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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 10-Q  
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Quarterly Report Under Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For the Quarter Ended October 28, 1994 Commission File Number 1-8649  
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THE TORO COMPANY  
(Exact name of registrant as specified in its charter)

DELAWARE  
(State of Incorporation)

41-0580470  
(I.R.S. Employer Identification Number)

8111 LYNDALE AVENUE SOUTH  
BLOOMINGTON, MINNESOTA 55420  
TELEPHONE NUMBER: (612) 888-8801

(Address, including zip code, and telephone number, including area code,  
of registrant's principal executive offices)

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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  
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The number of shares of Common Stock outstanding as of October 28, 1994 was  
12,720,343.

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THE TORO COMPANY  
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## PART I. FINANCIAL INFORMATION

THE TORO COMPANY AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS  
 (UNAUDITED)  
 (DOLLARS IN THOUSANDS, EXCEPT PER-SHARE DATA)

	Three Months Ended	
	October 28, 1994	October 29, 1993
Net sales. . . . .	\$ 205,704	\$ 135,761
Cost of sales. . . . .	129,639	86,726
Gross profit . . . . .	76,065	49,035
Selling, general and administrative expense. . . . .	62,677	51,995
Earnings (loss) from operations. . . . .	13,388	(2,960)
Interest expense . . . . .	2,480	3,338
Other income, net. . . . .	(2,929)	(3,141)
Earnings (loss) before income taxes. . . . .	13,837	(3,157)
Provision (benefit) for income taxes . . . . .	5,535	(1,263)
Net earnings (loss). . . . .	\$ 8,302	\$ (1,894)
Retained earnings at beginning of period . . . . .	109,688	93,451
Dividends on common stock of \$0.12 per share . . . . .	(1,508)	(1,479)
Retained earnings at end of period . . . . .	\$ 116,482	\$ 90,078
Net earnings (loss) per share of common stock and common stock equivalent. . . . .	\$ 0.64	\$ (0.15)

See accompanying notes to condensed consolidated financial statements.

THE TORO COMPANY AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(DOLLARS IN THOUSANDS, EXCEPT PER-SHARE DATA)

	(Unaudited)	(Unaudited)	
	October 28, 1994	October 29, 1993	July 31, 1994
	-----	-----	-----
<b>ASSETS</b>			
Cash and cash equivalents . . . . .	\$ 12,402	\$ 28,199	\$ 36,231
Receivables (net) . . . . .	199,910	160,795	183,683
Inventories . . . . .	132,854	112,813	118,764
Prepaid expenses . . . . .	28,219	24,301	25,817
	-----	-----	-----
Total current assets . . . . .	373,385	326,108	364,495
	-----	-----	-----
Property, plant and equipment . . . . .	189,672	175,255	185,478
Less accumulated depreciation and amortization . . .	129,735	117,335	126,635
	-----	-----	-----
	59,937	57,920	58,843
Other assets . . . . .	18,243	15,796	20,301
	-----	-----	-----
Total assets . . . . .	\$ 451,565	\$ 399,824	\$ 443,639
	-----	-----	-----
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current portion of long-term debt . . . . .	\$ 21,055	\$ 36,206	\$ 20,300
Accounts payable . . . . .	37,473	32,746	37,035
Other accrued liabilities . . . . .	138,659	100,269	131,377
	-----	-----	-----
Total current liabilities . . . . .	197,187	169,221	188,712
	-----	-----	-----
Deferred income taxes . . . . .	-	1,372	-
Long-term debt, less current portion . . . . .	70,399	87,325	81,025
Deferred income . . . . .	5,250	-	5,250
	-----	-----	-----
Common stockholders' equity:			
Common stock par value \$1.00, authorized 35,000,000 shares; issued and outstanding 12,720,343 shares at October 28, 1994 (net of 2,975 treasury shares), 12,370,452 shares at October 29, 1993 (net of 207,421 treasury shares), and 12,561,204 shares at July 31, 1994 (net of 76,153 treasury shares) . . . . .	12,720	12,371	12,561
Additional paid-in capital . . . . .	52,374	46,066	49,420
Retained earnings . . . . .	116,482	90,078	109,688
Foreign currency translation adjustment . . . . .	(235)	(1,386)	(405)
	-----	-----	-----
Receivable from ESOP . . . . .	181,341	147,129	171,264
	(2,612)	(5,223)	(2,612)
	-----	-----	-----
Total common stockholders' equity . . . . .	178,729	141,906	168,652
	-----	-----	-----
Total liabilities and common stockholders' equity . .	\$ 451,565	\$ 399,824	\$ 443,639
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See accompanying notes to condensed consolidated financial statements.

THE TORO COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
(DOLLARS IN THOUSANDS)

	Three Months Ended	
	October 28, 1994	October 29, 1993
Cash flows from operating activities:		
Net earnings (loss) . . . . .	\$ 8,302	\$ (1,894)
Adjustments to reconcile net earnings (loss) to net cash used in operating activities:		
Provision for depreciation and amortization . . . . .	3,959	4,152
Loss on disposal of property, plant and equipment . . . . .	(21)	-
Changes in operating assets and liabilities:		
Receivables (net) . . . . .	(16,227)	19,568
Inventories . . . . .	(14,090)	(34,105)
Prepaid expenses and deferred income tax benefits . . . . .	(2,402)	(1,035)
Accounts payable and accrued expenses . . . . .	8,008	1,628
Accrued income taxes . . . . .	(288)	(3,873)
	(12,759)	(15,559)
Cash flows from investing activities:		
Purchases of property, plant and equipment . . . . .	(4,721)	(1,858)
Proceeds from asset disposals . . . . .	36	-
(Increase) decrease in other assets . . . . .	1,710	(937)
	(2,975)	(2,795)
Cash flows from financing activities:		
Repayments of long-term debt . . . . .	(9,871)	(14,439)
Proceeds from sale of common stock . . . . .	4,203	1,829
Purchases of common stock . . . . .	(1,090)	(560)
Dividends on common stock . . . . .	(1,508)	(1,479)
	(8,266)	(14,649)
Foreign currency translation adjustment . . . . .	171	(591)
Net decrease in cash and cash equivalents . . . . .	(23,829)	(33,594)
Cash and cash equivalents at beginning of period . . . . .	36,231	61,793
Cash and cash equivalents at end of period . . . . .	\$ 12,402	\$ 28,199

See accompanying notes to condensed consolidated financial statements.

THE TORO COMPANY AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
OCTOBER 28, 1994

1. BACKGROUND

The information furnished reflects all adjustments which, in the opinion of management, are necessary for a fair presentation of the interim periods. The Toro Company's business is seasonal. Operating results for the three months ended October 28, 1994 are not necessarily indicative of the results that may be expected for the year ending July 31, 1995.

These statements should be read in conjunction with the financial statements and footnotes included in the company's Annual Report for the year ended July 31, 1994. The policies described in that report are used for preparing quarterly reports.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

Total assets for the company as of October 28, 1994, were \$451.6 million, an increase of \$51.8 million, or 13.0%, from the \$399.8 million reported at the end of the first quarter last year. The increase in assets consisted primarily of higher trade receivables and inventory which were offset partially by a decrease in cash and cash equivalents. The increase in trade receivables reflected an increase in dealer receivables financed by the company (\$24.5 million) as well as an overall increase in sales. The increase in inventory resulted primarily from increased walk power mower production carried over from the prior year, as well as the addition of the recycling equipment product line in 1995. Cash and cash equivalents have decreased primarily because of continued reduction of long-term debt.

Total debt as of October 28, 1994 was \$91.5 million, or \$32.0 million less than the \$123.5 million reported at the end of the first quarter last year. The ratio of total debt to total debt plus equity decreased to 33.8% from the 46.5% reported as of October 29, 1993. The lower debt ratio resulted from the reduced debt levels in combination with an increased equity position primarily because of earnings in the past two years.

The company's business is seasonal. Historically, accounts receivable balances increase throughout the winter months as a result of extended payment terms made available to the company's customers and decrease in late spring when payments become due. The company's peak borrowing usually occurs in its third quarter. The seasonal working capital requirements of the business are financed primarily with short-term debt. Management believes that the combination of funds available through its existing financing options, coupled with forecasted cash flows, will provide the capital resources for its anticipated needs.

RESULTS OF OPERATIONS

The following table sets forth sales by product line.

	Three Months Ended			
	OCTOBER 28, 1994	October 29, 1993	\$ Change	% Change
Consumer products. . . . .	\$ 126,756	\$ 75,040	\$ 51,716	68.9%
Commercial products. . . . .	48,656	40,903	7,753	19.0
Irrigation products. . . . .	30,292	19,818	10,474	52.9
Total *. . . . .	\$ 205,704	\$ 135,761	\$ 69,943	51.5
* Includes international sales of. . . . .	\$ 23,740	\$ 13,098	\$ 10,642	81.2%

Changes in net sales for the first quarter were attributed to the following factors. Consumer product sales rose reflecting increased sales of snow removal equipment, electric blowers and the new lower priced lawn tractor introduced in 1994. The commercial product sales increase was attributable to a continued strong domestic golf market, increased demand in tax-supported markets and the introduction of recycling equipment products. The irrigation product sales increase resulted partially from the domestic distribution reorganization made in 1994 and favorable weather conditions. The increase in international sales was primarily the result of strong irrigation product sales, increased sales of snow removal equipment and rebounding economies in various international markets.

Gross profit of \$76.1 million was \$27.1 million (55.3%) higher than the \$49.0 million reported for the first quarter of 1994. As a percent of sales, gross profit increased to 37.0% for the first quarter of 1995 compared to 36.1% for the first quarter last year. The increases in gross profit and gross profit percentage were attributed to increased sales and greater manufacturing efficiencies which were offset partially by a lower-margin product mix.

Selling, general and administrative expenses increased \$10.7 million, or 20.6%, to \$62.7 million from the \$52.0 million for the first quarter last year which primarily reflected an increase in marketing expenditures and an increase in administrative expense for various employee incentive programs, shared costs of currency protection contracts with foreign distributors, distribution enhancement costs and product development charges. As a percent of sales, selling, general and administrative expenses were 30.5% of net sales for the first quarter of 1995 compared to 38.3% for the first quarter last year primarily because of benefits from effective cost control measures implemented in the past few years.

Interest expense of \$2.5 million for the quarter was \$0.8 million, or 24.2% less than the \$3.3 million for the same period last year principally because of the reduction in long-term debt.

Other income, net of \$2.9 million decreased \$0.2 million from the \$3.1 million for the first quarter last year. 1994 other income, net included a one-time lawsuit settlement of \$1.85 million related to the purchase of Lawn-Boy. Excluding the effect of the \$1.85 million lawsuit settlement, 1995 other income, net would have increased \$1.7 million because of increased finance revenue, foreign currency exchange gains and gains incurred on the company's joint ventures.



PART II. OTHER INFORMATION

Item 6 Exhibits and Reports on Form 8-K

(a) Exhibit 11 Computation of Earnings (Loss) per Common Share

(b) Exhibit 27 Financial Data Schedule

Summarized financial data; electronic filing only.

(c) Reports on Form 8-K

The company did not file any Form 8-K reports during the first quarter of 1995.

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.

THE TORO COMPANY  
(Registrant)

By /s/ Gerald T. Knight

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Gerald T. Knight  
Vice President, Finance  
Chief Financial Officer  
(principal financial officer)

Date: December 9, 1994

THE TORO COMPANY AND SUBSIDIARIES  
 COMPUTATION OF EARNINGS (LOSS) PER COMMON SHARE  
 (DOLLARS IN THOUSANDS, EXCEPT PER-SHARE DATA)

	Three Months Ended	
	October 28, 1994	October 29, 1993
Net earnings (loss) . . . . .	\$ 8,302	\$ (1,894)
Primary:		
Shares of common stock and common stock equivalents:		
Weighted average number of common shares outstanding . . . . .	12,585,681	12,299,190
Dilutive effect of outstanding stock options (1), (3) . . . . .	453,494	-
	13,039,175	12,299,190
Net earnings (loss) per share of common stock and common stock equivalent . . . . .	\$ 0.64	\$ (0.15)
Fully Diluted:		
Shares of common stock and common stock equivalents:		
Weighted average number of common shares outstanding . . . . .	12,585,681	12,299,190
Dilutive effect of outstanding stock options (2), (3) . . . . .	556,272	-
	13,141,953	12,299,190
Net earnings (loss) per share of common stock and common stock equivalent . . . . .	\$ 0.63	\$ (0.15)

- 1) Outstanding stock options and options exercised in the current period are converted to common stock equivalents by the treasury stock method using the average market price of the Company's stock during each period.
- 2) Outstanding stock options and options exercised in the current period are converted to common stock equivalents by the treasury stock method using the greater of the average market price or the period-end market price of the Company's stock during each period.
- 3) Loss per share calculations are based on weighted average common shares outstanding excluding common stock equivalents due to their anti-dilutive affect.



This schedule contains information extracted from the 10-Q, first quarter filing, Condensed Consolidated Statement of Operations and Retained Earnings, Condensed Consolidated Balance Sheet and Exhibit 11.

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THE TORO COMPANY  
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3-MOS		
	JUL-31-1995	
	AUG-01-1994	
	OCT-28-1994	
		12,402
		0
		199,910
		0
		132,854
	373,385	
		189,672
		129,735
		451,565
	197,187	
		91,454
		12,720
	0	
		0
		166,009
451,565		
		205,704
	205,704	
		129,639
		62,677
	(2,929)	
		0
	2,480	
		13,837
		5,535
	8,302	
		0
		0
		0
		8,302
		0.64
		0.63

Total net receivables  
Not included in quarterly financial information  
Total debt  
does not include additional paid in capital  
other income, net