

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

For Quarter Ended September 30, 1997

Commission File Number 0-3922

PATRICK INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

INDIANA
(State or other jurisdiction of
incorporated or organization)

35-1057796
(I.R.S. Employer
Identification No.)

1800 South 14th Street, Elkhart, IN
(Address of principal executive offices)

46516
(ZIP Code)

Registrant's telephone number, including area code (219) 294-7511

NONE

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 No

Shares of Common Stock Outstanding as of November 1, 1997: 5,895,766

PATRICK INDUSTRIES, INC.

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PART I: FINANCIAL INFORMATION

PATRICK INDUSTRIES, INC. CONDENSED BALANCE SHEETS

<TABLE>
<CAPTION>

	(Unaudited) SEPTEMBER 30 1997	(Note) DECEMBER 31 1996
ASSETS		
<S>	<C>	<C>
CURRENT ASSETS		
Cash	\$ 743,759	\$ 2,041,482
Investment in Marketable Securities	---	4,400,000
Accounts Receivable, Net	30,479,368	15,208,671
Inventories	39,011,176	39,342,506
Other	392,907	393,520
Total Current Assets	\$ 70,627,210	\$ 61,386,179
PROPERTY AND EQUIPMENT, at cost	\$ 74,943,194	\$ 65,630,289
Less Accumulated Depreciation	28,944,740	25,870,995
	\$ 45,998,454	\$ 39,759,294
INTANGIBLE AND OTHER ASSETS	\$ 7,782,837	\$ 5,460,793
Total Assets	\$ 124,408,501	\$ 106,606,266
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current Maturities of Long-term Debt	\$ 1,138,517	\$ 1,138,517
Accounts Payable	24,384,689	10,545,175
Accrued Expenses and Taxes Payable	3,429,659	4,056,031
Total Current Liabilities	\$ 28,952,865	\$ 15,739,723
LONG-TERM DEBT, NET OF CURRENT MATURITIES	\$ 25,824,847	\$ 26,151,527
DEFERRED COMPENSATION OBLIGATIONS	\$ 1,211,107	\$ 1,069,357
DEFERRED INCOME TAX CREDITS	\$ 1,350,000	\$ 1,350,000
SHAREHOLDERS' EQUITY		
Common Stock	\$ 21,897,072	\$ 22,138,494
Retained Earnings	45,172,610	40,157,165
Total Shareholders' Equity	\$ 67,069,682	\$ 62,295,659
Total Liabilities and Shareholders' Equity	\$ 124,408,501	\$ 106,606,266

NOTE: The balance sheet at December 31, 1996 has been taken from the audited financial statements at that date and condensed.

See accompanying notes to Unaudited Condensed Financial Statements.

</TABLE>

PATRICK INDUSTRIES, INC.
UNAUDITED CONDENSED STATEMENTS OF INCOME

<TABLE>
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	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	1997	1996	1997	1996
<S>	<C>	<C>	<C>	<C>
NET SALES	\$ 105,126,304	\$ 105,686,233	\$ 308,661,520	\$ 306,849,116
COST AND EXPENSES				
Cost of Goods Sold	\$ 91,747,614	\$ 91,206,330	\$ 269,998,652	\$ 266,172,613
Warehouse and Delivery Expenses	4,051,929	3,920,554	11,361,380	10,903,550
Selling and Administrative Expenses	5,611,317	4,915,825	15,879,957	15,074,356
Financial Expenses, Net	283,069	236,539	878,879	823,347
	\$ 101,693,929	\$ 100,279,248	\$ 298,118,868	\$ 292,973,866
INCOME BEFORE INCOME TAXES	\$ 3,432,375	\$ 5,406,985	\$ 10,542,652	\$ 13,875,250
INCOME TAXES	1,358,500	2,122,300	4,140,700	5,441,500
NET INCOME	\$ 2,073,875	\$ 3,284,685	\$ 6,401,952	\$ 8,433,750
EARNINGS PER COMMON SHARE	\$.35	\$.55	\$ 1.08	\$ 1.41

WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	5,895,766	5,973,212	5,929,581	5,968,790
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See accompanying notes to Unaudited Condensed Financial Statements.

</TABLE>

PATRICK INDUSTRIES, INC.
UNAUDITED CONDENSED STATEMENTS OF
CASH FLOW

<TABLE>
<CAPTION>

	NINE MONTHS ENDED SEPTEMBER 30	
	1997	1996
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 6,401,952	\$ 8,433,750
Adjustment to Reconcile Net Income to Net Cash:		
Depreciation and Amortization	4,183,235	3,357,973
Other	(220,675)	(19,533)
Change in Assets and Liabilities:		
Decrease (Increase) in:		
Accounts Receivable	(14,587,386)	(8,211,180)
Inventories	1,485,830	(1,866,533)
Other	11,530	242,614
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	12,811,087	7,801,741
Income Taxes Payable and Deferred Taxes	390,627	563,117
Deferred Compensation	141,750	111,607
Net Cash Provided by Operating Activities	\$ 10,617,950	\$10,413,556
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	\$ (8,456,178)	\$ (7,820,443)
Acquisition of Business	(5,810,400)	---
Proceeds from Sales of Marketable Securities	4,400,000	---
Other	(107,840)	90,558
Net Cash (Used in) Investing Activities	\$ (9,974,418)	\$ (7,729,885)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Options	\$ 16,125	\$ 174,724
Principal Payments on Debt	(326,680)	---
Reacquisition of Common Stock	(935,750)	1,479,476
Cash Dividends	(708,302)	(714,912)
Other	13,352	9,269
Net Cash (Used in) Financing Activities	\$ (1,941,255)	\$ (2,010,395)
Increase (Decrease) in Cash and Cash Equivalents	\$ (1,297,723)	\$ 673,276
CASH and CASH EQUIVALENTS, BEGINNING	\$ 2,041,482	\$ 1,349,709
CASH and CASH EQUIVALENTS, ENDING	\$ 743,759	\$ 2,022,985
CASH PAYMENTS FOR:		
Interest	\$ 1,505,061	\$ 1,282,207
Income Taxes	\$ 4,080,073	\$ 5,012,305

See accompanying notes to Unaudited Condensed Financial Statements.

</TABLE>

PATRICK INDUSTRIES, INC.
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

- In the opinion of the Registrant, the accompanying unaudited condensed financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of September 30, 1997, and December 31, 1996, and the results of operations and cash flows for the three months and the nine months ended September 30, 1997 and 1996.
- Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in Registrant's December 31, 1996 audited financial statements. The results of operations for the three and nine month periods ended September 30, 1997 and 1996 are not necessarily indicative of the results to be expected for the full year.

3. The inventories on September 30, 1997 and December 31, 1996 consist of the following classes:

<TABLE>
<CAPTION>

	September 30 1997	December 31 1996
<S>	<C>	<C>
Raw Materials	\$ 24,165,738	\$ 24,204,345
Work in Process	1,543,963	1,029,127
Finished	3,927,482	5,311,075
Total Manufactured Goods	\$ 29,637,183	\$ 30,544,547
Distribution Products	9,373,993	8,797,959
TOTAL INVENTORIES	\$ 39,011,176	\$ 39,342,506

</TABLE>

The inventories are stated at the lower of cost, First-In, First-Out (FIFO) method, or market.

4. The earnings per common share for the three months and nine months ended September 30, 1997 and 1996 have been computed based on the weighted average number of shares of common stock. The weighted average number of shares outstanding was 5,895,766 for the three months and 5,929,581 for the nine months ended September 30, 1997 and 5,973,212 for the three months and 5,968,790 for the nine months ended September 30, 1996.

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

GENERAL

The economy and the industries served by the Registrant improved starting in 1991 as net sales increased annually from \$143 million to over \$403 million in 1996. This revenue growth slowed in the fourth quarter of 1996 and in the first nine months of 1997 there was no growth.

The following table sets forth the percentage relationship to net sales of certain items in the Registrant's Statements of Income:

<TABLE>
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<S>	Three Months		Nine Months	
	Ended September 30 1997	1996	Ended September 30 1997	1996
<S>	<C>	<C>	<C>	<C>
Net Sales	100.0%	100.0%	100.0%	100.0%
Cost of Sales	87.3	86.3	87.5	86.7
Gross Profit	12.7	13.7	12.5	13.3
Warehouse and Delivery	3.9	3.7	3.7	3.6
Selling, General & Administrative	5.3	4.7	5.1	4.9
Operating Income	3.5	5.3	3.7	4.8
Net Income	2.0	3.1	2.1	2.8

</TABLE>

RESULTS OF OPERATIONS

Quarter Ended September 30, 1997 Compared to Quarter Ended September 30, 1996

Net Sales. Net sales decreased by \$0.6 million, or 0.5%, from \$105.7 million for the quarter ended September 30, 1996 to \$105.1 million in the quarter ended September 30, 1997. This small sales decrease was attributable to a 3.5% decrease in units shipped by the Manufactured Housing industry, which represents approximately 66% of Registrant's sales. The Registrant's sales to the Recreational Vehicle industry were somewhat higher in this year's third quarter. The industry, which represents approximately 16% of Registrant's sales, was experiencing a slight decrease in total units shipped but remained strong in shipments of the units that utilize Registrant's products.

Gross Profit. Gross profit decreased by approximately \$1.1 million, or 7.6%, from \$14.5 million in the third quarter of 1996, to \$13.4 million in the same quarter of 1997. As a percentage of sales, gross profit was lower by 1.0%. This decrease was attributable to reduced volumes in certain operations, competitive market pressure on product pricing, and increased costs of health insurance and workers compensation insurance.

Warehouse and Delivery Expenses. Warehouse and delivery expenses increased by \$0.1 million, or 3.4%, from \$3.9 million in 1996, to \$4.0 million in the

third quarter of 1997. As a percentage of net sales, warehouse and delivery expenses increased from 3.7% to 3.9%.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased approximately \$0.7 million, or 14.1%, from \$4.9 million in 1996, to \$5.6 million in 1997. As a percentage of net sales, these expenses increased from 4.7% to 5.3% in the third quarter of 1997 compared to 1996. These expenses were higher because of increased health insurance, workers compensation insurance, and computer and software costs.

Operating Income. Operating income decreased by approximately \$1.9 million because of the decreased sales and the increased operating expenses as percentages of sales. As a percentage of sales, operating income decreased from 5.3% to 3.5% in the 1997 third quarter.

Financial Expense, Net. Financial expense, net increased by almost \$47,000. The Registrant's borrowing levels were about the same during most of the 1997 third quarter compared to 1996, but invested funds were lower.

Net Income. Net income decreased by \$1.2 million from \$3.3 million in 1996 to \$2.1 million in 1997 for the third quarter ended September 30. This decrease from 3.1% of sales to 2.0% is attributable to the factors described above.

Nine Months Ended September 30, 1997 Compared to Nine Months Ended September 30, 1996

Net Sales. Net sales increased by \$1.9 million, or 0.6%, from \$306.8 million for the nine months ended September 30, 1996, to \$308.7 million in the nine months ended September 30, 1997. This small sales increase was attributable to more than 3% decrease in the first nine months in units shipped by the Manufactured Housing industry, which represents approximately 66% of Registrant's sales. The Registrant's sales to the Recreational Vehicle industry were higher in this year's first nine months because the industry, which represents approximately 16% of Registrant's sales, was experiencing a slight increase in units shipped of the units that utilize Registrant's products. The first quarter in the 1997 first nine months was the only quarter of increased sales over the previous year periods.

Gross Profit. Gross profit decreased by approximately \$2.0 million, or 5.0%, from \$40.7 million in the first nine months of 1996, to \$38.7 million in the same period of 1997. As a percentage of sales, gross profit decreased from 13.3% in the first nine months of 1996 to 12.5% in 1997. This decrease was attributable to reduced volumes in certain operations and competitive market pressure on product pricing.

Warehouse and Delivery Expenses. Warehouse and delivery expenses increased by approximately \$0.5 million, or 4.2%, from \$10.9 million in 1996, to \$11.4 million in the first nine months of 1997. As a percentage of sales, warehouse and delivery expenses increased from 3.6% in 1996 to 3.7% in 1997.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by approximately \$0.8 million, or 5.3%, in the 1997 first nine months, from \$15.1 million to \$15.9 million. As a percentage of net sales, these expenses increased from 4.9% to 5.1% in the first nine months of 1997 compared to 1996.

Operating Income. Operating income decreased by approximately \$3.3 million, or 22.3% from \$14.7 million in 1996 to \$11.4 million in 1997, because of the lower sales and the higher operating expenses. As a percentage of sales, operating income decreased from 4.8% to 3.7% in the 1997 first nine months.

Financial Expense, Net. Financial expense, net increased by approximately \$56,000. The Registrant's borrowing levels were about the same during the first nine months of 1997 compared to 1996, but invested funds were lower.

Net Income. Net income decreased by approximately \$2.0 million from \$8.4 million in 1996 to \$6.4 million in 1997 for the nine months ended September 30. This decrease is attributable to the factors described above.

LIQUIDITY AND CAPITAL RESOURCES

The Registrant's primary capital requirements are to meet working capital needs, support its capital expenditure plans and meet debt service requirements.

The Registrant, in September, 1995, issued to an insurance company in a private placement, \$18,000,000 of senior unsecured notes. The ten year notes bear interest at 6.82%, with semi-annual interest payments and seven annual principal repayments beginning September 15, 1999. These funds were used to reduce existing bank debt and for working capital needs. Pursuant to the Note Agreement, the Registrant is required to maintain certain financial ratios, all of which are currently complied with.

The Registrant has a bank financing agreement (the Credit Agreement) with

NBD Bank, N.A. for a term loan and a revolver loan. In September, 1995 with funds from the insurance company private placement, the Registrant prepaid the term loan in full and paid the revolver outstanding balance. The Revolving Credit Agreement was amended on February 13, 1997 and provides revolver loan availability of \$10,000,000 with maturity in three years. Pursuant to the Credit Agreement, the Registrant is required to maintain certain financial ratios, all of which are currently complied with.

The Registrant used the balance of its marketable securities and additional cash to acquire the assets of United Shade, Inc. in September of 1997.

The Registrant believes that cash generated from operations and borrowings under its credit agreements will be sufficient to fund its working capital requirements and ordinary capital expenditures as currently contemplated.

SEASONALITY

Manufacturing operations in the Manufactured Housing and Recreational Vehicle industries historically have been seasonal and are generally at the highest levels when the climate is temperate. Accordingly, the Registrant's sales and profits are generally highest in the second and third quarters.

INFLATION

The Registrant does not believe that inflation had a material effect on results of operations for the periods presented.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes 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

(a) Exhibits

(27) Financial Data Schedule

(b) A Form 8-K (Item 5) was filed on August 20, 1997 regarding the announcement that Registrant is no longer considering a proposal for the acquisition of all of its shares.

A second Form 8-K (Item 5) was filed on September 8, 1997 regarding the announcement of the acquisition of United Shade, 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.

PATRICK INDUSTRIES, INC.
(Registrant)

Date November 12, 1997 /S/Mervin D. Lung
Mervin D. Lung

(Chairman of the Board)

Date November 12, 1997 /S/David D. Lung
David D. Lung
(President)

Date November 12, 1997 /S/Keith V. Kankel
Keith V. Kankel
(Vice President Finance)
(Principal Accounting Officer)

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