

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-07-12** | Period of Report: **1995-05-31**
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FILER

INTERNATIONAL MULTIFOODS CORP

CIK: **51410** | IRS No.: **410871880** | State of Incorporation: **DE** | Fiscal Year End: **0228**
Type: **10-Q** | Act: **34** | File No.: **001-06699** | Film No.: **95553349**
SIC: **2040** Grain mill products

Business Address
33 S SIXTH ST
P O BOX 2942
MINNEAPOLIS MN 55402-0942
6123403300

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 31, 1995

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
1-6699

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

Delaware

(State or other jurisdiction of incorporation or organization) 41-0871880
(I.R.S. Employer Identification No.)

33 South Sixth Street, Minneapolis, Minnesota 55402
(Address of principal executive offices) (Zip Code)

(612) 340-3300
(Registrant's telephone number, including area code)

(not applicable)
(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

The number of shares outstanding of the registrant's Common Stock, par value \$.10 per share, as of June 30, 1995 was 18,010,212.

PART I. FINANCIAL INFORMATION

INTERNATIONAL MULTIFOODS CORPORATION AND SUBSIDIARIES

Consolidated Condensed Statements of Earnings
(unaudited)
(in thousands, except per share amounts)

	THREE MONTHS ENDED	
	May 31, 1995	May 31, 1994
Net sales	\$ 634,644	\$ 547,907
Cost of sales	(534,716)	(448,988)
Gross profit	99,928	98,919
Delivery and distribution	(38,469)	(34,553)
Selling, general and administrative	(49,312)	(53,916)
Operating earnings	12,147	10,450
Financing costs:		
Interest, net	(5,125)	(3,355)
Foreign exchange losses on cash and equivalents	-	(2,033)
Total financing costs	(5,125)	(5,388)
Earnings before income taxes	7,022	5,062
Income taxes	(2,458)	(2,025)
Net earnings	\$ 4,564	\$ 3,037
Net earnings per share of common stock	\$.25	\$.17
Average shares of common stock outstanding	17,956	18,107
Dividends per share of common stock	\$.20	\$.20

See accompanying notes to consolidated condensed financial statements.

INTERNATIONAL MULTIFOODS CORPORATION AND SUBSIDIARIES

Consolidated Condensed Balance Sheets
(dollars in thousands)

	(Unaudited)	Condensed from audited financial statements
	May 31, 1995	February 28, 1995
Assets		

Current assets:		
Cash and equivalents	\$ 8,214	\$ 10,792
Trade accounts receivable, net	127,382	142,474
Inventories	250,057	256,878
Other current assets	70,649	61,553
Total current assets	456,302	471,697
Property, plant and equipment, net	231,945	228,025
Goodwill	109,308	108,636
Other assets	38,201	38,347
Total assets	\$835,756	\$846,705

Liabilities and Shareholders' Equity

Current liabilities:		
Notes payable	\$ 59,496	\$ 47,149
Current portion of long-term debt	11,083	11,083
Accounts payable	142,122	167,114
Other current liabilities	83,275	90,646
Total current liabilities	295,976	315,992
Long-term debt, net of current portion	189,789	183,087
Employee benefits and other liabilities	54,123	52,960
Total liabilities	539,888	552,039
Redeemable preferred stock	3,554	3,604
Shareholders' equity	292,314	291,062
Commitments and contingencies		
Total liabilities and shareholders' equity	\$835,756	\$846,705

See accompanying notes to consolidated condensed financial statements.

INTERNATIONAL MULTIFOODS CORPORATION AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows
(unaudited)
(dollars in thousands)

	THREE MONTHS ENDED	
	May 31, 1995	May 31, 1994
Cash flows from operations:		
Net earnings	\$ 4,564	\$ 3,037
Adjustments to reconcile net earnings to cash provided by (used for) operations:		
Depreciation and amortization	7,582	7,150
Deferred income tax expense	547	1,452
Provision for losses on receivables	2,601	809
Changes in operating assets and liabilities, net of business acquisitions and dispositions:		

Accounts receivable	14,187	(463)
Inventories	7,796	7,210
Other current assets	(10,818)	(6,098)
Accounts payable	(25,413)	(6,962)
Other current liabilities	(7,559)	(4,566)
Other, net	269	3,173
Cash provided by (used for) operations	(6,244)	4,742
Cash flows from investing activities:		
Business acquisitions	(5,275)	(3,950)
Capital expenditures	(5,370)	(8,028)
Proceeds from business disposition	-	20,595
Proceeds from other property disposals	675	507
Cash provided by (used for) investing activities	(9,970)	9,124
Cash flows from financing activities:		
Net increase in notes payable	12,197	7,326
Net increase (decrease) in long-term debt	5,862	(4,195)
Dividends paid	(3,695)	(3,733)
Proceeds from issuance of common stock	428	109
Purchase of treasury shares	(1,118)	(5,777)
Other, net	(45)	(6)
Cash provided by (used for) financing activities	13,629	(6,276)
Effect of exchange rate changes on cash and equivalents	7	(2,045)
Net increase (decrease) in cash and equivalents	(2,578)	5,545
Cash and equivalents at beginning of period	10,792	10,507
Cash and equivalents at end of period	\$ 8,214	\$16,052

See accompanying notes to consolidated condensed financial statements.

INTERNATIONAL MULTIFOODS CORPORATION AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements

(unaudited)

(1) In the opinion of the Company, the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting of only normal recurring adjustments, except as noted elsewhere in the notes to the consolidated condensed financial statements) necessary to present fairly its financial position as of May 31, 1995 and the results of its operations and cash flows for the three months ended May 31, 1995 and 1994. These statements are condensed and therefore do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The statements should be read in conjunction with the consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended February 28, 1995. The results of operations for the three months ended May 31, 1995 are not necessarily indicative of the results to be expected for the full year.

(2) Cost of sales - To more closely match costs with related revenues, the Company classifies the foreign exchange gains on Venezuelan local currency borrowings along with the inflation element inherent in interest rates on such borrowings as a component of cost of sales. Accordingly, an increase

of \$1,075,000 and a reduction of \$2,395,000 for the three months ended May 31, 1995 and 1994, respectively, are included in cost of sales.

(3) Businesses acquired - The Company acquired, with cash, certain businesses during fiscal 1996 and 1995. All acquisitions have been accounted for as purchases and, accordingly, the results of operations of the acquired businesses have been included since their respective dates of acquisition. The most significant acquisitions were as follows:

Fiscal	Business Segment	Name	Date Acquired
1996	Venezuela Foods	Ciudad Bolivar Corn Flour business	April 1995
1995	Foodservice Distribution	Distribution business of Leprino Foods	August 1994

The components of cash used for all acquisitions, as reflected in the consolidated condensed statements of cash flows, are summarized as follows (in thousands):

	Three Months Ended	
	May 31, 1995	May 31, 1994
Fair value of current assets	\$ 288	\$ -
Fair value of non-current assets, excluding goodwill	3,931	3,950
Goodwill	1,180	-
Liabilities assumed, principally current	(124)	-
Cash paid at closing	\$5,275	\$3,950

The following unaudited pro forma financial information assumes the Company's fiscal 1995 acquisition of the specialty foodservice distribution business of Leprino Foods Company had been completed on March 1, 1994, the beginning of fiscal 1995. It includes the financing costs of the acquisition as well as depreciation and amortization associated with the allocation of the purchase price to net tangible and intangible assets acquired. The pro forma information is not necessarily indicative of the combined results of operations that would have occurred had the acquisition been completed as of the beginning of fiscal 1995.

(in thousands, except earnings per share)	Three Months Ended
	May 31, 1994
Net sales	\$655,950
Net earnings	3,100
Net earnings per share of common stock	.17

(4) Unusual items - The following table summarizes the change in the Company's reorganization and integration reserves for the three months ended May 31, 1995 (in thousands):

<TABLE>
<CAPTION>

<S>	Foodservice Distribution		Bakery		Total Company
	Organizational Changes	Business Integration	Organizational Changes	Consolidation/Closing Facilities	
<C>	<C>	<C>	<C>	<C>	<C>

Reorganization and integration reserves at Feb. 28, 1995	\$ 792	\$ 4,406	\$4,310	\$2,997	\$12,505
Reserves utilized	(193)	(1,510)	(284)	(578)	(2,565)
Exchange rate effect	-	-	66	56	122
Reorganization and integration reserves at May 31, 1995	\$ 599	\$ 2,896	\$4,092	\$2,475	\$10,062

</TABLE>

(5) Financing costs consisted of the following (in thousands):

	Three Months Ended	
	May 31, 1995	May 31, 1994
Interest expense	\$5,547	\$3,695
Capitalized interest	(44)	(78)
Non-operating interest income	(378)	(262)
Interest, net	5,125	3,355
Foreign exchange losses	-	2,033
Total financing costs	\$5,125	\$5,388

Cash payments for interest, net of amounts capitalized, for the three months ended May 31, 1995 and 1994 were approximately \$5,634,000 and \$3,609,000, respectively.

Total interest income was \$675,000 and \$455,000 for the three months ended May 31, 1995 and 1994, respectively.

(6) Income taxes - Cash payments for income taxes for the three months ended May 31, 1995 and 1994 were \$1,900,000 and \$1,121,000, respectively.

(7) Supplemental balance sheet information (in thousands)

	May 31, 1995	Feb. 28, 1995
Trade accounts receivable, net:		
Trade	\$133,056	\$149,132
Allowance for doubtful accounts	(5,674)	(6,658)
Total trade accounts receivable, net	\$127,382	\$142,474
Inventories:		
Raw materials, excluding grain	\$ 31,034	\$ 25,683
Grain	54,730	65,402
Finished and in-process goods	154,425	158,497
Packages and supplies	9,868	7,296
Total inventories	\$250,057	\$256,878
Property, plant and equipment, net:		
Land	\$ 11,673	\$ 11,635
Buildings and improvements	90,204	87,739
Machinery and equipment	217,438	212,262
Transportation equipment	9,069	9,042
Improvements in progress	16,406	13,381
Accumulated depreciation	(112,845)	(106,034)
Total property, plant and equipment, net	\$231,945	\$228,025

(8) Segment information - The Company's business segments are as follows: Foodservice Distribution consists of U.S. vending distribution and limited-menu foodservice distribution and food exporting business; Bakery consists of U.S. and Canadian bakery products and consumer products in Canada, which includes primarily home baking products and condiments; Venezuela Foods consists of bakery products, consumer products for home baking and agricultural products; Divested Businesses consists principally of the frozen specialty foods and meats businesses which were divested in fiscal 1995 and the surimi seafood business which was divested in June 1995.

(in millions)	Net Sales	Operating Costs	Operating Earnings
Three Months Ended May 31, 1995			
Foodservice Distribution	\$416.4	\$ (410.8)	\$ 5.6
Bakery	108.0	(106.4)	1.6
Venezuela Foods	96.7	(90.2)	6.5
Divested Businesses	13.5	(11.9)	1.6
Corporate Expenses	-	(3.2)	(3.2)
Total	\$634.6	\$ (622.5)	\$12.1
Three Months Ended May 31, 1994			
Foodservice Distribution	\$293.3	\$ (288.3)	\$ 5.0
Bakery	104.1	(103.0)	1.1
Venezuela Foods	76.7	(74.2)	2.5
Divested Businesses	73.8	(69.3)	4.5
Corporate Expenses	-	(2.6)	(2.6)
Total	\$547.9	\$ (537.4)	\$10.5

INTERNATIONAL MULTIFOODS CORPORATION AND SUBSIDIARIES
Management's Discussion and Analysis of Results of
Operations and Financial Condition

(Unaudited)

Results of Operations:

For the first quarter ended May 31, 1995 compared with the corresponding prior period

Overview

The consolidated net earnings for the first quarter were \$4.6 million, or \$.25 per share, compared with net earnings of \$3.0 million, or \$.17 per share a year ago. Consolidated net sales increased 16% to \$634.6 million, compared with \$547.9 million in the first quarter last year. First quarter fiscal 1996 results included the limited-menu foodservice distribution business of Leprino Foods Company, which was acquired in August 1994. The prior year first quarter results included the Company's former Frozen Specialty Foods and Meats businesses, which were divested in June and May 1994, respectively.

Segment Results

Foodservice Distribution first quarter net sales increased 42% to \$416.4 million, compared with \$293.3 million a year ago. The increase was primarily from sales of the limited-menu distribution business of Leprino Foods Company acquired in August 1994. Net sales of the Company's vending distribution business were even with the same period last year. Foodservice Distribution's first quarter operating earnings increased 12% to \$5.6 million compared with \$5.0 million last year. Operating earnings increased primarily from earnings of the acquired limited-menu distribution business. The increase was partially offset by lower earnings in vending distribution which resulted from additional costs, including depreciation, associated with the implementation of a business information system.

Bakery first quarter net sales increased 4% to \$108.0 million, compared with \$104.1 million a year ago. Sales benefited from improved volumes in both commercial and consumer bakery products. First quarter operating earnings increased 45% to \$1.6 million compared with \$1.1 million in the first quarter last year. Operating earnings increased as a result of the improved volumes and the continued benefits of the fiscal 1994 reorganization of operations.

Venezuela Foods first quarter net sales increased 26% to \$96.7 million, compared with \$76.7 million a year ago. The increase was primarily the result of strong animal feed volumes, the current year benefit from the effect of the near-term stability from government imposed foreign exchange controls and the unfavorable impact in the prior year of a significant currency devaluation. Higher volumes in animal feed were the result of an increase in market share. First quarter operating earnings increased to \$6.5 million, compared with \$2.5 million last year. The improved earnings were primarily due to the comparison with a weak first quarter in fiscal 1995, which resulted from the large currency devaluation, as well as the volume improvement and the current year benefit of the stability of the local currency.

Divested Businesses first quarter net sales were \$13.5 million, compared with \$73.8 million in fiscal 1995. Operating earnings declined to \$1.6 million compared with \$4.5 million in the first quarter last year. The current fiscal year's first quarter results include only the Company's surimi seafood business, which was divested in June 1995 at a net gain. The net gain will be reported in the Company's second quarter results. Sales and earnings declined from the first quarter last year as a result of the fiscal 1995 divestitures of the Frozen Specialty Foods and Meats businesses. Earnings in the first quarter of fiscal 1996 also declined in the surimi seafood business as a result of higher raw material costs.

Non-operating Expense and Income

Net interest expense increased to \$5.1 million from \$3.3 million a year ago as a result of higher interest rates. In fiscal 1995, the Company recognized foreign exchange losses of \$2.1 million from local currency cash and equivalents in Venezuela. The loss resulted from a significant currency devaluation coupled with a temporary build-up of local currency cash and equivalents which was due to delays in obtaining U.S. dollars to settle certain U.S. dollar-denominated obligations.

Income Taxes

The first quarter effective tax rate was 35% compared to 40% a year ago. The decline was the result of a lower effective tax rate in Venezuela.

Financial Condition:

The Company's balance sheet at May 31, 1995 reflected the impact of working capital requirements and business acquisitions. The debt-to-total capitalization ratio was 47% at May 31, 1995 as compared to 45% at February 28, 1995.

In the first quarter of fiscal 1996, operating working capital increased \$21.8 million. Working capital requirements increased as a result of the timing of payments to suppliers along with payments associated with the Company's integration of its limited-menu distribution businesses and reorganization of operations. The decline in accounts receivable was primarily due to the timing of cash receipts.

Business acquisitions, which included a corn flour business in Venezuela, totaled \$5.3 million. The balance sheet impact from acquisitions is summarized in Note 3 to the consolidated condensed financial statements. In June 1995, the Company completed the divestiture of its surimi seafood business for \$48 million in cash. The net proceeds from the disposition were used to reduce debt obligations.

In May 1995, the Company entered into an \$84 million revolving credit agreement in Canada which expires in March 1997. The interest rate on borrowings under the new agreement is variable and based on current market factors. The new revolving credit agreement replaces a \$62 million revolving credit agreement in Canada and short-term lines of credit of approximately \$22 million. In the first quarter of fiscal 1996 the Company also replaced variable rate debt in the United States with \$20 million of notes under its medium-term note program. The notes mature in fiscal years 1999 to 2001 and have interest rates ranging from 6.75% to 7%.

In June 1995, the Company's Board of Directors approved the redemption of all of the Company's outstanding shares of Cumulative Redeemable Sinking Fund First Preferred Capital Stock at a redemption price of \$105 per share. The Company expects to complete the redemption on September 1, 1995. The Company will fund the redemption, which will total approximately \$3.7 million, with borrowings.

PART II

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

11. Computation of Earnings Per Share.
12. Computation of Ratio of Earnings to Fixed Charges.
27. Financial Data Schedule.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended

May 31, 1995.

SIGNATURE

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.

INTERNATIONAL MULTIFOODS CORPORATION

Date: July 12, 1995

By /s/ Duncan H. Cocroft
Duncan H. Cocroft
Vice President - Finance and
Chief Financial Officer
(Principal Financial Officer and
Duly Authorized Officer)

EXHIBIT INDEX

11. Computation of Earnings Per Share.
12. Computation of Ratio of Earnings to Fixed Charges.
27. Financial Data Schedule.

Exhibit 11

INTERNATIONAL MULTIFOODS CORPORATION AND SUBSIDIARIES

Schedule of Computation of Earnings per Share
(unaudited)

(in thousands, except per share amounts)

	THREE MONTHS ENDED	
	May 31, 1995	May 31, 1994
Average shares of common stock outstanding	17,956	18,107
Common stock equivalents	75	11
Total common stock and equivalents assuming full dilution	18,031	18,118
Net earnings	\$4,564	\$3,037
Less dividends on redeemable preferred stock	(42)	(42)
Net earnings applicable to common stock	\$4,522	\$2,995
Earnings per share of common stock:		
Primary	\$.25	\$.17
Fully diluted	\$.25	\$.17

Primary earnings per share has been computed by dividing net earnings, after deduction of preferred stock dividends, by the weighted average number of shares of common stock outstanding during the period. Common stock options and other common stock equivalents have not entered into the primary earnings per share computations since their effect is not significant.

Fully diluted earnings per share has been computed assuming issuance of all shares for stock options deemed to be common stock equivalents, using the treasury stock method.

Exhibit 12

INTERNATIONAL MULTIFOODS CORPORATION AND SUBSIDIARIES

Schedule of Computation of Ratio of Earnings to Fixed Charges
(unaudited)

(dollars in thousands)

	THREE MONTHS ENDED	
	May 31, 1995	May 31, 1994
Earnings before income taxes	\$ 7,022	\$ 5,062
Plus: Fixed charges (1)	7,988	6,010
Less: Capitalized interest	(44)	(78)
Earnings available to cover fixed charges	\$14,966	\$10,994
Ratio of earnings to fixed charges	1.87	1.83

(1) Fixed charges consisted of the following:

	THREE MONTHS ENDED	
	May 31, 1995	May 31, 1994
Interest expense, gross	\$ 5,547	\$ 3,695
Rentals (1/3)	2,441	2,315
Total fixed charges	\$ 7,988	\$ 6,010

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED CONDENSED BALANCE SHEET, STATEMENTS OF OPERATIONS AND CASH FLOWS AND ACCOMPANYING NOTES AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS AND NOTES.

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