

GREIF INC

FORM 10-Q (Quarterly Report)

Filed 9/11/1997 For Period Ending 7/31/1997

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

U.S. 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 July 31, 1997 Commission File Number 1-566

GREIF BROS. CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

31-4388903

(State or other jurisdiction of
incorporation or organization)

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

425 Winter Road, Delaware, Ohio

43015

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code 614-549-6000

621 Pennsylvania Avenue, Delaware, Ohio

(Former address, 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

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 10,878,672 shares

Class B Common Stock 12,001,793 shares

PART I. FINANCIAL INFORMATION

GREIF BROS. CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per share amounts)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1997	1996	1997	1996
Net sales	\$167,062	\$155,994	\$471,961	\$474,949
Other income:				
Interest and other	1,698	1,535	8,814	3,563
Gain on timber sales	3,781	3,084	7,378	6,081
	172,541	160,613	488,153	484,593
Costs and expenses:				
Cost of products sold	144,869	128,865	411,119	389,460
Selling, general and administrative	19,275	16,116	54,299	50,882
Interest	1,063	196	2,736	710
	165,207	145,177	468,154	441,052
Income before income taxes	7,334	15,436	19,999	43,541
Taxes on income	2,652	5,800	7,252	16,500
Net income	\$ 4,682	\$ 9,636	\$ 12,747	\$ 27,041

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:

Class A Common Stock	\$.18	\$.40	\$.44	\$1.08
Class B Common Stock	\$.24	\$.44	\$.67	\$1.27

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 and in the retained earnings.

See accompanying Notes to the Consolidated Financial Statements.

GREIF BROS. CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

ASSETS	July 31, 1997	October 31, 1996
CURRENT ASSETS		
Cash and cash equivalents	\$ 15,378	\$ 26,560
Canadian government securities	8,255	19,479
Trade accounts receivable--less allowance of \$882 for doubtful items (\$826 in 1996)	74,632	73,987
Inventories	54,635	49,290
Prepaid expenses and other	23,112	16,131
Total current assets	176,012	185,447
LONG TERM ASSETS		
Cash surrender value of life insurance	3,163	2,982
Goodwill -- less amortization	15,513	4,617
Other long term assets	12,426	7,116
	31,102	14,715

PROPERTIES, PLANTS AND EQUIPMENT--at cost		
Timber properties--less depletion	6,204	6,112
Land	11,675	10,771
Buildings	131,473	125,132
Machinery, equipment, etc.	401,683	385,834
Construction in progress	58,007	33,450
Less accumulated depreciation	(264,287)	(249,123)
	344,755	312,176
	\$551,869	\$512,338

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 32,516	\$ 31,609
Current portion of long term obligations	27,790	2,455
Accrued payrolls and employee benefits	6,935	8,989
Accrued taxes--general	1,433	1,949
Taxes on income	3,659	5,678
Total current liabilities	72,333	50,680

LONG-TERM OBLIGATIONS 38,504 22,748

OTHER LONG-TERM LIABILITIES 15,681 15,406

DEFERRED INCOME TAXES 26,768 22,872

Total long-term liabilities 80,953 61,026

SHAREHOLDERS' EQUITY (Note 1)

Capital stock, without par value	9,192	9,034
Class A Common Stock:		
Authorized 32,000,000 shares;		
issued 21,140,960 shares;		
outstanding 10,878,672 shares		
(10,873,172 in 1996)		
Class B Common Stock:		
Authorized and issued 17,280,000 shares;		
outstanding 12,001,793 shares		
Treasury Stock, at cost	(41,891)	(41,867)
Class A Common Stock: 10,262,288 shares		
(10,267,788 in 1996)		
Class B Common Stock: 5,278,207 shares		
Retained earnings	435,679	436,672
Cumulative translation adjustment	(4,397)	(3,207)
	398,583	400,632
	\$551,869	\$512,338

See accompanying Notes to the Consolidated Financial Statements.

GREIF BROS. CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	For the nine months ended July 31,	1997	1996
Cash flows from operating activities:			
Net income		\$12,747	\$27,041
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization		23,771	19,360
Deferred income taxes		3,907	4,786
Increase (decrease) in cash from changes in certain assets and liabilities, net of effects from acquisitions:			
Trade accounts receivable		6,181	14,081
Inventories		(83)	17,700
Prepaid expenses and other		(6,667)	2,207
Other long-term assets		(4,786)	373
Accounts payable		(3,065)	(12,504)
Accrued payrolls and employee benefits		(2,437)	(2,786)
Accrued taxes - general		(535)	(238)
Taxes on income		(2,055)	4,267

Other long-term liabilities	(1,929)	457
Net cash provided by operating activities	25,049	74,744
Cash flows from investing activities:		
Acquisitions of companies, net of cash acquired	(7,514)	(479)
Net sales of investments in government securities	11,224	135
Purchase of properties, plants and equipment	(34,464)	(49,027)
Net cash used by investing activities	(30,754)	(49,371)
Cash flows from financing activities:		
Net proceeds (payments) on long-term debt	9,091	(2,548)
Acquisition of treasury stock	(24)	--
Exercise of stock options	158	--
Dividends paid	(13,740)	(11,430)
Net cash used by financing activities	(4,515)	(13,978)
Foreign currency translation adjustment	(962)	(815)
Net (decrease) increase in cash and cash equivalents	(11,182)	10,580
Cash and cash equivalents at beginning of period	26,560	31,612
Cash and cash equivalents at end of period	\$15,378	\$42,192

See accompanying Notes to the Consolidated Financial Statements.

GREIF BROS. CORPORATION AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 1997

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 a 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 quarterly 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		Nine Months Ended	
	July 31,		July 31,	
	1997	1996	1997	1996
Class A Common Stock	\$.12	\$.08	\$.48	\$.40
Class B Common Stock	\$.18	\$.12	\$.71	\$.59

NOTE 3 - CALCULATION OF NET INCOME PER SHARE

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

	Three Months Ended	Nine Months Ended
	July 31,	July 31,
Class A Common Stock	10,874,038 shares	10,873,461 shares
Class B Common Stock	12,001,793 shares	12,001,793 shares

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 - ACQUISITIONS

On May 9, 1997, the Company purchased all of the outstanding common stock of Independent Container, Inc., a corrugated container company, located in Louisville, Kentucky, Ferdinand, Indiana and Erlanger, Kentucky. On June 30, 1997, the Company acquired all of the outstanding common stock of Centralia Container, Inc., a corrugated container company, located in Centralia, Illinois. These acquisitions have been accounted for using the purchase method of accounting, and accordingly, the purchase price has been allocated to the assets purchased and liabilities assumed based upon the fair values at the date of acquisition. The excess of the purchase price over the fair values of the net assets acquired has been recorded as goodwill. The Consolidated Financial Statements include the operating results of each business from the date of acquisition. Pro forma results of operations have not been presented because the effect of these acquisitions were not significant.

NOTE 6 - SUBSEQUENT EVENTS

On August 4, 1997, the Company sold its wood component operations, which manufacture door panels, wood moldings and window and door parts, with locations in Kentucky, California, Washington and Oregon. At the present time, it is not expected that the transaction will have a material impact on the results of operations.

NOTE 7 - RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the 1997 presentation.

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 9-month periods ended July 31, 1997 and July 31, 1996.

Net sales decreased during the current period compared to the previous period primarily due to lower sales in the containerboard segment, which was significantly affected by lower sales prices of its products. The lower prices were caused by the continued weakness in the

containerboard market resulting from excess capacity of containerboard. The sales price decreases were partially offset by the seven corrugated container plants which were acquired subsequent to the third quarter of 1996. The net sales of the shipping containers segment increased since the prior year due to the addition of two steel drum manufacturing plants during the second quarter of 1997.

The increase in other income was primarily due to a gain on the sale of an office building and an injection molding facility during 1997.

The cost of products sold as a percentage of sales increased from 82.0% in 1996 to 87.1% in 1997. This increase is primarily the result of lower net sales of the containerboard segment without a corresponding reduction in the cost of products sold.

The increase in interest expense is due to more long-term obligations than 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 1996 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 1996 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 as of July 31, 1997 is an indication of the continuation of the Company's strong liquidity.

Capital expenditures were \$34,464,000, after eliminating the effect of the acquisitions, during the nine months ended July 31, 1997. These capital expenditures were principally needed to replace and improve equipment.

In May 1997, the Company acquired the stock of Independent Container, Inc, a manufacturer of corrugated containers, located in Louisville, Kentucky, Ferdinand, Indiana and Erlanger, Kentucky. In June 1997, the Company purchased the stock of Centralia Container, Inc., a corrugated container company, located in Centralia, Illinois.

The Company has approved future purchases, primarily for equipment, of approximately \$11 million. Self-financing and borrowing has been the primary source for financing such capital expenditures.

The increase in long-term obligations since year-end is primarily due to the purchase of three corrugated container companies, two steel drum operations, improvement related to Greif Board Corporation's machinery and equipment and other capital expenditures.

Subsequent to July 1997, the Company sold its wood component operations, located in Kentucky, California, Washington and Oregon. These locations manufacture door panels, wood moldings and window and door parts.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no material developments with respect to pending legal proceedings.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a.) Exhibits.
None.

(b.) Reports on Form 8-K. No events occurred requiring Form 8-K to be filed.

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 July 31, 1997, the consolidated statements of income for the 9-month periods ended July 31, 1997 and 1996, and the consolidated statements of cash flows for the 9-month periods then ended. These financial statements are unaudited; however, at year-end an audit will be made for the fiscal year by our 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 thereunto duly authorized.

Greif Bros. Corporation

(Registrant)

Date September 10, 1997 Joseph W. Reed Chief Financial Officer

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	9 MOS
FISCAL YEAR END	OCT 31 1997
PERIOD END	JUL 31 1997
CASH	15,378
SECURITIES	8,255
RECEIVABLES	75,514
ALLOWANCES	(882)
INVENTORY	54,635
CURRENT ASSETS	176,012
PP&E	609,042
DEPRECIATION	(264,287)
TOTAL ASSETS	551,869
CURRENT LIABILITIES	72,333
BONDS	38,504
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	9,192
OTHER SE	389,391
TOTAL LIABILITY AND EQUITY	551,869
SALES	471,961
TOTAL REVENUES	488,153
CGS	411,119
TOTAL COSTS	411,119
OTHER EXPENSES	54,299
LOSS PROVISION	0
INTEREST EXPENSE	2,736
INCOME PRETAX	19,999
INCOME TAX	7,252
INCOME CONTINUING	12,747
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	12,747
EPS PRIMARY	0.44 ¹
EPS DILUTED	0.44 ¹

¹ Amount represents the earnings per share for the Class A Common Stock. The earnings per share for the Class B Common Stock are \$0.67.

End of Filing

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