

# GREIF INC

## FORM 10-Q (Quarterly Report)

Filed 2/27/1998 For Period Ending 1/31/1998

Address	425 WINTER ROAD DELAWARE, Ohio 43015
Telephone	740-549-6000
CIK	0000043920
Industry	Containers & Packaging
Sector	Basic Materials
Fiscal Year	10/31

**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10-Q**

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

**For Quarter Ended January 31, 1998 Commission File Number 1-566**

**GREIF BROS. CORPORATION**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

31-4388903  
(I.R.S. Employer  
Identification No.)

425 Winter Road, Delaware, Ohio  
(Address of principal executive offices)

43015  
(Zip Code)

Registrant's telephone number, including area code (740) 549-6000

Not Applicable

Former name, former address and former fiscal year, if changed since last  
report.

Indicated 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report:

Class A Common Stock 10,902,272 shares Class B Common Stock 12,001,793 shares

## PART I. FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

#### GREIF BROS. CORPORATION AND SUBSIDIARY COMPANIES CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per share amounts)

For the three months ended January 31,	1998	1997
Net sales	\$169,697	\$152,370
Other income:		
Gain on timber sales	2,787	1,539
Interest and other	2,510	2,467
	174,994	156,376
Costs and expenses (including depreciation of \$8,374 in 1998 and \$7,594 in 1997):		
Cost of products sold	138,177	131,329
Selling, general and administrative	20,324	17,212
Interest	1,230	750
	159,731	149,291
Income before income taxes	15,263	7,085
Taxes on income	5,647	2,600
Net income	\$ 9,616	\$ 4,485

Net income per share (based on the average number of shares outstanding during the period):

Based on the assumption that earnings were allocated to Class A and Class B Common Stock to the extent that dividends were actually paid for the year and the remainder were allocated as they would be received by shareholders in the event of liquidation, that is, equally to Class A and Class B shares, share and share alike.

Basic and Diluted:

Class A Common Stock	\$0.39	\$0.14
Class B Common Stock	\$0.44	\$0.25

Due to the special characteristics of the Company's two classes of stock (see Note 1), earnings per share can be calculated upon the basis of varying assumptions, none of which, in the opinion of management, would be free from the claim that it fails fully and accurately to represent the true interest of the shareholders of each class of stock in the retained earnings. See accompanying Notes to Consolidated Financial Statements

#### GREIF BROS. CORPORATION AND SUBSIDIARY COMPANIES CONSOLIDATED BALANCE SHEETS (Dollars in thousands)

##### ASSETS

	January 31, 1998	October 31, 1997
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 16,834	\$ 17,719
Canadian government securities	7,305	7,533
Trade accounts receivable		
- less allowance of \$965 for doubtful items (\$847 in 1997)	80,559	81,582
Inventories	46,040	44,892
Prepaid expenses and other	20,054	21,192
Total current assets	170,792	172,918
<b>LONG TERM ASSETS</b>		
Cash surrender value of life insurance	1,040	1,070
Goodwill - less amortization	17,017	17,352
Other long term assets	20,501	20,952
	38,558	39,374
<b>PROPERTIES, PLANTS AND EQUIPMENT - at cost</b>		
Timber properties - less depletion	6,898	6,884
Land	11,473	11,139
Buildings	139,626	139,713
Machinery, equipment, etc.	431,525	424,177
Construction in progress	20,269	17,546

Less accumulated depreciation	(269,663)	(261,662)
	340,128	337,797
	\$549,478	\$550,089
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 31,701	\$ 37,487
Current portion of long term obligations	8,309	8,504
Accrued payrolls and employee benefits	10,705	13,821
Taxes on income	4,409	596
Total current liabilities	55,124	60,408
LONG TERM OBLIGATIONS	43,314	43,648
OTHER LONG TERM OBLIGATIONS	15,329	16,155
DEFERRED INCOME TAXES	30,619	29,740
Total long term liabilities	89,262	89,543
SHAREHOLDERS' EQUITY (Note 1)		
Capital stock, without par value	9,774	9,739
Class A Common Stock:		
Authorized 32,000,000 shares;		
Issued 21,140,960 shares;		
outstanding 10,902,272 shares		
(10,900,672 in 1997)		
Class B Common Stock:		
Authorized and issued 17,280,000 shares;		
outstanding 12,001,793 shares		
Treasury Stock, at cost	(41,866)	(41,868)
Class A Common Stock :10,238,688 shares		
(10,240,288 in 1997)		
Class B Common Stock : 5,278,207 shares		
Retained earnings	443,825	437,550
Cumulative translation adjustment	(6,641)	(5,283)
	405,092	400,138
	\$549,478	\$550,089

See accompanying Notes to Consolidated Financial Statements

GREIF BROS. CORPORATION AND SUBSIDIARY COMPANIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Dollars in thousands)

For the three months ended January 31,	1998	1997
Cash flows from operating activities:		
Net income	\$ 9,616	\$ 4,485
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	8,709	7,986
Deferred income taxes	892	1,325
Increase (decrease) in cash from changes in certain assets and liabilities, net of effects from acquisitions:		
Trade accounts receivable	1,023	5,233
Inventories	(1,148)	(576)
Prepaid expenses and other	1,138	253
Other long term assets	481	(255)
Accounts payable	(5,786)	(7,232)
Accrued payrolls and employee benefits	(3,116)	(2,659)
Taxes on income	3,813	(451)
Other long term liabilities	(826)	(901)
Net cash provided by operating activities	14,796	7,208
Cash flows from investing activities:		
Acquisitions of companies, net of cash acquired	--	134
Disposals of investments in government securities	228	206
Purchases of properties, plants and equipment	(11,005)	(15,354)
Net cash used by investing activities	(10,777)	(15,014)

Cash flows from financing activities:

(Payments) proceeds on long term debt	(529)	10,307
Exercise of stock options	37	--
Dividends paid	(3,341)	(6,810)
Net cash (used in) provided by financing activities	(3,833)	3,497
Foreign currency translation adjustment	(1,071)	(203)
Net decrease in cash and cash equivalents	(885)	(4,512)
Cash and cash equivalents at beginning of period	17,719	26,560
Cash and cash equivalents at end of period	\$ 16,834	\$ 22,048
See accompanying Notes to Consolidated Financial Statements		

**GREIF BROS. CORPORATION AND SUBSIDIARY COMPANIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
 JANUARY 31, 1998

**NOTE 1 - CAPITAL STOCK AND RETAINED EARNINGS**

Class A Common Stock is entitled to cumulative dividends of 1 cent a share per year after which Class B Common Stock is entitled to non-cumulative dividends up to 1/2 cent per share per year. Further distribution in any year must be made in proportion of 1 cent a share for Class A Common Stock to 1 1/2 cents a share for Class B Common Stock. The Class A Common Stock shall have no voting power nor shall it be entitled to notice of meetings of the stockholders, all rights to vote and all voting power being vested exclusively in the Class B Common Stock unless four cumulative dividends upon the Class A Common Stock are in arrears. There is no cumulative voting.

**NOTE 2 - DIVIDENDS PER SHARE**

The following dividends per share were paid during the period indicated:

Three Months Ended January 31,	1998	1997
Class A Common Stock	\$0.12	\$0.24
Class B Common Stock	\$0.17	\$0.35

**NOTE 3 - CALCULATION OF NET INCOME PER SHARE**

Net income per share was calculated using the following number of shares for the period presented:

Three months ended January 31, 1998:

	Basic	Diluted
Class A Common Stock	10,901,962 shares	10,950,796 shares
Class B Common Stock	12,001,793 shares	12,001,793 shares

Three months ended January 31, 1997:

	Basic	Diluted
Class A Common Stock	10,873,172 shares	10,889,792 shares
Class B Common Stock	12,001,793 shares	12,001,793 shares

The diluted shares assume conversion of stock options. There are 164,100 options that are antidilutive for the three months ended January 31, 1997.

**NOTE 4 - INVENTORIES**

Inventories are comprised principally of raw materials and are stated at the lower of cost (principally on last-in, first-out basis) or market.

**NOTE 5 - RECLASSIFICATIONS**

Certain prior period amounts have been reclassified to conform to the 1998 presentation.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Results of Operations**

Historically, revenues or earnings may or may not be representative of future operations because of various economic factors. The following comparative information is presented for the three-month periods ended January 31, 1998 and January 31, 1997.

Net sales increased \$17.3 million or 11.4% during the current quarter compared to the previous period. The net sales of the containerboard segment increased by \$15.2 million in comparison to the prior year's quarter. This increase was primarily the result of \$12.3 million higher net sales in the paper mills, which was significantly affected by the improved sales prices of its products. The higher sales prices were caused by the overall improvement of the containerboard market. In addition, the purchase of Independent Container, Inc. and Centralia Container, Inc. in May 1997 and June 1997, respectively, contributed \$9.8 million in net sales as a result of the additional sales volume. These increases were partially offset by the disposal of the Company's wood components plants, with prior year first quarter net sales of \$10.7 million, in Kentucky, California, Washington and Oregon in August 1997. The net sales of the industrial shipping containers segment increased by \$ 2.1 million in comparison to the prior year's quarter. Net sales increased due to the purchase of two steel drum operations located in Merced, California and Oakville, Ontario, Canada during March 1997 which contributed \$4.6 million of net sales. The increase that resulted from this acquisition was partially offset by the sale of an injection molding facility, with prior year first quarter net sales of \$2.9 million, located in Ohio during February 1997.

Other income increased in 1998 due to \$1.2 million of additional sales of timber properties.

The cost of products sold as a percentage of sales decreased from 86.2% last year to 81.4% this year. This decrease is primarily the result of higher net sales of the containerboard segment without a corresponding increase in the cost of products sold.

The increase of \$3.1 million in selling, general and administrative expense is due primarily to additional expenses related to the acquisitions in March, May and June of last year. In addition, the amortization of goodwill for these acquisitions contributed to the higher costs.

The increase in interest expense is due to the higher average debt during the first quarter of fiscal 1998 as compared to the prior year.

### **Liquidity and Capital Resources**

As indicated in the Consolidated Balance Sheet, elsewhere in this report and discussed in greater detail in the 1997 Annual Report to Shareholders, the Company is dedicated to maintaining a strong financial position. It is our belief that this dedication is extremely important during all economic times.

As discussed in the 1997 Annual Report, the Company is subject to the economic conditions of the market in which it operates. During this period, the Company has been able to utilize its developed financial position to meet its continued business needs.

The current ratio of 3.0:1 as of January 31, 1998 is an indication of the Company's continued dedication to strong liquidity.

Capital expenditures were \$11 million during the three months ended January 31, 1998. These capital expenditures were principally needed to replace and improve equipment.

On December 10, 1997, the Company signed a non-binding letter of intent to acquire all of the outstanding shares of KMI Continental Fibre Drum, Inc., Fibro Tambor, S.A. de C.V., and Sonoco Plastic Drum, Inc. from Sonoco Products Co. and their interest in Total Packaging Systems of Georgia, LLC for approximately \$225 million in cash. The acquisition is subject to satisfactory completion of due diligence by the Company and receipt of all governmental approvals. In addition, the Company has approved future purchases, primarily for equipment, of approximately \$10 million.

The Company has embarked on a program to implement a new management information system. The estimated cost of the project is approximately \$20 million and is expected to be completed during 1999. The purpose of the program focuses on using information technology to link together our operations to become a low cost producer and more effectively service our customers. As a result of this undertaking, the Company believes that its year 2000 compliance matters will be addressed since most of its current software will be discarded.

Self-financing and borrowing have been the primary sources for past capital expenditures and acquisitions. The Company anticipates financing future capital expenditures and acquisitions in a like manner.

### **SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

Except for the historical information contained herein, the matters discussed in this Form 10-Q contain certain forward-looking statements which involve risks and uncertainties, including, but not limited to economic, competitive, governmental and technological factors affecting the Company's operations, markets, services and related products, prices and other factors discussed in the Company's filings with the Securities and Exchange Commission. The Company's actual results could differ materially from those projected in such forward-looking statements.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable at this time.

## PART II. OTHER INFORMATION

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a.) The Company held its Annual Meeting of Stockholders on February 23, 1998.

(b.) At the Annual Meeting of Stockholders, the following nominees were elected to the Board of Directors. The inspectors of election certified the following vote tabulations:

	For	Withheld
Charles R. Chandler	10,551,162	1,450,631
Michael H. Dempsey	10,551,162	1,450,631
Naomi C. Dempsey	10,551,162	1,450,631
Michael J. Gasser	10,551,162	1,450,631
Daniel J. Gunsett	10,551,162	1,450,631
Allan Hull	10,542,682	1,459,111
Robert C. Macauley	10,542,682	1,459,111
David J. Olderman	10,551,162	1,450,631
William B. Sparks, Jr.	10,551,162	1,450,631
J Maurice Struchen	10,542,682	1,459,111

(c.) At the Annual Meeting of Stockholders, a proposed Amendment and Restatement of the Company's Certificate of Incorporation to eliminate outdated provisions and simplify and update certain other provisions was approved by the stockholders. The inspectors of election certified the following vote tabulations:

For	Against	Abstain
10,554,813	2,000	1,444,980

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a.) Exhibits.

27. Financial Data Schedule

(b.) Reports on Form 8-K.

On December 10, 1997, the Company filed a Current Report on Form 8-K that described its non-binding letter of intent to acquire all of the outstanding shares of KMI Continental Fibre Drum, Inc., a Delaware corporation, Fibro Tambor, S.A. de C.V., a Mexican corporation, and Sonoco Plastic Drum, Inc., an Illinois corporation, all of which are wholly-owned subsidiaries of Sonoco Products Co. ("Sonoco"). In addition, the Company would purchase Sonoco's interest in Total Packaging Systems of Georgia, LLC, a Delaware limited liability company.

### OTHER COMMENTS

The information furnished herein reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of the consolidated balance sheet as of January 31, 1998, the consolidated statement of income for the three month periods ended January 31, 1998 and 1997, and the consolidated statement of cash flows for the three month periods then ended. These financial statements are unaudited; however, at year-end an audit will be performed for the fiscal year by independent accountants.

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

Greif Bros. Corporation

\_\_\_\_\_  
(Registrant)

Date February 27, 1998

/s/ Joseph W. Reed

\_\_\_\_\_  
Joseph W. Reed  
Chief Financial Officer and Secretary



(Duly Authorized Signatory)

## ARTICLE 5

This schedule contains summary financial information extracted from the Form 10-Q and is qualified in its entirety by reference to such Form 10-Q.

MULTIPLIER: 1,000

PERIOD TYPE	3 MOS
FISCAL YEAR END	OCT 31 1998
PERIOD END	JAN 31 1998
CASH	16,834
SECURITIES	7,305
RECEIVABLES	81,524
ALLOWANCES	(965)
INVENTORY	46,040
CURRENT ASSETS	170,792
PP&E	609,791
DEPRECIATION	(269,663)
TOTAL ASSETS	549,478
CURRENT LIABILITIES	55,124
BONDS	43,314
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	9,774
OTHER SE	395,318
TOTAL LIABILITY AND EQUITY	549,478
SALES	169,697
TOTAL REVENUES	174,994
CGS	138,177
TOTAL COSTS	138,177
OTHER EXPENSES	20,324
LOSS PROVISION	0
INTEREST EXPENSE	1,230
INCOME PRETAX	15,263
INCOME TAX	5,647
INCOME CONTINUING	9,616
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	9,616
EPS PRIMARY	.39 <sup>1</sup>
EPS DILUTED	.39 <sup>1</sup>

<sup>1</sup> Amount represents the earnings per share for the Class A Common Stock. The earnings per share for the Class B Common Stock are \$0.44.

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**End of Filing**

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