

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

Filing Date: **1994-02-10** | Period of Report: **1993-12-30**

SEC Accession No. **0000041130-94-000008**

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### FILER

#### GERBER PRODUCTS CO

CIK: **41130** | IRS No.: **380558270** | State of Incorporation: **MI** | Fiscal Year End: **0331**

Type: **10-Q/A** | Act: **34** | File No.: **001-04007** | Film No.: **94505718**

SIC: **2030** Canned, frozen & preservd fruit, veg & food specialties

#### Mailing Address

445 STATE STREET  
FREMONT MI 49413-0001

#### Business Address

445 STATE ST  
FREMONT MI 49413  
6169282000

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
GERBER PRODUCTS COMPANY AND SUBSIDIARIES

	DECEMBER 31, 1993	MARCH 31, 1993
-----		
(Thousands of Dollars)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 40,470	\$ 95,390
Short-term investments		24,938
Trade accounts receivable, less allowances	93,422	103,073
Reinsurance receivables - NOTE B	36,346	38,068
Inventories:		
Finished products	106,253	112,816
Work-in-process	31,389	24,375
Raw materials and supplies	56,899	57,578
	-----	-----
	194,541	194,769
Deferred income taxes	35,731	36,510
	-----	-----
TOTAL CURRENT ASSETS	400,510	492,748
Other assets:		
Investments held by insurance operations	121,831	101,822
Deferred policy acquisition costs	63,950	57,055
Prepaid pension costs	58,787	54,754
Miscellaneous	81,776	52,217
	-----	-----
TOTAL OTHER ASSETS	326,344	265,848
Land, buildings and equipment:		
Cost	418,109	400,384
Allowances for depreciation	(175,424)	(164,540)
	-----	-----
TOTAL LAND, BUILDINGS AND EQUIPMENT	242,685	235,844
	-----	-----
	\$969,539	\$994,440
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ 29,820	\$ 10,557
Trade accounts payable	46,637	53,179
Salaries, wages and other compensation	38,150	35,469
Local taxes, interest and other expenses	74,896	93,546
Income taxes	14,030	24,810

Policy claims and reserves	53,187	48,042
Current maturities of long-term debt	1,079	1,017
	-----	-----
TOTAL CURRENT LIABILITIES	257,799	266,620
Long-term debt	116,264	116,831
Future policy benefits	104,378	94,384
Postretirement benefits obligation	155,901	150,138
Shareholders' equity		
Common stock - issued and outstanding:		
December 31 - 69,341,947 shares;		
March 31 - 72,060,375 shares	173,355	180,151
Retained earnings	185,395	209,344
Foreign currency translation adjustments	(3,945)	(3,266)
Unearned restricted stock compensation	(2,351)	(1,808)
Unearned ESOP compensation	(17,257)	(17,954)
	-----	-----
	335,197	366,467
	-----	-----
	\$969,539	\$994,440
	=====	=====

Subject to audit and year-end adjustments.

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS  
GERBER PRODUCTS COMPANY AND SUBSIDIARIES

	NINE MONTHS ENDED DECEMBER 31	
	1993	1992
	-----	-----
	(Thousands of Dollars)	
Net sales and revenue	\$866,605	\$959,435
Interest, royalties & other income	20,435	17,508
	-----	-----
TOTAL INCOME	887,040	976,943
Cost of products sold and services provided	466,087	544,760
Marketing, distribution, administrative and general expenses	276,676	284,326
Interest expense	9,209	9,824
	-----	-----
TOTAL DEDUCTIONS	751,972	838,910
	-----	-----
EARNINGS BEFORE INCOME TAXES	135,068	138,033
Income taxes	47,085	48,240

EARNINGS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	87,983	89,793
Cumulative effect of accounting changes-NOTE B		(90,390)
NET EARNINGS (LOSS)	\$ 87,983	\$ (597)
Earnings per share on average shares outstanding of 69,712,465 for 1993 and 74,183,045 for 1992:		
Before cumulative effect of accounting changes	\$ 1.26	\$ 1.21
Cumulative effect of accounting changes - NOTE B		(1.22)
NET EARNINGS (LOSS) PER SHARE	\$ 1.26	\$ (0.01)
Dividends per share	\$ 0.635	\$ 0.59

Subject to audit and year-end adjustments.

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS  
GERBER PRODUCTS COMPANY AND SUBSIDIARIES

	THREE MONTHS ENDED DECEMBER 31	
	1993	1992
	(Thousands of Dollars)	
Net sales and revenue	\$272,970	\$299,235
Interest, royalties & other income	6,581	6,963
TOTAL INCOME	279,551	306,198
Cost of products sold and services provided	146,699	172,602
Marketing, distribution, administrative and general expenses	87,684	93,096
Interest expense	3,133	3,210
TOTAL DEDUCTIONS	237,516	268,908
EARNINGS BEFORE INCOME TAXES	42,035	37,290
Income taxes	14,103	12,676

NET EARNINGS	\$ 27,932	\$ 24,614
	=====	=====
Earnings per share on average shares outstanding of 69,335,703 for 1993 and 74,162,708 for 1992	\$ .40	\$ .33
	=====	=====
Dividends per share	\$ .215	\$ .205
	=====	=====

Subject to audit and year-end adjustments.

See notes to consolidated financial statements.

share) as of April 1, 1992 as the cumulative effect of accounting changes. In addition, adoption of the new Statements resulted in an increase in after-tax charges of \$5,667,000 (\$.08 per share) for the additional ongoing expenses related to the nine months ended December 31, 1992 and \$1,888,000 (\$.03 per share) related to the three months ended December 31, 1992. Fiscal 1993 quarterly results were restated to reflect the adoption of these statements.

In December 1992, the FASB issued Statement No. 113, "Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts". This statement eliminates the practice of reporting assets and liabilities relating to reinsured contracts net of the effects of reinsurance. The company's insurance subsidiary adopted Statement No. 113 as of April 1, 1993. The prior year consolidated statements of financial position and cash flows have been restated to conform to this presentation. This accounting change has no effect on earnings.

#### NOTE C - LEGAL MATTERS

On December 31, 1992, a food wholesale distributor filed suit against the company and its principal competitors. The suit alleges price fixing in the United States baby food industry. Since that date, several similar lawsuits have been filed by other food distributors and on behalf of indirect purchasers. The initial lawsuit filed on behalf of direct purchasers has been certified as a class action. The lawsuits do not state specific damage amounts and the potential liability, if any, is not determinable since discovery on the merits of the case is just beginning. Management believes the suits are without merit and intends to contest the suits vigorously. These claims when finally concluded, in the opinion of management, based upon the information it presently possesses, will not have a material adverse effect on the company's consolidated financial position.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES - December 31, 1993, compared to  
March 31, 1993:

Cash provided by operating activities amounted to \$90,532,000. Other sources of cash included an increase in short-term borrowings of \$20,697,000 and a decrease in short-term investments of \$24,938,000, resulting from the collection of trade receivables purchased on a discounted basis under an investment agreement terminated during the first quarter. These funds, along with the cash proceeds from the February 10, 1993 sale of Buster Brown Apparel, Inc., were used to pay dividends of \$44,217,000, to repurchase 2,682,900 shares of stock at a cost of \$75,315,000 and to purchase \$25,825,000 of long-term investments. Additions to land, buildings and equipment, which consisted primarily of renewals and replacements to maintain and improve existing capacity, amounted to \$35,158,000 during the period. The growth of the Company's insurance subsidiary resulted in an increase in investments held by insurance operations of \$20,009,000.

On August 2, 1993, the company filed a shelf registration statement with the Securities and Exchange Commission for the issuance of up to \$150,000,000 of debt securities, preferred stock and other securities (including convertible securities). The timing and amount of securities to be issued, if any, has not been determined.

RESULTS OF OPERATIONS BY SEGMENT - Nine months ended December 31, 1993, compared to nine months ended December 31, 1992 (in thousands):

	Sales and Revenue		Operating Profit	
	1993	1992	1993	1992
	-----	-----	-----	-----
Food and Baby Care				
Food	\$589,967	\$597,347		
Baby Care	73,965	72,009		
	-----	-----		
	663,932	669,356	\$131,740	\$136,511
Apparel Group	128,080	226,763	8,173	10,742
Other	74,593	63,316	10,770	7,942
	-----	-----	-----	-----
Total	\$866,605	\$959,435	150,683	155,195
	=====	=====		
Corporate				
Interest expense			(9,209)	(9,824)
Investment income			6,484	5,666

General corporate expense	(12,890)	(13,004)
	-----	-----
Earnings Before Taxes	135,068	138,033
Income Taxes	47,085	48,240
	-----	-----
Earnings Before Cumulative Effect of Accounting Changes	87,983	89,793
Cumulative Effect of Accounting Changes		(90,390)
	-----	-----
Net Earnings (Loss)	\$ 87,983	\$ (597)
	=====	=====

Food sales declined by \$7,380,000, or 1.2%, due to a 4.5% decline in domestic baby food volumes partially offset by slight domestic price increases and higher international sales. The domestic baby food volume decline was due to a lower birth rate and reduced consumption levels. Baby care sales increased by \$1,956,000, or 2.7%, due to higher domestic and international sales volumes. International food and care sales increased by \$5,878,000, or 6.5%, to \$96,999,000. Gross margin dollars increased as slightly higher selling prices and lower product costs were partially offset by the lower domestic food sales volumes. Operating expenses increased due to higher consumer promotional and advertising expenditures and increased expenses resulting from continued expansion into international markets. Operating income also benefitted from Gerber Baby Formula increasing over the prior year due to higher sales volumes realized by our licensee. Food and baby care operating income declined by \$4,771,000, or 3.5%.

Apparel sales declined by \$98,683,000, or 43.5%. Prior year sales include \$100,093,000 of sales by the Company's Buster Brown apparel unit which was sold in last year's fourth quarter. Excluding Buster Brown, sales increased by \$1,410,000, or 1.1%, due to higher sleepwear and bed & bath sales, partially offset by lower diaper and playwear sales and lower international sales. Operating expenses declined due to lower administrative expenses. Current year results include \$1,750,000 of insurance proceeds received in the second quarter from the settlement of a fire loss occurring in the prior year. Excluding Buster Brown, operating income increased by \$2,796,000, or 52%.

Revenue for the Other segment, which now includes only Gerber Life Insurance Company, increased by \$11,277,000, or 17.8%. Results for the current year include \$2,606,000 of capital gains from the sale of investments as compared to \$1,608,000 in the prior year. Excluding the effect of capital gains, operating income increased by \$1,830,000, or 28.9%.

Interest expense declined due to the divestiture of Buster Brown and a lower level of debt than the prior year. Investment income increased due to higher earnings from our 49%-owned Mexican subsidiary. The effective income tax rate was unchanged at 34.9% due to tax planning, partially offset by the increase in the statutory federal income tax rate.

Earnings before the cumulative effect of accounting changes decreased by \$1,810,000. Earnings per share before the cumulative effect of accounting changes increased by \$.05 per share. As a result of a share repurchase program in the first quarter, average shares outstanding decreased from 74,183,000 to 69,712,000. Net earnings and net earnings per share for the prior year include a charge of \$90,390,000 (\$1.22 per share) for the cumulative effect of the fourth quarter adoption of FASB Statements No. 106 and 112 as of April 1, 1992 (see Note B to the Consolidated Financial Statements).

Three months ended December 31, 1993, compared to three months ended December 31, 1992 (in thousands):

	Sales and Revenue		Operating Profit	
	1993	1992	1993	1992
	-----	-----	-----	-----
Food and Baby Care				
Food	\$181,760	\$179,415		
Baby Care	22,808	20,987		
	-----	-----		
	204,568	200,402	\$ 41,818	\$ 36,330
Apparel Group	43,889	77,630	1,810	3,450
Other	24,513	21,203	3,486	3,396
	-----	-----	-----	-----
Total	\$272,970	\$299,235	47,114	43,176
	=====	=====		
Corporate				
Interest expense			(3,133)	(3,210)
Investment income			2,352	1,775
General corporate expense			(4,298)	(4,451)
			-----	-----
Earnings Before Taxes			42,035	37,290
Income Taxes			14,103	12,676
			-----	-----
Net Earnings			\$27,932	\$24,614
			=====	=====

Food sales increased by \$2,345,000, or 1.3%, due to international sales volume increases and slight domestic price increases partially offset by a 3.7% decline in domestic baby food volumes. The domestic baby food volume decline was a result of lower



retail sales due to a lower birth rate and reduced consumption levels. Baby care sales increased by \$1,821,000, or 8.7%, due to higher sales volume. International food and care sales increased by \$2,390,000, or 8.4%, to \$30,908,000. Gross margin dollars increased due to higher sales dollars and lower product costs. Operating expenses also benefitted from lower distribution and warehouse costs and lower sales force costs, as well as favorable employee group medical experience. This was partially offset by continued investments made to grow international operations and support the Gerber Graduates line of toddler foods. Operating income increased by \$5,488,000, or 15.1%.

Apparel sales declined by \$33,741,000 or 43.5%. Prior year sales included \$33,699,000 of sales by the Company's divested Buster Brown apparel unit. Excluding Buster Brown, sales were in line with the prior year as higher domestic bed & bath, sleepwear and underwear sales were partially offset by lower international sales. Excluding Buster Brown, operating income increased by \$62,000 or 3.5%.

Revenue for the Other segment, which now includes only Gerber Life Insurance Company, increased by \$3,310,000, or 15.6%, due to the continued strength of group term life and the company's Grow-Up policy. Results for the current year include \$314,000 of capital gains from the sale of investments as compared to \$1,187,000 in the prior year. Excluding the effects of capital gains, operating income increased by \$963,000, or 43.6%.

Investment income increased due to higher earnings from our 49%-owned Mexican subsidiary. The effective income tax rate declined from 34.0% to 33.6% due to tax planning, partially offset by the increase in the statutory federal income tax rate.

Net earnings increased by \$3,318,000 or \$.07 per share. As a result of a share repurchase program in the first quarter, average shares outstanding decreased from 74,163,000 in the prior year to 69,336,000 in the current year.

## PART II. OTHER INFORMATION

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

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(a) List of Exhibits:

11 Statement re Computation of Per Share Earnings.

(b) No reports on Form 8-K were filed by Registrant during the quarter ended December 31, 1993.

SIGNATURES

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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.

GERBER PRODUCTS COMPANY  
(Registrant)

Date: February 9, 1994

By: /s/ Fred K. Schomer

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Fred K. Schomer  
Executive Vice President and  
Principal Financial Officer

Date: February 9, 1994

By: /s/ Craig G. Wassenaar

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Craig G. Wassenaar  
Corporate Comptroller,  
Principal Accounting Officer

EXHIBIT INDEX

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11 Statement re Computation of Per Share Earnings.