

FORM 10-Q

Securities and Exchange Commission  
Washington, D. C. 20549

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

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the quarter ended April 4, 1998

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 Number 0-19687

SYNALLOY CORPORATION  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

57-0426694  
(I.R.S. Employer  
Identification Number)

Post Office Box 5627  
Croft Industrial Park  
Spartanburg, South Carolina  
(Address of principal executive offices)

29304  
(Zip Code)

Registrant's Telephone Number, Including Area Code (864) 585-3605

Not Applicable  
(Former name, former address and former fiscal year, if changed since last  
year.)

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 \_\_\_\_\_

Indicate the number of shares outstanding of each of the issuer's classes of  
Common Stock, as of the latest practical date.

Title of Class	Number of Shares Outstanding As of April 4, 1998
Common Stock, \$1.00 Par Value	6,785,929

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Synalloy Corporation

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PART 1. FINANCIAL STATEMENTS

<TABLE>

Synalloy Corporation  
Condensed Consolidated Balance Sheets

	Apr 4, 1998 (Unaudited)	Jan 3, 1998 (Note)
	-----	-----
<S>	<C>	<C>
Assets		
Current assets		
Cash and cash equivalents	\$ 880,297	\$ 1,602,543
Accounts receivable, less allowance for doubtful accounts	17,345,226	15,201,783
Inventories		
Raw materials	8,970,022	7,368,212
Work-in-process	3,918,354	4,791,379
Finished goods	13,511,249	15,287,431
	-----	-----
Total inventories	26,399,625	27,447,022
Deferred income taxes	177,000	177,000
Prepaid expenses and other current assets	640,692	633,709
	-----	-----
Total current assets	45,442,840	45,062,057
Cash value of life insurance	1,862,274	1,842,384
Investment	329,117	329,117
Property, plant & equipment, net of accumulated depreciation of \$28,651,000 and \$27,788,000	22,904,456	23,112,324
Deferred charges and other assets	2,972,814	3,037,470
	-----	-----
Total assets	\$73,511,501	\$73,383,352
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 7,290,177	\$ 5,544,789
Income taxes	681,541	310,992
Accrued expenses	2,698,886	3,018,850
Current portion of environmental reserves	487,980	487,980
Current portion of long-term debt	200,000	200,000
	-----	-----
Total current liabilities	11,358,584	9,562,611
Long-term debt, less current portion	10,200,000	10,200,000
Environmental reserves	690,961	782,700
Deferred compensation	1,322,968	1,323,388
Deferred income taxes	1,473,000	1,473,000
Contingencies		
Shareholders' equity		
Common stock, par value \$1 per share - authorized and issued 8,000,000 shares	8,000,000	8,000,000
Capital in excess of par value	9,491	33,475
Retained earnings	52,252,356	52,339,857
Less cost of Common Stock in treasury	(11,795,859)	(10,331,679)
	-----	-----
Total shareholders' equity	48,465,988	50,041,653
	-----	-----
Total liabilities and shareholders' equity	\$73,511,501	\$73,383,352
	=====	=====

Note: The balance sheet at January 3, 1998 has been derived from the audited financial statements at that date. See accompanying notes to condensed consolidated financial statements.

</TABLE>

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<TABLE>

Synalloy Corporation  
Condensed Consolidated Statements of Income

(Unaudited)

Three Months Ended

	Apr 4, 1998	Mar 29, 1997
	-----	-----
<S>	<C>	<C>
Net sales	\$30,605,926	\$30,903,356
Cost of sales	27,131,096	26,657,262
	-----	-----
Gross profit	3,474,830	4,246,094
Selling, general and administrative expense	2,407,979	2,461,877
	-----	-----
Operating income	1,066,851	1,784,217
Other (income) and expense		
Interest expense	166,515	213,127
Other, net	(24,055)	6,738
	-----	-----
Income before taxes	924,391	1,564,352
Provision for income taxes	327,000	553,000
	-----	-----
Net income	\$ 597,391	\$ 1,011,352
	=====	=====
Net income per common share		
Basic	\$.09	\$.14
Diluted	\$.09	\$.14
Dividends paid per common share	\$.10	\$.09
Average shares outstanding		
Basic	6,836,474	6,976,856
Diluted	6,868,700	7,023,250

See accompanying notes to condensed consolidated financial statements.

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<TABLE>

Synalloy Corporation  
Condensed Consolidated Statements of Cash Flows

	Three Months Ended	
	Apr 4, 1998	Mar 29, 1997
	-----	-----
<S>	<C>	<C>
Operating activities		
Net income	\$ 597,391	\$1,011,352
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	853,993	798,916
Amortization of deferred charges	64,656	62,816
Deferred compensation	(420)	(2,175)
Provision for losses on accounts receivable	34,744	14,990
(Gain) loss on sale of property, plant and equipment	(233)	13,157
Cash value of life insurance	(19,890)	(19,500)
Environmental reserves	(91,739)	(114,179)
Changes in operating assets and liabilities:		
Accounts receivable	(2,178,187)	(1,513,981)
Inventories	1,047,397	3,263,962
Other assets	(6,983)	(645,124)
Accounts payable and accrued expenses	1,425,424	232,004
Income taxes payable	370,549	462,020
	-----	-----
Net cash provided by operating activities	2,096,702	3,564,258
Investing activities		
Purchases of property, plant and equipment	(646,125)	(739,603)
Proceeds from sale of property, plant and equipment	233	2,200
Proceeds from notes receivable	-	1,810
	-----	-----
Net cash used in investing activities	(645,892)	(735,593)
Financing activities		
Proceeds from revolving lines of credit	152,000	12,210,000
Payments on revolving lines of credit	(152,000)	(13,250,000)
Payment of notes payable to employee	-	(1,154,805)
Proceeds from exercised stock options	4,837	42,462

Purchases of treasury stock	(1,493,000)	-
Dividends paid	(684,893)	(628,733)
	-----	-----
Net cash used in financing activities	(2,173,056)	(2,781,076)
	-----	-----
(Decrease) increase in cash and cash equivalents	(722,246)	47,589
Cash and cash equivalents at beginning of year	1,602,543	115,828
	-----	-----
Cash and cash equivalents at end of period	\$ 880,297	\$ 163,417
	=====	=====

See accompanying notes to condensed consolidated financial statements.

</TABLE>

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Synalloy Corporation  
Notes To Condensed Consolidated Financial Statements  
(Unaudited)

April 4, 1998

NOTE 1--BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended April 4, 1998, are not necessarily indicative of the results that may be expected for the year ending January 2, 1999. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the period ended January 3, 1998.

NOTE 2--INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or market.

NOTE 3--LEGAL MATTERS

The Company is from time to time subject to various claims, other possible legal actions for product liability and other damages, and other matters arising out of the normal conduct of the Company's business. Management believes that based on present information, it is unlikely that liability, if any, exists that would have a materially adverse effect on the consolidated operating results or financial position of the Company.

NOTE 4--NET INCOME PER COMMON SHARE

Income per share is computed using the weighted average shares of common stock and dilutive Common Stock equivalents (options) outstanding during the respective periods. In 1997, the Financial Accounting Standards Board issued Statement No. 128, Earnings Per Share. Statement 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options. Diluted earnings per share is very similar to the previously reported primary earnings per share. Earnings per share amounts for 1997 have been restated to conform to the Statement 128 requirements.

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Synalloy Corporation

Management's Discussion And Analysis Of Financial Condition  
And Results Of Operations

The following is management's discussion of certain significant factors that affected the Company during the quarter ended April 4, 1998. (Dollar amounts are in thousands except for per share data.)

<TABLE>

	Three Months Ended	
	Apr 4, 1998	Mar 27, 1997
	-----	-----
<S>	<C>	<C>
Net sales		
Metals Segment	\$ 17,426	\$ 16,548
Chemicals Segment	13,180	14,355
	-----	-----
	\$ 30,606	\$ 30,903
	=====	=====

Operating income

Metals Segment	\$ 750	\$ 589
Chemicals Segment	551	1,477
	-----	-----
	1,301	2,066
Unallocated expenses		
Corporate	235	282
Interest and debt expense, net of interest income	142	220
	-----	-----
Income before income taxes	\$ 924	\$ 1,564
	=====	=====

</TABLE>

Consolidated sales for the quarter were down slightly decreasing one percent compared to the same period one year ago. Consolidated net income declined 41 percent to \$597 for the quarter, or \$.09 per share, compared to the same period one year ago due to a decline in chemicals' profits.

Chemicals Segment sales declined eight percent in the first quarter. The decline resulted from lower sales of specialty chemicals produced for other companies under processing contracts. The annual requirements of these products are normally produced during a few months of a year, as scheduled by the customers. Accordingly, sales of these products can fluctuate greatly between quarters. Based on management's present expectations, the first quarter should represent the lowest level of quarterly sales from these products during 1998. Sales of dyes and pigments were essentially the same as a year earlier. Lower profit margins from fiber reactive dyes led to part of the decline in operating income. However, most of the decline resulted from the lower sales of specialty chemicals outlined above.

The Company is pursuing several new product initiatives in both textile dyes and specialty chemicals. Management is confident that they will provide sales and profit momentum for the future.

Metals Segment sales increased five percent in the first quarter while operating income improved 27 percent from the depressed levels of a year ago. The higher sales came from a change in product mix since overall unit volume was down two percent. In addition, the average selling price of the Company's principal product, stainless steel pipe, was four percent lower than it was a year earlier. The decrease in price and unit volume was offset by a shift in product mix to increased sales of higher priced piping systems and decreased sales of lower priced stainless pipe. The increase in operating income resulted from improvement in piping systems results. Pipe profits were about the same as the prior year.

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#### Synalloy Corporation

#### Management's Discussion And Analysis Of Financial Condition And Results Of Operations - Continued

The very low backlog of piping systems will lead to reduced sales from these products in the second quarter. However, the Company has outstanding quotes on an unusually high level of projects which makes management optimistic about the prospects for future business.

A flood of stainless steel imports has led to the paradox of prices being driven to a 25-year low while domestic demand is strong. Stainless steel pipe prices have moved down in tandem with the cost of stainless steel. Unfair trade cases have recently been filed that cover certain stainless products and industry sources indicate that cases covering additional stainless products are likely to be filed. This, coupled with the poor financial performance of the principal producers of stainless steel used to make pipe, makes management optimistic that prices will recover from the current 25-year low, although when this might happen is uncertain.

Selling and administrative expense for the quarter was down two percent from the same period last year, and totaled eight percent of consolidated sales equaling last year's eight percent.

Cash flows from operations totaled \$2,097 during the first three months of 1998 compared to \$3,564 generated during the same period one year ago. Although inventories declined \$1,047 during the quarter, they declined \$3,264 during the first quarter of 1997. This difference, along with the decline in net income compared to the first quarter of 1997, caused the reduction in cash flows. The Company used part of the cash flows generated in 1998 to purchase 103,000 shares of the Company's common stock for \$1,493. The Company expects that available cash and existing lines of credit will be sufficient to meet normal operating requirements, including capital expenditures and payment of dividends over the near term.

The statements contained in this management discussion and analysis that are not historical facts may be forward looking statements. The forward looking statements are subject to certain risks and uncertainties, including without limitation those identified below, which could cause actual results to differ materially from historical results or those anticipated. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of their dates. The following factors could cause actual results to differ materially from historical results or those anticipated: adverse economic conditions, the impact of competitive products and pricing, product demand and acceptance risks, raw material and other increased costs, customer delays or difficulties in the production of products, and other risks detailed from time to time in Synalloy's Securities and Exchange Commission filings. Synalloy Corporation assumes no obligation to update the information included herein.

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PART II: OTHER INFORMATION

Synalloy Corporation

Item 1. Legal Proceedings

None

Item 2. Change In Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission Of Matters To A Vote Of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits And Reports On Form 8-K

The following exhibits are included herein:

None

The Company did not file any reports on Form 8-K during the three months ended April 4, 1998

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Synalloy Corporation

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.

SYNALLOY CORPORATION  
(Registrant)

Date: May 9, 1998        /s/        James G. Lane, Jr.  
James G. Lane, Jr., Chairman and  
Chief Executive Officer

Date: May 9, 1998        /s/        Gregory M. Bowie  
Gregory M. Bowie  
Vice President, Finance

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