

# 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

#### **GREAT LAKES CHEMICAL CORP**

CIK: **43362** | IRS No.: **951765035** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **001-06450** | Film No.: **94527754**  
SIC: **2800** Chemicals & allied products

Business Address  
*HIGHWAY 52 NORTHWEST  
WEST LAFAYETTE IN 47906  
3174976100*

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  
 Commission file number 1-6450

GREAT LAKES CHEMICAL CORPORATION  
 (Exact name of registrant as specified in its charter)

DELAWARE	95-1765035
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

ONE GREAT LAKES BOULEVARD	
P. O. BOX 2200	
WEST LAFAYETTE, INDIANA	47906
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 317-497-6100

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	X
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.

One Class - 71,344,518	Shares as of March 31, 1994
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Part 1 - Financial Statements

GREAT LAKES CHEMICAL CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS

<TABLE>  
 <CAPTION>

	March 31 1994	December 31 1993
	-----	-----
	(thousands	of dollars)
Assets		
<S>	<C>	<C>
Current Assets		
Cash and cash equivalents	\$ 244,449	\$ 179,734
Accounts receivable, less allowance of \$7,223 (1993 - \$7,088)	427,507	383,129
Inventories		
Finished products	210,621	190,867
Raw materials	49,762	54,333

Supplies	30,151	29,862
Total inventories	290,534	275,062
Prepaid Expenses	13,908	18,994
Total current assets	976,398	856,919
Plant and Equipment	846,444	830,784
Less allowance for depreciation	(371,467)	(362,774)
Net plant and equipment	474,977	468,010
Excess of Investment over Net Assets of Subsidiaries Acquired	350,021	341,079
Investments in and Advances to Unconsolidated Affiliates	189,627	185,789
Other Assets	50,517	49,067
	\$2,041,540	\$1,900,864

</TABLE>

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GREAT LAKES CHEMICAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS (CONTINUED)

<TABLE>

<CAPTION>

	March 31 1994	December 31 1993
	-----	-----
	(thousands of dollars)	
Liabilities and Stockholders' Equity		
<S>	<C>	<C>
Current Liabilities		
Notes payable	\$ 15,902	\$ 10,253
Accounts payable	148,061	136,957
Accrued expenses	87,746	92,612
Income taxes	129,619	109,746
Dividends payable	6,777	6,415
Current portion of long-term debt	12,010	11,757
	-----	-----
Total current liabilities	400,115	367,740
Long-Term Debt, less Current Portion	95,716	61,041
Other Non-Current Liabilities	125,702	123,618
Deferred Income Taxes	76,044	73,298
Minority Interest	20,647	18,604
Stockholders' Equity		
Common stock, \$1 par value, authorized 200,000,000 shares, issued 71,887,718 shares (1993 - 71,817,996 shares)	71,888	71,818
Paid-in capital	108,237	107,268
Retained earnings	1,220,279	1,160,173
Cumulative translation adjustment	(48,955)	(54,563)
Treasury stock at cost 543,200 shares	(28,133)	(28,133)
	-----	-----

Total stockholders' equity	1,323,316	1,256,563
	-----	-----
	\$2,041,540	\$1,900,864
	-----	-----
	-----	-----

</TABLE>

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GREAT LAKES CHEMICAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME

<TABLE>  
<CAPTION>

	Three Months Ended March 31	
	1994	1993
	-----	-----
	(thousands of dollars except per share data)	
<S>	<C>	<C>
Revenues		
Net sales	\$448,676	\$430,176
Equity in earnings of affiliates and other income	11,062	6,406
	-----	-----
Total revenues	459,738	436,582
Costs and Expenses:		
Cost of products sold	288,605	272,995
Selling, administrative and research expenses	56,051	59,570
Interest and other expenses	10,417	7,295
	-----	-----
Total costs and expenses	355,073	339,860
	-----	-----
Income Before Taxes and Minority Interest	104,665	96,722
Minority Interest in Income of Subsidiaries	7,981	7,780
	-----	-----
Income Before Taxes	96,684	88,942
Income Taxes (Note B)	29,800	24,700
	-----	-----
Net Income	\$ 66,884	\$ 64,242
	-----	-----
Net Income per Share	\$0.940	\$0.900
	-----	-----
Dividends Declared per Share	\$0.095	\$0.085
	-----	-----
Average Shares Outstanding	71,308,272	71,427,379

</TABLE>

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GREAT LAKES CHEMICAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31	
	1994	1993
	(thousands of dollars)	
	<C>	<C>
<b>&lt;S&gt;</b>		
Operating Activities		
Net Income	\$ 66,884	\$ 64,242
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,968	20,470
Unremitted earnings of affiliates	(2,265)	(513)
Changes in deferred items and other	2,271	(2,628)
	-----	-----
Cash provided by operations excluding changes in working capital	89,858	81,571
Changes in working capital other than debt, net of effects from business combinations	(32,503)	(47,051)
	-----	-----
Net Cash Provided by Operating Activities	57,355	34,520
Investing Activities		
Plant and equipment additions	(24,169)	(18,184)
Business combinations, net of cash acquired	(16,667)	(50,547)
Other	12,907	4,344
	-----	-----
Net Cash Used in Investing Activities	(27,929)	(64,387)
Financing Activities		
Net repayment and borrowings under short-term credit lines	5,775	3,117
Proceeds from long-term borrowings	443	27,207
Net increase in commercial paper and other long-term obligations	35,119	26,778
Cash dividends declared	(6,777)	(6,073)
Other liabilities	1,687	(3,416)
	-----	-----
Net Cash Provided by Financing Activities	36,247	47,613
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(958)	(1,011)
	-----	-----
Increase in Cash and Cash Equivalents	64,715	16,735
Cash and Cash Equivalents at Beginning of Year	179,734	140,801
	-----	-----
Cash and Cash Equivalents at End of Period	\$244,449	\$157,536
	-----	-----
	-----	-----
<b>&lt;/TABLE&gt;</b>		

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS  
OF OPERATIONS AND FINANCIAL CONDITION  
FOR THE THREE MONTHS ENDED MARCH 31, 1994

RESULTS OF OPERATIONS

Revenues for the 1994 first quarter amounted to \$460 million, an increase of 5% over the \$437 million reported in 1993. Net income amounted to \$67 million, or

\$0.94 per share, a 4% increase over the \$64 million, or \$0.90 per share, in the prior year quarter. Both revenues and earnings represent record results for the reporting period.

First quarter sales of \$449 million increased \$19 million over the \$430 million in the 1993 period. Comparative sales by product group are as follows:

<TABLE>  
<CAPTION>

	First Quarter	
	1994	1993
	(\$-millions)	
<S>	<C>	<C>
Performance Chemicals	\$165	\$143
Water Treatment	91	84
Petroleum Additives	121	135
Specialized Services & Manufacturing	72	68
	----	----
	\$449	\$430
	----	----
	----	----

</TABLE>

On an overall basis, the sales improvement resulted from net increases in selling prices amounting to \$15 million, and acquisitions concluded in the middle of 1993 adding \$20 million. Offsetting these positives were volume declines of \$4 million; lost sales on business dispositions, \$8 million; and currency impacts, \$4 million.

Price improvement achieved in Octel's alkyl lead antiknock compound business were partially offset by continuing price pressure on QO's furfural-based products and some competitive activity in recreational water treatment chemicals. The acquisition of AquaChem, a supplier of swimming pool and spa chemicals to mass merchants, completed in May 1993 and Chemische Werke Lowi, a German-based manufacturer of antioxidants and UV absorbers acquired in June 1993, added to the sales improvement. Volume improvements were achieved in all of the Company's operating units except Octel.

Advancements of particular note were made by the Company's flame retardant products where demand remained strong in the United States and the Pacific Rim. The swimming pool and spa chemicals season is off to a fast start in the U.S. while gains in Europe were held back by a lingering recession.

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Alkyl lead additive tonnage declined about 25% from the prior year quarter, substantially more than the anticipated rate of attrition, due to container shortages and shipping delays to customers in Russia and the Far East and the temporary lack of hard currency for customers in Iran and Russia. Most of the volume shortfall is expected to be made up over the balance of the year.

The negative currency effects are related principally to Chemol, the Company's Hungarian trading company; relative to the dollar, the Forint decreased about 20% in value from a year ago.

Equity in earnings of affiliates and other income increased \$4.7 million over the prior year as a result of a turnaround at Huntsman Chemical Corporation and some one-time gains, including that recognized on the sale of the Purex swimming pool equipment business.

Gross profit margins at 35.7% were off 0.8 points from the 1993 first quarter. The mix of sales shifted slightly away from the higher margin fuel additives, and price and production gains were not sufficient to offset the overall decrease in volume and higher costs, particularly for chlorine and energy used in bromine production.

Selling, administrative and research expenses of \$56 million declined \$4 million from a year ago, reflecting the continued effectiveness of cost control programs and the reorganization of certain European operations.

The Company's effective income tax rate was 30.8% for the quarter, 3.0 points higher than a year ago, primarily due to the 1993 quarter benefiting from the adoption of FAS No. 109, "Accounting for Income Taxes."

## FINANCIAL CONDITION

Cash provided by operating activities amounted to \$57 million, an increase of \$22 million over the year-ago period. Working capital, exclusive of cash and debt, increased \$33 million from year end, reflecting the seasonal effects of the recreational water treatment business on inventories and accounts receivable.

Plant and equipment additions were \$24 million and in line with anticipated capital spending in the \$100 million range for the year.

Long-term debt and notes payable increased \$41 million from year end due to increased commercial paper borrowings. Commercial paper borrowings are used to supplement seasonal working capital requirements and for interest rate arbitrage opportunities.

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A dividend of \$0.095 per share was declared in the quarter and paid on May 3, 1994, for a total of \$6.8 million.

### OTHER MATTERS

The Company completed the acquisition of EniChem Synthesis S.P.A. (renamed GLCI) on April 21, 1994, for approximately \$90 million in cash. Headquartered in Milan, Italy, the company is a leading manufacturer of antioxidants and UV absorbers. Annual revenues should approach \$90 million. The company operates manufacturing facilities in Pedrengo and Ravenna, Italy, and a research and development center in Bolgiano. The acquisition complements the Company's existing polymer additives business by bringing an extensive line of new products and technology. Also, the acquisition creates synergies and cost reduction opportunities in supplying a worldwide customer base.

On May 10, 1994, the Company completed the acquisition of CPC Hydrachem, a U.K.-based packager and distributor of pool and spa chemicals and equipment, for approximately \$3 million. CPC, with annual sales of approximately \$7 million, provides a significant addition to the Company's share of the European recreational water treatment market.

On May 5, 1994, the Board of Directors authorized management to purchase up to an additional one million shares of the Company's outstanding stock. Combined with a prior authorization, a total of approximately 1.5 million shares can be repurchased.

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## GREAT LAKES CHEMICAL CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE A - Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position and results of operations.

It is management's opinion, however, that all material adjustments (consisting of normal recurring accruals) have been made which are necessary for a fair financial statement presentation. The results for the interim period are not necessarily indicative of the results to be expected for the year.

Effective January 1, 1994, the company adopted FAS No. 112 "Employers' Accounting for Postemployment Benefits." Implementation of the standard resulted in an after-tax charge of approximately \$1 million.

For further information, refer to the consolidated financial statements and footnotes included in the Company's annual report on Form 10-K for the year ended December 31, 1993.

NOTE B - Income Taxes

The provision for income taxes at the effective tax rates reconciles with the statutory U.S. Federal tax rate as follows:

<TABLE>  
<CAPTION>

	Three Months Ended March 31	
	1994	1993
<S>	<C>	<C>
Statutory U.S. Federal tax rate	35.0%	34.0%
Increase (decrease) in taxes resulting from:		
FAS No. 109	---	(3.4)
Other	(4.2)	(2.8)
	30.8%	27.8%

</TABLE>

The company adopted FAS No. 109, "Accounting for Income Taxes" January 1, 1993. The cumulative effect of the change was to decrease income taxes by \$3 million for the three months ended March 31, 1993.

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Part II. Other Financial Information

Item 6. Exhibits and Reports on Form 8-K

The company did not file, nor was it required to file, a Form 8-K because of a change in independent auditors or because of any material unusual charges or credits to income occurring during the quarter for which this report was filed.

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.

Date May 11, 1994  
-----  
By /s/ Robert T. Jeffares  
-----  
Robert T. Jeffares, Senior Vice  
President and Chief Financial Officer

Date May 11, 1994  
-----  
By /s/ Robert J. Smith  
-----  
Robert J. Smith, Controller

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