

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

**SIGMA ALDRICH CORP**

CIK: **90185** | IRS No.: **431050617** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **000-08135** | Film No.: **94527734**  
SIC: **5160** Chemicals & allied products

Business Address  
3050 SPRUCE ST  
ST LOUIS MO 63103  
3147715765

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 March 31, 1994

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the transition period from

Commission file number 0-8135

SIGMA-ALDRICH CORPORATION  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)  
43-1050617

(I.R.S. Employer Identification No.)  
3050 Spruce Street, St. Louis, Missouri 63103  
(Address of principal executive office)

(Registrant's telephone number, including area code) 314 771-5765

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

There were 49,827,779 shares of the Company's \$1.00 par value common stock outstanding on April 30, 1994.

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

<TABLE>

Sigma-Aldrich Corporation and Subsidiaries  
Consolidated Statements of Income (unaudited)

(in thousands except per share amounts)

<CAPTION>

	Three Months Ended March 31,	
	1994	1993
<S>	<C>	<C>
Net Sales	\$208,458	\$180,013
Cost of products sold	95,308	81,639
Gross profit	113,150	98,374
Selling, general and administrative expenses	67,203	56,757
Income before income taxes and cumulative effect of accounting changes	45,947	41,617
Provision for income taxes	16,219	14,649
Income before cumulative effect of accounting changes	29,728	26,968
Cumulative effect of accounting changes	-	(10,806)
Net income	\$ 29,728	\$ 16,162
Weighted average shares outstanding	49,825	49,798
Income per share before cumulative effect of accounting changes	\$ 0.60	\$ 0.54
Cumulative effect of accounting changes	-	(0.22)
Net income per share	\$ 0.60	\$ 0.32
Dividends per share	\$ 0.0825	\$ 0.0725

See accompanying notes to consolidated financial statements.

</TABLE>

<TABLE>

Sigma-Aldrich Corporation and Subsidiaries  
Consolidated Balance Sheets  
(in thousands)

<CAPTION>

Assets	March 31, 1994	December 31, 1993
--------	-------------------	----------------------

<S>	<C> (unaudited)	<C>
Current assets:		
Cash	\$ 5,608	\$ 989
Temporary cash investments	8,122	9,263
Accounts receivable, net of allowance for doubtful accounts	134,145	113,439
Inventories	315,927	305,487
Other current assets	22,178	21,629
Total current assets	485,980	450,807
Property, plant and equipment:		
Land	26,880	24,658
Buildings and improvements	176,514	166,319
Machinery and equipment	205,006	203,127
Construction in progress	40,844	31,432
Less-Accumulated depreciation	(177,951)	(168,214)
Net property, plant and equipment	271,293	257,322
Other assets	44,451	45,302
	\$801,724	\$753,431
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes payable	\$ 49,472	\$ 36,747
Current maturities of long-term debt	1,022	955
Accounts payable	34,282	43,967
Accrued payroll and other expenses	29,082	25,479
Accrued income taxes	15,203	4,209
Total current liabilities	129,061	111,357
Long-term debt	16,379	17,266
Deferred postretirement benefits	25,178	24,559
Deferred compensation	7,981	9,109
Stockholders' equity:		
Common stock, \$1.00 par value, 100,000 shares authorized, 49,828 and 49,805 shares outstanding, respectively	49,828	49,805
Capital in excess of par value	9,922	8,883
Retained earnings	563,729	538,111
Cumulative translation adjustments	(354)	(5,659)
Total stockholders' equity	623,125	591,140
	\$801,724	\$753,431

See accompanying notes to consolidated financial statements.

</TABLE>

<TABLE>

Sigma-Aldrich Corporation and Subsidiaries  
Consolidated Statements of Cash Flows (unaudited)  
(in thousands)

<CAPTION>

	Three Months Ended March 31,	
	1994	1993
Cash flows from operating activities:		
<S>	<C>	<C>
Net income	\$ 29,728	\$ 16,162
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of accounting changes	---	10,806
Depreciation and amortization	9,539	7,661
Deferred tax provision	147	(434)
Postretirement benefits expense	842	651
Deferred compensation expense	379	1,625
Deferred compensation payments	(623)	(523)
Increase in accounts receivable	(19,469)	(26,425)
Increase in inventories	(8,086)	(4,230)
Increase in other current assets	(156)	(1,656)
Decrease in accounts payable	(9,877)	(645)
Increase in accrued payroll and other expenses	2,872	6,943
Increase in accrued income taxes	10,896	10,312
Net cash provided by operating activities	16,192	20,247
Cash flows from investing activities:		
Property, plant and equipment additions	(20,120)	(6,495)
Sale of property, plant and equipment	10	112
Other, net	(1,027)	647
Net cash used in investing activities	(21,137)	(5,736)
Cash flows from financing activities:		
Issuance (repayment) of notes payable	12,711	(696)
Repayment of long-term debt	(987)	(117)
Payment of dividends	(4,110)	(3,610)
Exercise of employee stock options	179	142
Net cash provided by (used in) financing activities	7,793	(4,281)
Effect of exchange rate changes on cash	630	485
Net change in cash and cash equivalents	3,478	10,715
Cash and cash equivalents at January 1	10,252	44,932
Cash and cash equivalents at March 31	\$ 13,730	\$ 55,647
Supplemental disclosures of cash flow information:		
Income taxes paid	\$ 4,931	\$ 4,741
Interest paid, net of capitalized interest	\$ 575	\$ 791

See accompanying notes to consolidated financial statements.

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[TEXT]

Sigma-Aldrich Corporation and Subsidiaries  
Notes to Consolidated Financial Statements  
(in thousands, except per share data)

#### Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X and, accordingly, do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the notes to consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1993 (1993 10-K). In the opinion of Management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 1994, are not necessarily indicative of the results that may be expected for the year ending December 31, 1994.

#### Net Income per Share

Net income per share is based on the weighted average number of shares outstanding during each period.

#### Inventories

The principal categories of consolidated inventories were:

	March 31, 1994	December 31, 1993
Finished goods	\$239,298	\$233,833
Work in process	21,594	19,457
Raw materials	55,035	52,197
	-----	-----
	\$315,927	\$305,487
	=====	=====

#### Accounting Changes

The Company adopted two new Financial Accounting Standards effective January 1, 1993, and recognized the prior years' effect of adoption as the cumulative effect of a change in accounting principle. Standard No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", which requires that the expected cost of these benefits be expensed during the years that the employees render service, resulted in an after-tax charge of \$13,806 (\$21,306 pre-tax), or \$.28 per share. Standard No. 109, "Accounting for Income Taxes", increased net income by \$3,000, or \$.06 per share. This adjustment was due to deferred income taxes being recorded under prior accounting standards at the tax rate in effect when the deferrals arose (generally 46% and 40%), whereas the new accounting standard requires that deferred income taxes be recorded at the rate that will be in effect when the income taxes are expected to be paid (35% under current law).

## Acquisitions

On May 6, 1993, the Company acquired the net assets and business of Supelco, Inc. ("Supelco"), a worldwide supplier of chromatography products used in chemical research and production, for \$54,700 in cash and, separately, on June 16, 1993, the Company acquired all of the stock of Circle AW Products Company ("Circle AW"), a supplier of electrical and electronic metal enclosures to industrial, residential and commercial markets, for \$10,800 in cash. The net tangible assets of these businesses were recorded based upon fair market values at the respective acquisition dates with the aggregate excess of the purchase prices over these values of \$30,500 being recorded as intangible assets.

The following presents the pro forma consolidated results of operations for the three months ended March 31, 1993, (in thousands, except net income per share) as if these acquisitions had occurred at the beginning of 1993. The pro forma results do not purport to be indicative of the actual results that would have been achieved had these acquisitions occurred as of such date or of results which may occur in the future.

Net sales	\$197,302
	=====
Net income*	\$ 26,804
	=====
Net income per share*	\$ .54
	=====

\*Before cumulative effect of accounting changes

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

(in thousands)

### Results of Operations

For the three months ended March 31, 1994, sales increased 15.8% to \$208,458 from \$180,013 in 1993. Chemical sales increases, which exceeded 11% for the quarter, benefitted from the addition of Supelco, acquired in May 1993. Sales and orders continued to grow in both U.S. and overseas markets, helped by the distribution of new Sigma and Supelco catalogs. However, growth rates were affected by slowdowns in several markets and the adverse impact of currency exchange rates which reduced the gain by one percent. Metal sales increased 40% due in large part to the acquisition of Circle AW in June 1993, and continued improvements in construction demand and modest price increases initiated later in 1993.

Cost of sales was \$95,308, representing 45.7% of sales, compared to \$81,639, or 45.4% of sales, for the first three months of 1993. The gross profit percentage decreased slightly as higher product cost levels for the acquisitions and higher metal costs were not entirely offset by productivity improvements.

Selling, general and administrative expenses for the three months ended March 31, 1994, were \$67,203, or 32.2% of sales compared to \$56,757, or 31.5% of sales in 1993. Higher costs relating to new

catalogs, expansion of foreign operations and amortization attributable to the acquisitions, partially offset by a decrease in deferred compensation expense, were the main factors causing the increase.

Net income before the cumulative effect of accounting changes in 1993 increased 10.2% to \$29,728 for the three months of 1994. The improvement was due to the sales and cost increases described above, resulting in sales growing faster than income. Net income for the first three months of 1993 was \$16,162, which included a \$10,806 one-time, after-tax charge for the cumulative effect of accounting changes. These one-time accounting changes resulted from adopting two new Financial Accounting Standards effective January 1, 1993. Standard No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", resulted in an after-tax charge of \$13,806 (\$21,306 pre-tax) while Standard No. 109, "Accounting for Income Taxes", increased net income by \$3,000.

#### Liquidity and Capital Resources

Cash and temporary cash investments increased \$3,478 in the first three months of 1994. Cash provided by operating activities was \$16,192, a decrease of \$4,055 from 1993 due to working capital requirements exceeding the increase in cash generated from income before accounting changes and depreciation and amortization expense. Property, plant and equipment additions of \$20,120 in the first quarter, primarily for the purchase of a warehousing facility in Allentown, Pennsylvania, and the continuing expansion of a production facility in Sheboygan, Wisconsin, were funded by the cash provided by operations and additional short-term borrowings of \$12,711.

Although net cash flows from operating activities vary from period to period, it is anticipated that future increases should be in line with sales growth and should be sufficient to meet capital and debt service requirements.

#### PART II - OTHER INFORMATION

##### Item 6. Exhibits and Reports on Form 8-K

(a) No exhibits are required to be filed herewith.

(b) No reports were filed on Form 8-K during the period for which this report is 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.

SIGMA-ALDRICH CORPORATION  
(Registrant)

By: /s/ Kirk A. Richter

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Date: March 12, 1994

Kirk A. Richter, Controller  
(on behalf of the Company as Controller and as  
Principal Accounting Officer)