

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1995

OR

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE #0-4829-03

NORTH AMERICAN BIOLOGICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware

59-1212264

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

1111 Park Centre Boulevard, Third Floor, Miami, Florida 33169

(Address of principal executive offices) (Zip Code)

(Registrant's telephone number, including area code): (305) 625-5303

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, and (2) has been subject to such filing requirements for the past 90 days.

YES (X) NO ( )

The number of shares outstanding of registrant's common stock at May 8, 1995 was 19,441,134 shares.

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) NORTH AMERICAN BIOLOGICALS, INC.

INDEX

Page  
No.  
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PART I FINANCIAL INFORMATION:

ITEM 1. FINANCIAL STATEMENTS

Consolidated Balance Sheet, March 31, 1995 and December 31, 1994	3
Consolidated Statement of Operations for the three month periods ended March 31, 1995 and 1994	4
Consolidated Statement of Cash Flows for the three month periods ended March 31, 1995 and 1994	5
Notes to Consolidated Financial Statements	6

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	7
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PART II OTHER INFORMATION:

Signatures	10
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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K	9
Exhibit 11 - Calculation of Earnings per Share	
Exhibit 27 - Financial Data Schedule (for SEC use only).	

Part I Financial Information  
Item 1 Financial Statements

NORTH AMERICAN BIOLOGICALS, INC.  
CONSOLIDATED BALANCE SHEET  
(\$ THOUSANDS, EXCEPT PER SHARE DATA)

(UNAUDITED)	
March 31,	December 31,
1995	1994
-----	-----

ASSETS  
-----

CURRENT ASSETS:		
Cash	\$ 1,766	\$ 1,982
Trade accounts receivable, net	22,568	22,875
Inventories	20,279	20,713
Prepaid expenses and other assets	3,188	2,485
	-----	-----
TOTAL CURRENT ASSETS	47,801	48,055
PROPERTY AND EQUIPMENT, NET	17,571	14,225
OTHER ASSETS:		
Excess of acquisition cost over net assets acquired, net	16,564	16,696
Intangible assets, net	10,270	10,616
Other assets	4,508	4,225
	-----	-----
TOTAL ASSETS	\$96,714	\$93,817
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
-----		
CURRENT LIABILITIES:		
Trade accounts payable	\$ 6,117	\$ 6,559
Accrued expenses	10,159	10,465
Notes payable	7,485	5,479
	-----	-----
TOTAL CURRENT LIABILITIES	23,761	22,503
NOTES PAYABLE	18,181	19,549
	-----	-----
TOTAL LIABILITIES	41,942	42,052
	-----	-----
STOCKHOLDERS' EQUITY:		
Convertible preferred stock, par value \$.10 per share:		
5,000 shares authorized; no shares outstanding	--	--
Common stock, par value \$.10 per share: 50,000 shares authorized,		
19,456 and 19,308 shares issued and outstanding, respectively	1,946	1,931
Capital in excess of par value	37,719	37,781
Retained earnings	15,234	12,179
Treasury stock, at cost, 20 shares	(127)	--
	-----	-----
	54,772	51,891
Note receivable from stockholder	--	(126)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	54,772	51,765
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$96,714	\$93,817
	=====	=====

The accompanying Notes are an integral part of these Financial Statements.

NORTH AMERICAN BIOLOGICALS, INC.  
CONSOLIDATED STATEMENT OF OPERATIONS  
(\$ THOUSANDS, EXCEPT PER SHARE DATA)

(UNAUDITED)  
Three Months Ended  
March 31,  
-----  
1995                      1994  
-----

Sales	\$46,477	\$35,636
Costs and expenses:		
Cost of products sold	37,135	28,299
Selling, general and administrative expenses	3,026	2,924
Other operating expenses	1,093	968
	-----	-----
Operating income	5,223	3,445
Interest expense, net	295	837
	-----	-----
Income before provision for income taxes	4,928	2,608
Provision for income taxes	1,873	991
	-----	-----
Net income	\$ 3,055	\$ 1,617
	=====	=====
Earnings per share	\$ 0.15	\$ 0.10
	=====	=====
Weighted average number of shares and common share equivalents (thousands)	20,244	16,262
	=====	=====

The accompanying Notes are an integral part of these Financial Statements.

4

5

NORTH AMERICAN BIOLOGICALS, INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(\$ THOUSANDS)

	(UNAUDITED)	
	Three Months Ended	
	March 31,	
	-----	-----
	1995	1994
	-----	-----
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	\$3,055	\$1,617
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,049	1,075
Imputed interest and amortization of debt discount	9	286
Provision for doubtful accounts	(5)	104
Compensation under employee stock plan	13	13
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	312	(216)
Decrease (increase) in inventories	434	(1,764)
Decrease (increase) in prepaid expenses and other assets	(707)	75
Decrease (increase) in other assets	(455)	(125)
Increase (decrease) in accounts payable and accrued liabilities	(968)	(1,468)
	-----	-----
Total adjustments	(318)	(2,020)
	-----	-----
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,737	(403)
	-----	-----

CASH FLOW FROM INVESTING ACTIVITIES:		
Collection on note receivable from stockholder	126	166
Cash of business acquired, net of transaction costs	--	652
Capital expenditures	(3,759)	(381)
	-----	-----
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(3,633)	437
	-----	-----
CASH FLOW FROM FINANCING ACTIVITIES:		
Borrowings under term debt agreement	--	6,125
Repayments of term debt	(375)	(4,875)
Net borrowings (repayments) under line of credit agreement	(585)	(1,772)
Other debt	1,589	694
Contingent royalty obligation payments	--	(255)
Proceeds from the exercise of options and warrants	51	81
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	680	(2)
	-----	-----
NET (DECREASE) INCREASE IN CASH	(216)	32
CASH AT BEGINNING OF PERIOD	1,982	824
	-----	-----
CASH AT END OF PERIOD	\$1,766	\$ 856
	=====	=====

The accompanying Notes are an integral part of these Financial Statements.

5

6

NORTH AMERICAN BIOLOGICALS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

NOTE 1 -- GENERAL

The consolidated financial statements include the accounts of North American Biologicals, Inc. (the "Company") and its subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report to Stockholders for the year ended December 31, 1994.

In the opinion of management, the unaudited consolidated financial statements include all adjustments necessary to present fairly the Company's consolidated financial position at March 31, 1995 and the consolidated results of its operations for the three months ended March 31, 1995 and 1994. The interim results of operations are not necessarily indicative of the results which may occur for the fiscal year.

NOTE 2 -- INVENTORIES

The components of inventories, stated at the lower of cost (FIFO) or market, are as follows:

(In Thousands)	March 31, 1995 ----	December 31, 1994 ----
Finished goods	\$13,978	\$15,328
Work in process	2,134	1,343

Raw materials	4,167	4,042
	-----	-----
	\$20,279	\$20,713
	=====	=====

NOTE 3 -- RECLASSIFICATIONS

Certain items in the consolidated financial statements for the three months ended March 31, 1994 have been reclassified for comparative purposes.

6

7

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

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The following is a discussion and analysis of the major factors contributing to the Company's financial condition and results of operations for the three month periods ended March 31, 1995 and 1994. The discussion and analysis should be read in conjunction with the condensed consolidated financial statements and notes thereto. All amounts are expressed in thousands of dollars, except per share amounts.

RESULTS OF OPERATIONS

The following table sets forth the Company's results of operations expressed as a percentage of sales:

	Three Months Ended March 31,	
	1995	1994
	-----	-----
Sales	100.0%	100.0%
Cost of products sold	79.9	79.4
	-----	-----
Gross margin	20.1	20.6
Selling, general and administrative expenses	6.5	8.2
Other operating expenses	2.4	2.7
	-----	-----
Operating income	11.2	9.7
Interest expense, net	0.6	2.4
	-----	-----
Income before provision for income taxes	10.6	7.3
Provision for income taxes	4.0	2.8
	-----	-----
Net income	6.6%	4.5%
	=====	=====

The following table sets forth certain information concerning sales by industry segment:

Three Months Ended March 31,

-----

	1995	%	1994	%
	-----	-----	-----	-----
Plasma-Source	\$28,445	61.2%	\$22,435	63.0%
-Specialty	13,661	29.4	8,262	23.2
	-----	-----	-----	-----
	42,106	90.6	30,697	86.2
Therapeutic products	2,601	5.6	2,041	5.7
Diagnostic products and services	1,770	3.8	2,898	8.1
	-----	-----	-----	-----
TOTAL	\$46,477	100.0%	\$35,636	100.0%
	=====	=====	=====	=====

7

8

#### THREE MONTHS ENDED MARCH 31, 1995 AND 1994

The Company achieved record sales, operating income and net income for the quarter ended March 31, 1995. Operating income rose 52% to \$5,223 in the first quarter of 1995 compared to \$3,445 in the comparable 1994 quarter. Net income for the first quarter of 1995 was \$3,055 or \$0.15 per share, versus \$1,617 or \$0.10 per share in the first quarter of 1994.

#### SALES

Sales for the first quarter of 1995 rose 30% to \$46,477 compared to \$35,636 for the first quarter of 1994. The increase during the quarter was primarily attributable to increased volume of source and specialty plasma shipments. Premier BioResources, Inc. ("PBI") acquired on January 27, 1994, contributed approximately \$10.9 million and \$7.7 million of plasma sales during the quarters ended March 31, 1995 and 1994, respectively.

#### GROSS MARGIN

Gross margin in the first quarter of 1995 was \$9,342 or 20.1% of sales compared to \$7,337 or 20.6% of sales in the first quarter of 1994. The decline in gross margin as a percentage of sales was primarily attributable to increased lower margin source plasma sales contributed by PBI and start-up expenses associated with foreign operations. This was partially offset by an improved sales mix of higher margin specialty plasma, improved pricing under long-term plasma supply contracts, and the profit contribution from increased sales of therapeutic products.

#### SELLING, GENERAL AND ADMINISTRATIVE EXPENSE

Selling, general and administrative expenses were \$3,026, or 6.5% of sales, for the first quarter of 1995 compared to \$2,924 or 8.2% of sales in the first quarter of 1994. The reduction in these expenses as a percentage of sales reflects the full integration and economies associated with the PBI acquisition and ongoing cost containment measures.

#### OTHER OPERATING EXPENSES

Other operating expenses were \$1,093 for the first quarter of 1995, compared to \$968 for the first quarter of 1994, primarily as a result of additional freight expenses associated with the increased volume of sales during the quarter.

#### INTEREST EXPENSE

Interest expense decreased to \$295 in the first quarter of 1995 from \$837 in the first quarter of 1994 primarily due to the early retirement of the Company's subordinated and other debt in the fourth quarter of 1994.

OTHER FACTORS

The effective income tax rate of 38% was consistent with the first quarter of 1994 and differed from the federal statutory rate principally due to state income taxes and non-deductible foreign losses in 1995, offset by the effects of foreign trade income in both the current and comparable quarter.

8

9

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 1995, the Company's current assets exceeded current liabilities by \$24,040 as compared to a net working capital position of \$25,552 at December 31, 1994. Approximately \$9.5 million in a term loan and \$6.8 million in revolving credit loans were outstanding under a credit agreement with the Company's principal lender at March 31, 1995. The credit agreement provides for \$12 million in revolving credit borrowing capacity to satisfy the Company's working capital requirements. In addition, the Company had approximately \$5.1 million in flexible term notes outstanding, the proceeds of which were used to finance the construction of a new biopharmaceutical facility. The flexible term note agreement provides for a maximum outstanding principal amount of \$18 million.

Projected capital expenditures for the remainder of 1995 include the substantial completion of construction of a new biopharmaceutical manufacturing facility, which will also include the Company's executive offices; plasma center renovations and relocations; and recurring improvements and continued automation of the Company's laboratories and warehouse facilities. Except for the new facility, the Company expects that these expenditures and the Company's working capital requirements will be furnished by a combination of funds on hand, cash flow from operations and bank borrowings, as required, under the Company's credit agreement.

PART II -- OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits:

- 11 Calculation of Earnings Per Share
- 27 Financial Data Schedule (for SEC purposes only)

b. Reports on Form 8-K:

None

9

10

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.



NORTH AMERICAN BIOLOGICALS, INC.

DATE: May 10, 1995

By /s/ Alfred J. Fernandez  
-----  
ALFRED J. FERNANDEZ  
Vice President, Finance and  
Chief Financial Officer

NORTH AMERICAN BIOLOGICALS, INC.  
 CALCULATION OF EARNINGS PER SHARE  
 (IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three Months Ended March 31,	
	----- 1995 -----	----- 1994 -----
Net income	\$ 3,055 =====	\$ 1,617 =====
Weighted average number of common shares outstanding during the period	19,392	14,737
Add dilutive effect of common stock equivalents:		
Stock options and warrants (as determined by the application of the treasury stock method)	852 -----	1,525 -----
Weighted average number of shares and common share equivalents used in primary earnings per share computations	20,244 =====	16,262 =====
Earnings per share	\$ 0.15 =====	\$ 0.10 =====

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AT MARCH 31, 1995 (UNAUDITED) AND THE CONSOLIDATED STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 1995 (UNAUDITED) AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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