

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-02-10** | Period of Report: **1993-12-31**
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FILER

LANCASTER COLONY CORP

CIK: **57515** | IRS No.: **131955943** | State of Incorporation: **OH** | Fiscal Year End: **0630**
Type: **10-Q** | Act: **34** | File No.: **000-04065** | Film No.: **94505785**
SIC: **3060** Fabricated rubber products, nec

Business Address
37 W BROAD ST
COLUMBUS OH 43215
6142247141

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 quarterly period ended December 31, 1993

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 0-4065-1

LANCASTER COLONY CORPORATION
(Exact name of registrant as specified in its charter)

OHIO
(State or other jurisdiction of
incorporation or organization)

13-1955943
(I.R.S. Employer Identification No.)

37 WEST BROAD STREET, COLUMBUS, OHIO 43215
(Address of principal executive offices)
(Zip Code)

614-224-7141
(Registrant's telephone number, including area code)

NONE
(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, and (2) has been subject to such filing
requirements for the past 90 days. Yes No

As of December 31, 1993, there were 22,668,616 shares of common stock, no par
value per share, outstanding.

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LANCASTER COLONY CORPORATION AND SUBSIDIARIES

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LANCASTER COLONY CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

	December 31 1993	June 30 1993
	-----	-----
	(Unaudited)	
<S>	<C>	<C>
ASSETS		
Current Assets:		
Cash and equivalents	\$ 20,466,000	\$ 16,502,000
Receivables	83,539,000	70,844,000
Less allowance for doubtful accounts	3,302,000	2,870,000
Receivables - net	80,237,000	67,974,000
Inventories:		
Raw materials and supplies	25,749,000	22,331,000
Finished goods and work in process	74,886,000	72,900,000
Total inventories	100,635,000	95,231,000
Prepaid expenses and other current assets	9,087,000	8,483,000
Total current assets	210,425,000	188,190,000

Property, Plant and Equipment - At cost	256,972,000	249,801,000
Less Accumulated Depreciation	159,644,000	151,204,000
	-----	-----
Property, plant and equipment - net	97,328,000	98,597,000
Other Assets	18,287,000	15,263,000
	-----	-----
Total Assets	\$326,040,000	\$302,050,000
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:

Current portion of long-term debt	\$ 1,648,000	\$ 1,797,000
Accounts payable	28,315,000	26,334,000
Accrued liabilities	37,384,000	33,411,000
	-----	-----
Total current liabilities	67,347,000	61,542,000

Long-Term Debt - Less current portion	33,725,000	34,586,000
Other Noncurrent Liabilities	8,968,000	8,852,000
Deferred Income Taxes	3,815,000	5,060,000

Shareholders' Equity:

Preferred stock - authorized 2,650,000 shares issuable in series; Class A - \$1.00 par value, authorized 350,000 shares; Class B and C - no par value, authorized 1,150,000 shares each; outstanding - none		
Common stock - authorized 35,000,000 shares; issued December 31, 1993 - no par value - 22,881,616 shares; June 30, 1993 - no par value - 22,830,680 shares	22,441,000	20,572,000
Retained earnings	202,024,000	179,835,000
Foreign currency translation adjustment	537,000	605,000
	-----	-----
Total	225,002,000	201,012,000

Less:

Common stock in treasury, at cost		
December 31, 1993 - 213,000 shares;		
June 30, 1993 - 114,000 shares	7,703,000	3,888,000
Amount due from ESOP	5,114,000	5,114,000
	-----	-----
Total shareholders' equity	212,185,000	192,010,000

Total Liabilities and Shareholders' Equity	\$326,040,000	\$302,050,000
	=====	=====

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See Notes to Consolidated Condensed Financial Statements
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LANCASTER COLONY CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(UNAUDITED)

	Three Months Ended		Six Months Ended	
	December 31		December 31	
	1993	1992	1993	1992
<S>	<C>	<C>	<C>	<C>

Net Sales	\$192,757,000	\$170,783,000	\$365,578,000	\$323,075,000
Cost of Sales	130,555,000	114,823,000	248,968,000	219,535,000
Gross Margin	62,202,000	55,960,000	116,610,000	103,540,000
Selling, General and Administrative Expenses	36,457,000	35,365,000	68,305,000	64,893,000
Operating Income	25,745,000	20,595,000	48,305,000	38,647,000
Other Income (Expense):				
Interest expense	(802,000)	(990,000)	(1,496,000)	(1,979,000)
Interest income and other - net	184,000	(68,000)	203,000	(19,000)
Income Before Income Taxes	25,127,000	19,537,000	47,012,000	36,649,000
Taxes Based on Income	9,610,000	7,500,000	18,475,000	14,071,000
Net Income	\$ 15,517,000	\$ 12,037,000	\$ 28,537,000	\$ 22,578,000
Net Income Per Common Share	\$.68	\$.53	\$1.25	\$.99
Cash Dividends Per Common Share	\$.15	\$.13	\$.28	\$.24
Weighted Average Common Shares Outstanding	22,762,669	22,864,031	22,757,640	22,861,215

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See Notes to Consolidated Condensed Financial Statements
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LANCASTER COLONY CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended December 31	
	1993	1992
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$28,537,000	\$22,578,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,921,000	10,780,000
Deferred income taxes and other noncash charges	(329,000)	(1,012,000)
Gain on sale of property	(18,000)	(17,000)
Changes in operating assets and liabilities:		
Receivables	(12,263,000)	(7,949,000)
Inventories	(3,739,000)	4,499,000

Prepaid expenses and other current assets	(604,000)	(2,327,000)
Accounts payable	1,981,000	2,285,000
Accrued liabilities	3,973,000	(1,019,000)
	-----	-----
Net cash provided by operating activities	29,459,000	27,818,000
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition	(5,438,000)	
Payments on property additions	(9,390,000)	(9,660,000)
Proceeds from sale of property	90,000	29,000
Other - net	(1,456,000)	(625,000)
	-----	-----
Net cash used in investing activities	(16,194,000)	(10,256,000)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of treasury stock	(3,815,000)	
Payment of dividends	(6,348,000)	(5,470,000)
Payments on long-term debt	(1,010,000)	(1,604,000)
Common stock issued upon exercise of stock options including related tax benefits	1,869,000	220,000
Payments on short-term bank loans		(7,500,000)
	-----	-----
Net cash used in financing activities	(9,304,000)	(14,354,000)
	-----	-----
Effect of exchange rate changes on cash	3,000	(113,000)
	-----	-----
Net change in cash and equivalents	3,964,000	3,095,000
Cash and equivalents at beginning of year	16,502,000	7,418,000
	-----	-----
Cash and equivalents at end of period	\$20,466,000	\$10,513,000
	=====	=====
SUPPLEMENTAL DISCLOSURE OF OPERATING CASH FLOWS:		
Cash paid during the period for:		
Interest	\$ 1,484,000	\$ 1,963,000
	=====	=====
Income taxes	\$18,992,000	\$17,912,000
	=====	=====

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See Notes to Consolidated Condensed Financial Statements
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LANCASTER COLONY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
FOR THE PERIODS ENDED DECEMBER 31, 1993 AND 1992

- (1) The interim consolidated condensed financial statements are unaudited but, in the opinion of management, reflect all adjustments necessary for a fair presentation of the results of operations and financial position for such periods. All such adjustments reflected in the interim consolidated condensed financial statements are considered to

be of a normal recurring nature. The results of operations for any interim period are not necessarily indicative of results for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's annual report on Form 10-K for the year ended June 30, 1993.

- (2) Net income per common share is computed based on the weighted average number of shares of common stock and common stock equivalents (stock options) outstanding during each period.
- (3) On April 15, 1993, a four-for-three stock split was effected whereby one additional common share was issued for each three shares outstanding to shareholders of record on March 15, 1993. Accordingly, all per share data and the weighted average common shares outstanding for the three and six month periods ended December 31, 1992 in the accompanying consolidated condensed financial statements have been retroactively adjusted for this split.
- (4) As approved by its shareholders, the Company has an incentive stock option plan by which 2,718,751 common shares may be issued under options granted pursuant to terms of the plan. As of December 31, 1993, employee options for 1,975,702 shares have been granted and 1,712,483 have been exercised.
- (5) In July 1993, the Company acquired substantially all of the net operating assets and customer base of Romanoff International, a specialty food marketer of caviar and other specialty food products, for cash of approximately \$5,438,000. Its results of operations have been included in the accompanying consolidated condensed financial statements since the date of acquisition and are immaterial in relation to the consolidated totals.

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LANCASTER COLONY CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE
RESULTS OF OPERATIONS AND FINANCIAL CONDITION
FOR THE PERIODS ENDED DECEMBER 31, 1993 AND 1992

RESULTS OF OPERATIONS

Net sales of \$192,757,000 and \$365,578,000 for the three and six months ended December 31, 1993 increased 12.9% and 13.2%, respectively, over the comparable periods of 1992. Cyclical improvements in domestic new vehicle sales led to increased sales of the Automotive segment's products, both with respect to automotive floor mats sold to original equipment manufacturers and aftermarket items associated with light trucks and vans. Despite increased market competition among certain product lines, sales of the Specialty Foods segment continued to achieve growth during these periods primarily as a result of greater market penetration and the impact of recently introduced products. Similar factors affecting the sales of candle products contributed to improvement in the net sales of the Glassware and Candles segment.

The Company's consolidated gross margin percentages were 32.3% and 31.9% for the respective three- and six-month periods ended December 31, 1993, which overall are comparable to the related periods of 1992 of 32.8% and 32.0%. Consolidated gross margins in 1993 have benefitted from the Glassware and Candles segment experiencing a favorable sales mix and greater manufacturing efficiencies. Specialty Foods margins were adversely affected in the most recent quarter by increases in certain food commodity costs as caused by the adverse weather conditions experienced in the summer of 1993. This impact was most significant to the Specialty Foods segment in its effect on the cost of soybean oil, a primary ingredient in several product lines of this segment.

Where applicable, sales prices are being adjusted so as to at least partially offset the effects of the increased production costs.

Interest expense totalled \$802,000 and \$1,496,000 for the three and six months ended December 31, 1993, respectively, a decrease from the prior year's comparable totals of \$990,000 and \$1,979,000. This improvement reflects lower average outstanding borrowings.

The overall effective income tax rate for the three months ended December 31, 1993 was 38.2% compared to 38.4% in 1992. For the 1993 six-month period, this percentage was 39.3% compared to 38.4% in 1992. The latter fluctuation results primarily from the effects of the Omnibus Budget Reconciliation Act of 1993 which was enacted in August 1993. This legislation increased the Company's Federal statutory rate from 34% to 35% during the current year and future periods. Additionally, the overall effective rate increased for the six months due to a charge of \$400,000 being provided in August for the cumulative effect of the Act's retroactive provisions to July 1, 1993.

The foregoing factors combined to permit the Company's net income to increase by 28.9% and 26.4% to \$15,517,000 and \$28,537,000 for the respective 1993 periods compared to the 1992 comparable totals of \$12,037,000 and \$22,578,000.

FINANCIAL CONDITION

As of December 31, 1993, the Company's net working capital totalled \$143,078,000 compared to \$126,648,000 at June 30. The current ratio has remained unchanged between these two dates at approximately 3.1:1. Net accounts receivable increased \$12,263,000 since June 30 to \$80,237,000, which is reflective of the increase in sales which occurred in the quarter ending December 31.

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For the six months ended December 31, 1993, net cash provided by operating activities totalled \$29,459,000 compared to \$27,818,000 in the corresponding period of 1992. Non-operating uses of cash included \$5,438,000 for the July 1993 acquisition of the net operating assets and customer base of a specialty foods marketer. Additionally, the current year cash dividends on the Company's common stock increased 16.1%, which primarily reflects a higher effective dividend rate. Capital expenditures through December 1993 of \$9,390,000 are comparable to 1992 levels.

Including both short- and long-term debt within total capitalization, such debt was 14.3% of total capitalization at December 31 compared to 15.9% as of June 30. The Company continues to maintain discretionary bank lines of credit in excess of \$150,000,000 as a contingent source of short-term financing for future working capital or other temporary cash requirements.

PART II. OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

In its Annual Report on Form 10-K for the fiscal year ended June 30, 1993, the registrant reported that the United States had filed an action against it and Pretty Products, Inc. ("Pretty Products") pursuant to Section 107 of the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") seeking recovery of response costs incurred or to be incurred by the United States Environmental Protection Agency ("U.S. EPA") in connection with the clean-up of the Coshocton City Landfill. The litigation, which was expected to come to trial during the first half of 1994, has been temporarily halted to enable the parties to pursue settlement discussions. The parties have reached agreement on certain key issues but no binding settlement

agreement or consent decree has been executed. The parties have informed the Court that they anticipate submitting a proposed consent decree during 1994. It remains the opinion of management that the ultimate resolution of this matter will not have a material adverse affect on the registrant's financial condition or results of operations.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

- (b) Reports on Form 8-K - There were no reports filed on Form 8-K for the three months ended December 31, 1993.

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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.

LANCASTER COLONY CORPORATION

Date: February 9, 1994

BY: /S/ John B. Gerlach

JOHN B. GERLACH
President and Chief
Financial Officer

Date: February 9, 1994

BY: /S/ John L. Boylan

JOHN L. BOYLAN
Treasurer and
Assistant Secretary

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