chain-saw sales in 1982 totaled \$60 million, down from as high as an estimated \$200 million annually, in recent years. He said the charge the company took on the proposed sale of chain-saw operations was double the amount he had expected.

In addition to Black & Decker, the big chain-saw makers in the U.S. are Textron Inc.'s Homelite division and Emerson Electric Co.'s Beard-Poulan division. Also affected by slumping demand is Omack Industries Inc., a Portland, Ore.-based maker of new saw chains for big manufacturers and replacement chains. "If you look around you, almost everyone who wants a chain saw has one," said an Omack spokesman.