

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**  
SEC Accession No. **0000950117-94-000124**

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FILER

**UNION CAMP CORP**

CIK: **100783** | IRS No.: **135652423** | State of Incorp.: **VA** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **001-04001** | Film No.: **94527916**  
SIC: **2621** Paper mills

Mailing Address  
1600 VALLEY ROAD  
WAYNE NJ 07470

Business Address  
1600 VALLEY RD  
WAYNE NJ 07470  
2016282000

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 \_\_\_\_\_ to \_\_\_\_\_

Commission file Number 1-4001

UNION CAMP CORPORATION  
(Exact Name of Registrant as Specified in Its Charter)

VIRGINIA  
(State or Other Jurisdiction of  
Incorporation or Organization)

13-5652423  
(I.R.S. Employer  
Identification No.)

1600 VALLEY ROAD, WAYNE, NEW JERSEY  
(Address of Principal Executive Offices)

07470  
(Zip Code)

(201) 628-2000  
(Registrant's Telephone Number, Including Area Code)

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  X \_\_\_\_\_ NO \_\_\_\_\_

69,925,347 shares of Registrant's Common Stock, Par Value \$1 Per

Share, were outstanding as of the close of business on March 31, 1994.

UNION CAMP CORPORATION

INDEX

<TABLE>  
<CAPTION>

		Page
Part I.	FINANCIAL INFORMATION*	
<S>	<C>	<C>
	Item 1. Financial Statements.	2
	Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.	6
Part II.	OTHER INFORMATION	
	Item 1. Legal Proceedings	8
	Item 4. Submission of Matters to a Vote of Security-Holders	8
	Item 6. Exhibits and Reports on Form 8-K	9

</TABLE>

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\*A summary of the Registrant's significant accounting policies is contained in the Registrant's Form 10-K for the year ended December 31, 1993 which has previously been filed with the Commission.

PART I. FINANCIAL INFORMATION

Item I. Financial Statements.

UNION CAMP CORPORATION  
AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED STATEMENT OF INCOME

(\$ in thousands, except per share)

<TABLE>  
<CAPTION>

	THREE MONTHS ENDED MARCH 31,	
	1994	1993
	----	----
<S>	<C>	<C>
Net Sales	\$ 790,106	\$ 761,454
Costs and other charges:		
Cost of products sold	611,972	576,226
Selling and administrative expenses	74,294	77,161
Depreciation and cost of timber harvested	62,540	59,709
	-----	-----
Income from operations	41,300	48,358
	-----	-----
Gross interest expense	32,022	35,031
Less capitalized interest	(4,530)	(939)
Other (income) expense -net	(3,264)	(4,259)
	-----	-----
Income before income taxes and accounting change	17,072	18,525
	-----	-----
Income taxes:		
Current	(1,003)	726
Deferred	6,807	5,280
	-----	-----
Total income taxes	5,804	6,006
	-----	-----
Income before accounting change	11,268	12,519
Effect of change in accounting standard (net of tax)	(3,716)	-
	-----	-----
Net Income	\$ 7,552	\$ 12,519
	-----	-----
	-----	-----
Earnings per share:		
Before change in accounting standard	\$0.16	\$0.18
After change in accounting standard	\$0.11	\$0.18
Dividends per share	\$0.39	\$0.39

</TABLE>

Earnings per share are computed on the basis of the average number of common shares outstanding:

1994: 69,903,091      1993: 69,679,891

See also the accompanying notes to consolidated financial statements.

-2-

UNION CAMP CORPORATION  
AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET  
(\$ in thousands)

<TABLE>  
<CAPTION>

	MARCH 31, 1994 ----	DECEMBER 31, 1993 ----
<S> ASSETS	<C>	<C>
Cash and cash equivalents	\$ 5,451	\$ 38,287
Receivables-net	409,524	389,549
Inventories at lower of cost or market:		
Finished goods	223,500	228,863
Raw materials	91,009	91,685
Supplies	119,476	121,970
	-----	-----
Total inventories	433,985	442,518
	-----	-----
Assets held for resale	4,093	4,154
Other	36,814	36,210
	-----	-----
Total current assets	889,867	910,718
	-----	-----
Plant and equipment, at cost	5,993,520	5,938,975
Less: accumulated depreciation	2,598,902	2,540,253
	-----	-----
	3,394,618	3,398,722

Timberlands, less cost of timber harvested	247,087	247,368
	-----	-----
Total property	3,641,705	3,646,090
	-----	-----
Other assets	125,713	128,225
	-----	-----
Total Assets	\$ 4,657,285	\$ 4,685,033
	-----	-----
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	\$ 840,729	\$ 909,372
Long-term debt	1,286,889	1,244,907
Deferred income taxes	587,326	583,155
Other long-term liabilities	142,240	131,751
Stockholders' equity (Shares outstanding 1994: 69,925,347; 1993: 69,833,130)	1,800,101	1,815,848
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 4,657,285	\$ 4,685,033
	-----	-----
	-----	-----

</TABLE>

See also the accompanying notes to consolidated financial statements.

-3-

UNION CAMP CORPORATION  
AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(\$ in thousands)

<TABLE>  
<CAPTION>

THREE MONTHS ENDED  
MARCH 31,

-----	-----
1994	1993
-----	-----

<S>	<C>	<C>
Cash Provided by Operations:		
Net income	\$ 7,552	\$ 12,519
Adjustments to reconcile net income to cash provided by operations:		
Depreciation, amortization, and cost of company timber harvested	66,814	64,758
Deferred income taxes	6,807	5,280
Other	2,710	1,165
 Changes in operational assets and liabilities:		
Receivables	(17,101)	(26,076)
Inventories	8,817	1,786
Other assets	(213)	(340)
Accounts payable, taxes and other liabilities	(59,803)	(26,628)
	-----	-----
 Cash (Used For) Provided By Operations	 15,583	 32,464
	-----	-----
 Cash (Used For) Provided By Investment Activities:		
Capital expenditures	(56,567)	(41,579)
Payments for acquired businesses	(1,000)	(11,855)
Other	(15,734)	(1,981)
	-----	-----
	(73,301)	(55,415)
	-----	-----
 Cash (Used For) Provided By Financing Activities:		
Change in short-term notes payable	44,783	70,787
Repayments of long-term debt	(49,727)	(56,895)
Proceeds from issuance of long-term debt	57,126	10,950
Dividends paid	(27,267)	(27,178)
	-----	-----
	24,915	(2,336)
	-----	-----
 Effect of exchange rate changes on cash	 (33)	 (716)
	-----	-----
 Increase (decrease) in cash and cash equivalents	 (32,836)	 (26,003)
 Balance at beginning of year	 38,287	 67,683
	-----	-----
 Balance at end of period	 \$ 5,451	 \$ 41,680
	-----	-----
	-----	-----
 Supplemental cash flow information:		
Cash paid during the period for:		
Interest (net of amount capitalized)	\$33,979	\$43,321
Income taxes	\$4,608	\$1,314

See also the accompanying notes to consolidated financial statements.

-4-

UNION CAMP CORPORATION  
AND CONSOLIDATED SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The information furnished in this report is unaudited but includes all adjustments which, in the opinion of management, are necessary for a fair presentation of results for the interim periods reported. The adjustments made were of a normal recurring nature, except as described in Note 2 recorded in the first quarter ended March 31, 1994.

Note 2. Effective January 1, 1994, the company adopted the provisions of SFAS No. 112, 'Employers' Accounting for Postemployment Benefits'. The implementation of this new statement results in a change in the company's method of accounting for certain disability, health care and life insurance benefits provided to former or inactive employees after employment but before retirement, from the 'pay-as-you-go' to the accrual basis.

The accumulated obligation as of January 1, 1994 was \$6.0 million. This obligation, included within 'Other Long-Term Liabilities', was recorded in the first quarter of 1994 on a cumulative basis as a \$6.0 million pre-tax charge against income (\$3.7 million after-tax).

Note 3. Included in 'Current Liabilities' are \$435 million and \$384 million of Commercial Paper (net of discount) at March 31, 1994 and year-end 1993, respectively.

Note 4. Included in 'Long-Term Debt' for March 31, 1994 is \$49.9 million of commercial paper intended to be refinanced on a long-term basis.

-5-



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

Net income for the first quarter of 1994 was \$7.6 million or \$.11 per share, compared to \$12.5 million or \$.18 per share for the comparable period of last year. The year over year decline was due in large part to a charge in this year's first quarter, of \$.05 per share relating to the adoption of the new accounting standard SFAS No. 112 'Employers' Accounting for Postemployment Benefits'. Lower average selling prices for the company's paper and packaging products was also a significant factor.

Overall demand for the company's paper products remains strong. Net sales for the first quarter of 1994 were \$790 million, 4% above the previous year's comparable quarter. Paper products shipments were approximately 850,000 tons, 6% above last year's first quarter.

Operating income for the paper and paperboard segment was \$9.2 million, down 53% from the first quarter of last year. Lower average selling prices and higher direct manufacturing costs per ton at the company's paper mills were the primary reasons for this earnings decline. On a positive note, a \$30 per ton price increase in domestic linerboard was implemented in March, which is a reflection of the improvement in the linerboard market during the quarter. Average prices in the uncoated business papers market for the first quarter were about level with last year's first quarter. However, pricing pressure intensified as the quarter progressed and by the end of March, prices were below the depressed levels of the first quarter of last year.

First quarter 1994 operating income for the packaging segment was \$10.4 million, \$1.4 million above last year's first quarter. Corrugated container operations were the primary contributors to this earnings improvement, with shipments up 7% over last year. Earnings from the bag businesses, as well as overseas container operations remained relatively level with the prior year's first quarter.

The company's non-paper businesses reported excellent results for the first quarter of 1994, with operating income up 23% over last year's first quarter. The wood products segment was a major contributor, with operating income of \$20.6 million, compared to \$16.7 million for the first quarter of last year. Favorable market conditions including record product price levels was a primary factor for improved earnings. The chemical segment continues to experience strong earnings, primarily attributable to both the company's tall oil based chemicals business and its BBA subsidiary.

Depreciation expense for the first quarter increased less than 5% over last year's comparable quarter. Net interest expense for the first quarter decreased 19% from the first quarter of 1993. The primary reason for this decrease is the reduction in gross interest expense, due to lower debt levels, in addition to a higher level of capitalized interest.

The increase in the deferred tax liability is primarily attributable to accelerated tax depreciation offset in part by the adoption of SFAS No.112, 'Employer's Accounting for Postemployment Benefits'.

Net working capital was \$49 million at March 31, 1994, compared to \$1 million at year-end 1993. Cash flow from operations for the current year's first quarter was \$16 million, compared to \$32 million for the same quarter a year ago. Changes in working capital items, primarily accounts payable, were the major contributors to this decline.

Capital expenditures for the first quarter of 1994 totalled \$57 million, compared to \$42 million for the same quarter a year ago. Current quarter expenditures reflect spending of \$29 million at the company's paper mills, primarily attributable to \$7 million for the Savannah mill recovery boiler and \$11 million for the deink facility and paper machine enhancements at the Franklin mill. The ratio of long-term debt to total capital was 35.0% at March 31, 1994. In April 1994, the company completed the issuance of \$49.9 million of 30 year tax exempt debt at an interest rate of 6.55%, for the purpose of financing part of the deink project under construction at the Franklin mill.

On May 12th of this year, Union Camp's flavor and fragrance subsidiary, Bush Boake Allen Inc. (BBA), commenced a public stock offering of 5.6 million shares (approximately 30% of BBA's outstanding shares) at an offering price of \$16.00 per share. Union Camp will own the remainder (approximately 70%) of the 18.75 million shares outstanding after the offering.

## Item 1. Legal Proceedings.

In April 1994, the Company's facility in Savannah, Georgia received a Notice of Violation and Opportunity to Show Cause ('NOV') from the United States Environmental Protection Agency ('EPA') alleging violations of the EPA's rules governing the treatment of hazardous waste. The allegations involve the applicability of these regulations to the removal of granular impurities from the pulping liquor recovery process at the Savannah facility. While the EPA has not instituted any enforcement action and has not sought penalties in connection with the NOV, there can be no assurance that it will not ultimately do so. The Company has arranged to meet with EPA to support the Company's position that the removal of the granular materials is not covered by the EPA's rules governing the handling of hazardous waste.

## Item 4. Submission of Matters to a Vote of Security-Holders

The Company's annual meeting of its stockholders was held on April 26, 1994.

At the annual meeting the Company's stockholders voted on two proposals: (1) the election of four nominees to serve as directors for three year terms; and (2) the ratification of the appointment of Price Waterhouse as independent accountants for the year 1994. The voting of the Company's stockholders as to these matters was as follows:

## 1. Election of Directors

<TABLE>  
<CAPTION>

	Votes For	Votes Withheld
Nominees		
-----	-----	-----
<S>	<C>	<C>
Sir Colin R. Corness	59,124,368	872,741
Robert D. Kennedy	59,139,437	857,672
W. Craig McClelland	59,152,328	844,781
James M. Reed	59,155,328	841,781

</TABLE>

-8-

2. Ratification of Appointment of Accountants

<TABLE>  
<CAPTION>

	Votes For -----	Votes Against -----	Abstentions -----
<S>	<C> 59,859,419	<C> 59,446	<C> 78,244

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

a) Exhibits.

<TABLE>  
<CAPTION>

No. --	Description -----
<S>	<C>
11	Statement re computation of per share earnings.

</TABLE>

b) Reports on Form 8-K.

No current Report on Form 8-K was filed by the Registrant during the first quarter of 1994.

-9-

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.

UNION CAMP CORPORATION  
(Registrant)

Date: MAY 11, 1994 /s/ Dirk R. Soutendijk  
DIRK R. SOUTENDIJK  
VICE PRESIDENT, GENERAL COUNSEL  
AND SECRETARY

Date: MAY 11, 1994 /s/ Robert E. Moore  
ROBERT E. MOORE  
VICE PRESIDENT AND COMPTROLLER  
(Chief Accounting Officer)

-10-

EXHIBIT INDEX

<TABLE>  
<CAPTION>

NO.	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE
---	-----	----
<S>	<C>	<C>
11	Statement re computation of per share earnings.	12

</TABLE>



## COMPUTATION OF PER SHARE EARNINGS

<TABLE>  
<CAPTION>

	Three Months Ended March 31,	
	1994	1993
	----	----
<S>	<C>	<C>
Net Income (\$000)	\$7,552	\$12,519
Weighted Average Common Shares Outstanding	69,903,091	69,679,891
Earnings Per Share	\$0.11	\$0.18
Weighted Average Common Shares Outstanding Including Common Stock Equivalents - Primary Basis	70,308,455	70,060,254
Primary Earnings Per Share	\$0.11	\$0.18
Weighted Average Common Shares Outstanding Including Common Stock Equivalents - Fully Diluted Basis	70,308,455	70,060,254
Fully Diluted Earnings Per Share	\$0.11	\$0.18

</TABLE>