

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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FILER

SILGAN HOLDINGS INC

CIK: **849869** | IRS No.: **061269834** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **033-28409** | Film No.: **94528078**
SIC: **3440** Fabricated structural metal products

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UNITED STATES
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 the Quarter Ended March 31, 1994 or

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) of the Securities Exchange Act of 1934 for the Period _____ to _____.

Commission file number 33-28409

SILGAN HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware 06-1269834
(State of Incorporation) (I.R.S. Employer Identification Number)

4 Landmark Square
Stamford, Connecticut 06901
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code (203) 975-7110

Indicate by check mark whether 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

As of May 13, 1994, the number of shares outstanding of each of the issuer's classes of common stock is as follows:

Classes of shares of common stock outstanding, \$0.01 par value	Number of shares outstanding
Class A	417,500

Class B
Class C

667,500
50,000

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Part I. Financial Information
Item 1. Financial Statements

SILGAN HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	March 31, 1994	March 31, 1993	Dec. 31, 1993
ASSETS	(unaudited)	(unaudited)	(audited)
Current assets:			
Cash and cash equivalents	\$ 2,687	\$ 391	\$ 224
Accounts receivable, net	68,188	53,409	44,409
Inventories	124,009	85,375	108,653
Prepaid expenses and other current assets	3,598	3,493	3,676
Total current assets	198,482	142,668	156,962
Property, plant and equipment, net	285,738	221,904	290,395
Other assets	48,885	37,304	50,276
	\$533,105	\$401,876	\$497,633
LIABILITIES & DEFICIENCY IN STOCKHOLDERS' EQUITY			
Current liabilities:			
Working capital loans	\$ 5,800	\$ 38,250	\$ 2,200
Current portion of term loans	20,000	20,899	20,000
Trade accounts payable	48,665	32,344	31,913
Accrued payroll and related costs	25,263	22,249	20,523
Accrued interest payable	6,250	5,224	783
Accrued expenses and other current liabilities	21,391	20,151	21,385
Total current liabilities	127,369	139,117	96,804
Term loans	120,000	21,681	120,000
Senior secured notes	50,000	50,000	50,000
11 3/4% Senior subordinated notes	135,000	135,000	135,000
13 1/4% Senior discount debentures	207,328	182,365	200,718
Deferred income taxes	7,319	6,131	6,836
Other long-term liabilities	33,300	16,600	33,242
Class A common stock subject to put option	25,050	14,613	25,050
Deficiency in stockholders' equity:			
Class B & C common stock	8	5	8
Additional paid-in capital	33,606	18,609	33,606
Accumulated deficit	(205,875)	(182,245)	(203,631)
Total deficiency in stockholders'			

equity	(172,261)	(163,631)	(170,017)
	\$533,105	\$401,876	\$497,633

See accompanying notes.

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SILGAN HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands)

	Three Months Ended	
	March 31, 1994	March 31, 1993
Net sales	\$186,243	\$148,727
Cost of goods sold	163,520	131,822
Gross profit	22,723	16,905
Selling, general and administrative expenses	8,589	8,217
Income from operations	14,134	8,688
Interest expense and other related financing costs	15,647	13,089
Other (income) expense	156	(93)
Loss before income taxes	(1,669)	(4,308)
Income tax provision	575	450
Loss before cumulative effect of changes in accounting principles	(2,244)	(4,758)
Cumulative effect of changes in accounting principles	-	(6,276)
Net loss	\$ (2,244)	\$ (11,034)

See accompanying notes.

SILGAN HOLDINGS INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)
 (In thousands)

	Three Months Ended	
	March 31, 1994	March 31, 1993
Cash flows from operating activities:		
Net loss	\$ (2,244)	\$ (11,034)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation	9,376	7,484
Amortization	1,774	1,371
Other items	276	(46)
Accretion of discount on discount debentures	6,610	5,814
Cumulative effect of changes in accounting principles	-	6,276
Changes in assets and liabilities:		
(Increase) in accounts receivable	(23,878)	(8,852)
(Increase) in inventories	(15,356)	(10,368)
Increase in trade accounts payable	16,752	4,388
Increase in accrued interest payable	5,467	4,157
Other, net	4,982	5,927
Total adjustments	6,003	16,151
Net cash provided by operating activities	3,759	5,117
Cash flows from investing activities:		
Capital expenditures	(4,896)	(5,463)
Net cash used in investing activities	(4,896)	(5,463)
Cash flows from financing activities:		
Borrowings under working capital loans	33,750	79,250
Repayments under working capital loans	(30,150)	(81,400)
Net cash provided (used) by financing activities	3,600	(2,150)
Net increase (decrease) in cash and cash equivalents	2,463	(2,496)
Cash and cash equivalents at beginning of year	224	2,887
Cash and cash equivalents at end of period	\$ 2,687	\$ 391
Supplementary data:		
Interest paid	\$ 1,786	\$ 1,943
Income taxes paid, net of refunds	138	(50)

See accompanying notes.

SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 1994 and 1993 and for the
three months months then ended is unaudited)
(Dollars in thousands)

1. Basis of Presentation

The accompanying condensed unaudited consolidated financial statements of Silgan Holdings Inc. ("Holdings" or the "Company") have been prepared in accordance with Rule 10-01 of Regulation S-X and, therefore, do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles. All adjustments of a normal recurring nature have been made, including appropriate estimates for reserves and provisions which are normally determined or settled at year end. In the opinion of the Company, however, the accompanying financial statements contain all adjustments (consisting solely of a normal recurring nature) necessary to present fairly Holdings' financial position as of March 31, 1994 and 1993 and December 31, 1993, the results of operations for the three months ended March 31, 1994 and 1993, and the statements of cash flows for the three months ended March 31, 1994 and 1993.

While the Company believes that the disclosures presented are adequate to make the information not misleading, it is suggested that these financial statements be read in conjunction with the financial statements and notes included in Holdings' Annual Report on Form 10-K for the year ended December 31, 1993.

In the first quarter of 1993, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 106 "Employers' Accounting for Postretirement Benefits Other than Pensions" and SFAS No. 109 "Accounting for Income Taxes". In the fourth quarter of 1993, the Company adopted SFAS No. 112 "Employers' Accounting for Postemployment Benefits" effective as of January 1, 1993. The cumulative effect of these changes in accounting methods aggregated \$6,276. The financial statements for the quarter ended March 31, 1993 have been restated to reflect the adoption of SFAS No. 112.

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SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 1994 and 1993 and for the
three months months then ended is unaudited)
(Dollars in thousands)

2. Inventories

Inventories consisted of the following:

	March 31, 1994	March 31, 1993	Dec. 31, 1993
Raw materials and supplies	\$ 27,274	\$ 20,181	26,458
Work-in-process	20,481	10,179	17,105
Finished goods	74,444	55,906	65,072
	122,199	86,266	108,635
Adjustment to value inventory at cost on the LIFO Method	1,810	(891)	18
	\$124,009	\$ 85,375	\$108,653

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Item 2.

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

RESULTS OF OPERATIONS

Three Months Ended March 31, 1994 Compared with
Three Months Ended March 31, 1993.

Net sales of metal containers were \$133.3 million for the three months ended March 31, 1994 (including net sales of \$50.4 million and \$35.5 million to Nestle Food Company ("Nestle") and Del Monte Corporation ("Del Monte"), respectively, during such period), an increase of \$36.0 million, or 37.0%, over net sales of metal containers of \$97.3 million for same period in 1993 (including net sales of \$57.8 million and \$2.0 million to Nestle and Del Monte, respectively, during the same period in 1993.) The increase in net sales for the three months ended March 31, 1994 as compared to the three months ended March 31, 1993 was primarily attributable to increased unit sales due to the acquisitions of all of the assets of Del Monte's container manufacturing business in the United States ("DM Can") in December 1993 and of an additional manufacturing facility in May 1993 and the earlier sales of containers to certain vegetable pack customers, offset, in part, by lower unit sales to Nestle and lower average sales prices.

Net sales of plastic containers increased \$2.1 million, or 4.4%, to \$50.0 million for the three months ended March 31, 1994, as compared to \$47.9 million for the same period in 1993. The increase in net sales was

principally attributable to a change in mix of products sold.

Sales of other containers totaled \$2.9 million for the three months ended March 31, 1994, compared to \$3.5 million for the same period in 1993.

Cost of goods sold was 87.8% of net sales (\$163.5 million) for the three months ended March 31, 1994, a decrease of 0.8 percentage points as compared to 88.6% of net sales (\$131.8 million) for the same period in 1993. The decrease in cost of goods sold as a percentage of net sales principally resulted from improved manufacturing efficiencies as a result of capital investments, increased margin contribution due to a change in the mix of products sold and economic benefits resulting from the acquisition of DM Can. Also, the purchase of an additional manufacturing facility in May 1993 increased production capacity and eliminated the Company's first quarter 1993 outsourcing requirement for which there was no margin contribution.

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RESULTS OF OPERATIONS (Continued)

Selling, general and administrative expenses as a percentage of net sales declined 0.9 percentage points to 4.6% of net sales (\$8.6 million) for the three months ended March 31, 1994, as compared to 5.5% (\$8.2 million) for the same period in 1993. The decrease as a percentage of net sales resulted from the Company's ability to absorb the increase in selling, general and administrative functions associated with the acquisition of DM Can with a modest increase in expenses, and by a decline in selling, general and administrative expenses of the Company's other existing business.

Income from operations as a percentage of net sales increased 1.8 percentage points to 7.6% (\$14.1 million) for the three months ended March 31, 1994, compared with 5.8% (\$8.7 million) for the same period in 1993. The increase in income from operations of \$5.4 million was attributable to the aforementioned increase in gross profit margin and the maintenance of a constant level of selling, general and administrative expenses.

Interest expense increased by approximately \$2.5 million to \$15.6 million for the three months ended March 31, 1994. The increase resulted from the incurrance of additional bank borrowings to finance the acquisition of DM Can, higher average interest rates, and higher accretion of interest on the discount debentures.

The provisions for income taxes for the three months ended March 31, 1994 and 1993 were comprised of state and foreign components and recognized the benefit of certain deductions for federal income tax purposes which are

available to Holdings.

As a result of the items discussed above, the net loss before cumulative effect of changes in accounting principles for the three months ended March 31, 1994 was \$2.2 million, \$2.6 million less than the loss for the three months ended March 31, 1993 of \$4.8 million.

Effective January 1, 1993, the Company adopted SFAS No. 106, SFAS No. 109 and SFAS No. 112. The cumulative effect of these accounting changes, for years prior to 1993, was to decrease the net loss by \$6.3 million.

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RESULTS OF OPERATIONS (Continued)

CAPITAL RESOURCES AND LIQUIDITY

The Company's liquidity requirements arise primarily from its obligations under the indebtedness incurred in connection with its acquisitions and the refinancing of such indebtedness, capital investment in new and existing equipment and the funding of the Company's seasonal working capital needs. Historically, the Company has met these liquidity requirements through cash flow generated from operating activities and borrowings of working capital loans.

For the first three months of 1994, the borrowing of working capital loans of \$3.6 million along with \$3.8 million of cash provided by operating activities were used to fund net capital expenditures of \$4.9 million and increase cash balances by \$2.5 million. The Company's earnings before depreciation, interest, taxes and amortization for the three months ended March 31, 1994 increased by \$7.2 million over the same period in the prior year to \$23.9 million. However, cash provided by operations during the first three months of 1994 declined slightly from the same period in 1993 because there was an increase in working capital needs in 1994. During the first three months of 1994 there was an increase in accounts receivable due to greater sales during the first quarter of 1994 and an increase in inventories due to the projected requirements for DM Can, offset by an increase in trade accounts payable resulting from the higher inventory levels.

Because the Company sells metal containers used in vegetable and fruit processing, its sales are seasonal. As a result, a significant portion of the Company's revenues are generated in the first nine months of the year. As is common in the packaging industry, the Company must access working capital to build inventory and then carry accounts receivable for some customers beyond the end of the summer and fall packing season. Seasonal accounts are generally settled by year end. Due to the Company's seasonal requirements, the Company expects to incur short term indebtedness to finance its working capital requirements, and it is estimated that

approximately \$50 million of the working capital revolver, including letters of credit, will be utilized at its peak in July 1994.

As of March 31, 1994, the outstanding principal amount of working capital loans was \$5.8 million and, subject to a borrowing base limitation and taking into account outstanding letters of credit, the unused portion of working capital commitments at such date was \$57.8 million.

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RESULTS OF OPERATIONS (Continued)

CAPITAL RESOURCES AND LIQUIDITY (Continued)

On December 21, 1993, Silgan Containers Corporation, an indirect wholly owned subsidiary of Holdings, acquired DM Can from Del Monte. To finance the acquisition, Silgan Corporation, a wholly owned subsidiary of Holdings ("Silgan"), and its subsidiaries entered into a credit agreement, which credit agreement also refinanced in full Silgan's prior credit agreement. In conjunction therewith, the banks party to the credit agreement loaned Silgan an aggregate of \$140 million of term loans and agreed to lend to Silgan's subsidiaries up to \$70 million of working capital loans. In addition, in conjunction with the acquisition, Holdings sold 250,000 shares of its Class B Common Stock for \$15 million.

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Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

On January 5, 1994, Silgan Holdings Inc. filed a Current Report on Form 8-K regarding the acquisition of the assets of Del Monte Corporation's metal food and beverage container manufacturing business in the United States.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned thereunto duly authorized.

SILGAN HOLDINGS INC.

Dated: May 13, 1994

/s/Harley Rankin, Jr.
Harley Rankin, Jr.
Executive Vice President, Chief
Financial Officer and Treasurer
(Principal Financial Officer)

Dated: May 13, 1994

/s/Harold J. Rodriguez, Jr.
Harold J. Rodriguez, Jr.
Vice President and Controller
(Chief Accounting Officer)