

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-01-11** | Period of Report: **1993-11-28**
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FILER

DEAN FOODS CO

CIK: **27500** | IRS No.: **360984820** | State of Incorporation: **DE** | Fiscal Year End: **0527**
Type: **10-Q** | Act: **34** | File No.: **001-08262** | Film No.: **94501037**
SIC: **2020** Dairy products

Business Address
3600 N RIVER RD
FRANKLIN PARK IL 60131
7086781680

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

X Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended November 28, 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 0-1118

DEAN FOODS COMPANY
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

36-0984820
(I.R.S. Employer Identification No.)

3600 North River Road, Franklin Park, Illinois
(Address of principal executive offices)

60131
(Zip Code)

Registrant's telephone number, including area code (708) 678-1680

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 _____

The number of shares of the Registrant's Common Stock, par value \$1 per share, outstanding as of the date of this report was 39,744,075.

PART I - FINANCIAL INFORMATION

A. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On September 17, 1993, the Registrant incorporated LLD Acquisition Co., which acquired the assets and business of Longlife Dairy Products Company, Inc., and November 8, 1993 changed the name from LLD Acquisition Co. to Longlife Dairy Products Company, Inc. Accordingly, the unaudited condensed consolidated financial statements include the results of operations from the date of acquisition. The acquisition did not materially impact the Registrant's financial position or its results of operations. Bellingham Frozen Foods, Inc.; Frio Foods, Inc.; and Richard A. Shaw, Inc., have been merged into The Larsen Company whose name was changed to Dean Foods Vegetable Company on December 7, 1993.

In the opinion of the Registrant, all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the following unaudited condensed consolidated financial statements have been included herein. Certain information and footnote disclosures normally included in the financial statements have been omitted. These unaudited condensed consolidated financial statements should be read in conjunction with the Registrant's 1993 Annual Report on Form 10-K.

ITEM 1.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

FOR THE QUARTERS AND SIX MONTHS ENDED

NOVEMBER 28, 1993 AND NOVEMBER 29, 1992

(In Thousands Except for Per Share Amounts)

<TABLE>
<CAPTION>

	Second Quarters Ended		Six Months Ended	
	Nov. 28, 1993	Nov. 29, 1992	Nov. 28, 1993	Nov. 29, 1992
	-----	-----	-----	-----
			(Unaudited)	
<S>	<C>	<C>	<C>	<C>
Net sales	\$577,113	\$572,326	\$1,136,764	\$1,115,553
	-----	-----	-----	-----

Costs and expenses:				
Cost of products sold	449,284	444,163	892,010	866,208
Delivery, selling and administrative expenses	96,642	96,816	191,290	189,146
Interest expense	3,373	3,810	6,691	7,342
Other (income), net	(781)	(1,417)	(1,391)	(2,111)
	-----	-----	-----	-----
	548,518	543,372	1,088,600	1,060,585
	-----	-----	-----	-----
Income before income taxes and cumulative effect of changes in accounting principles	28,595	28,954	48,164	54,968
Provision for income taxes	11,140	11,784	20,123	22,372
	-----	-----	-----	-----
Income before cumulative effect of changes in accounting principles	17,455	17,170	28,041	32,596
Cumulative effect of changes in accounting principles, net of taxes	-	-	1,179	-
	-----	-----	-----	-----
Net income	\$ 17,455	\$ 17,170	\$ 29,220	\$ 32,596
	-----	-----	-----	-----
	-----	-----	-----	-----
Earnings per share:*				
Earnings per common share before cumulative effect of changes in accounting principles	\$0.44	\$0.43	\$0.71	\$0.82
Cumulative effect per common share of changes in accounting principles	-	-	0.03	-
	-----	-----	-----	-----
Earnings per common share	\$0.44	\$0.43	\$0.74	\$0.82
	-----	-----	-----	-----
	-----	-----	-----	-----
Dividends per share (Declared and paid)	\$0.16	\$ -	\$0.32	\$0.15
	-----	-----	-----	-----
	-----	-----	-----	-----

</TABLE>

* Based upon weighted average common shares outstanding.

CONDENSED CONSOLIDATED BALANCE SHEETS

NOVEMBER 28, 1993 AND MAY 30, 1993

(In Thousands)

<TABLE>

<CAPTION>

	November 28, 1993 ----- (Unaudited) <C>	May 30, 1993 ----- <C>
ASSETS		
CURRENT ASSETS:		
Cash and temporary cash investments	\$ 18,686	\$ 41,572
Accounts and notes receivable, less allowance for doubtful accounts of \$3,952 and \$4,470, respectively	160,768	146,541
Inventories	269,816	178,996
Other current assets	25,959	38,993
	-----	-----
Total Current Assets	475,229	406,102
	-----	-----
PROPERTIES:		
Property, plant and equipment, at cost	827,525	770,898
Accumulated depreciation	338,432	327,134
	-----	-----
	489,093	443,764
	-----	-----
OTHER ASSETS		
	43,344	42,970
	-----	-----
Total Assets	\$1,007,666	\$892,836
	-----	-----
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term notes payable	\$ 47,000	\$ -
Current installments of long-term obligations	3,166	2,351
Accounts payable and accrued expenses	230,310	193,571
Dividends payable	6,448	5,953

Federal and state income taxes	1,558	5,834
	-----	-----
Total Current Liabilities	288,482	207,709
	-----	-----
LONG-TERM OBLIGATIONS (Less current installments included above)	149,468	151,127
	-----	-----
DEFERRED LIABILITIES	75,894	57,681
	-----	-----
SHAREHOLDERS' EQUITY:		
Common stock	40,991	40,946
Capital in excess of par value	5,012	3,955
Retained earnings	477,987	461,479
Less - Treasury stock - at cost	30,168	30,061
	-----	-----
Total Shareholders' Equity	493,822	476,319
	-----	-----
Total Liabilities and Shareholders' Equity	\$1,007,666	\$892,836
	-----	-----
	-----	-----

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR SIX MONTHS ENDED NOVEMBER 28, 1993 AND NOVEMBER 29, 1992

(In Thousands)

<TABLE>
<CAPTION>

	Six Months Ended	
	November 28, 1993	November 29, 1992
	-----	-----
	(Unaudited)	
<S>	<C>	<C>
Net cash used by operations	\$ (2,249)	\$ (7,155)
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(43,867)	(36,259)
Proceeds from disposition of property,		

plant and equipment	5,092	2,046
Acquisition of a business, net of cash acquired	(17,301)	-
	-----	-----
Net cash used in investing activities	(56,076)	(34,213)
	-----	-----
Cash flows from financing activities:		
Increase in short-term obligations	47,000	45,200
Repayment of long-term obligations	(844)	(1,199)
Unexpended industrial revenue bond proceeds	489	1,939
Cash dividends paid	(12,308)	(11,482)
Issuance of common stock	1,102	1,647
Purchase of treasury stock	-	(4,537)
	-----	-----
Net cash provided from financing activities	35,439	31,568
	-----	-----
Decrease in cash and temporary cash investments	(22,886)	(9,800)
Cash and temporary cash investments - beginning of period	41,572	33,993
	-----	-----
Cash and temporary cash investments - end of period	\$ 18,686	\$ 24,193
	-----	-----
	-----	-----

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INVENTORIES

The following is a tabulation of inventories by class at November 28, 1993, November 29, 1992 and May 30, 1993 (In Thousands).

<TABLE>

<CAPTION>

	November 28, 1993	November 29, 1992	May 30, 1993
	-----	-----	-----
		(Unaudited)	
	<C>	<C>	
Raw materials and supplies	\$ 76,745	\$ 51,490	\$ 46,666

Materials in process	44,573	54,194	28,473
Finished goods	162,565	174,140	121,400
	-----	-----	-----
	283,883	279,824	196,539
Less: Excess of current cost over stated value of last-in, first-out inventories	(14,067)	(17,709)	(17,543)
	-----	-----	-----
Total inventories	\$269,816	\$262,115	\$178,996
	-----	-----	-----
	-----	-----	-----

</TABLE>

LEGAL PROCEEDINGS

See PART II, Item 1 for discussion of pending legal proceedings.

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

A.) Liquidity and Capital Resources

As of November 28, 1993, there had been no material overall change in either the Registrant's liquidity or its capital resources from those described in the Management's Discussion and Analysis contained in the Registrant's Annual Report on Form 10-K for the fiscal year ended May 30, 1993. At November 28, 1993, cash and temporary cash investments were \$18.7 million, a decrease of \$22.9 million from the balance at May 30, 1993. The decrease in cash and temporary cash investments was principally the result of:

- 1.) Temporary seasonal cash requirements of the Registrant's crop-related vegetable and pickle processing operations,
- 2.) cash outlays for capital expenditures,
- 3.) cash outlay for a business acquired, and
- 4.) payment of cash dividends.

Working capital at November 28, 1993 was \$186.7 million compared to \$198.4 million at May 30, 1993. This reflects an increase in inventories and accounts payable and accrued expenses at November 28, 1993 compared with May 30, 1993, that is principally due to the normal

seasonal aspect of the Registrant's vegetable and pickle operations, and cash outlay for a business acquired.

Short-term borrowings at November 28, 1993 were \$47.0 million; whereas there were no short-term borrowings outstanding at May 30, 1993. The increase in short-term borrowings at November 28, 1993 compared to May 30, 1993 principally was the result of the increased seasonal inventories and short-term borrowings associated with a business acquisition. The Registrant's debt-to-capital ratio was 23.2% at November 28, 1993 compared with 24.1% at May 30, 1993.

B.) Results of Operations

Overall sales for the quarter and six month period ended November 28, 1993 were relatively flat compared to the same periods a year ago as overall lower selling prices offset unit volume increases. Consolidated after-tax earnings for the quarter ended November 28, 1993 increased 2% over the same period a year ago. Earnings for the six months ended November 28, 1993 were 10% below earnings for the same period a year ago. Earnings for the six months included the following first quarter items:

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- 1.) A charge of \$1.5 million related to the Revenue Reconciliation Act of 1993 including the retroactive application thereof to January 1, 1993 and the impact of the change in income tax rate on deferred taxes, and
- 2.) A net after-tax credit of \$1.2 million related to the Registrant's implementation of changes in accounting principles for income taxes and post-retirement benefits other than pensions.

Sales of the Registrant's Dairy Products operations for both the second quarter (\$358.6 million) and the six months (\$721.1 million) were slightly lower than sales of the same periods last year. Increased unit sales volumes were offset by lower overall average selling prices reflecting lower raw milk costs this year.

Dairy Product's operating earnings for the second quarter improved over this year's first quarter results, exceeding last year's second quarter results. Operating results for the six months were slightly below last year because of lower first quarter earnings this year. Raw milk costs are projected to increase in the third quarter reflecting the seasonal tightening of milk supplies.

Net sales of the Registrant's Specialty Food Products operations for the six months this year were \$404.3 million, an increase of 9% over sales of the same period a year ago. Sales of \$212.7 million for the second quarter increased 7% over the comparable period a year ago. The increased sales principally were the result of:

- 1.) The inclusion of the sales of a business acquired in the third quarter last fiscal year, and
- 2.) increased sales of the Registrant's pickle operations.

Specialty Food Products earnings both for the second quarter and the six months were lower than the earnings of the corresponding periods a year ago, principally the result of increased product and processing costs encountered by both the vegetable and pickle operations due to weather-related harvest delays and reduced yields in the Registrant's Midwest growing areas. Second quarter margins of the Registrant's canned and frozen vegetable operations improved substantially over this year's first quarter depressed levels, slightly exceeding a year ago second quarter results. The margin improvement principally was the result of price increases and reduced promotional activity reflecting the impact of the lower Midwest harvest levels.

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Further margin improvement is anticipated over the balance of the year as industry-wide vegetable supply levels are down from last year's levels.

Margins in Registrant's pickle operations improved in the second quarter from the first quarter levels but were below last year's second quarter results as the weather-related cost increases offset increased unit sales volumes. Margins in the pickle operations should improve with continued volume gains and improved pricing over the balance of the year.

Delivery, selling and administrative expenses for the quarter ended November 28, 1993 approximated last year's expenses; whereas expenses for the six months slightly exceeded last year's levels.

The effective income tax rate for the second quarter was 39.0% compared with a rate of 40.7% for the second quarter last year. The decreased effective tax rate reflects the adoption of SFAS 109, "Accounting for Income Taxes" offset by the increased statutory corporate income tax rate under the Revenue Reconciliation Act of 1993. The effective income tax rate for the six months was 41.8% compared with 40.7% last year. The increased effective tax rate for the six months this year reflects the adoption of SFAS 109, the increased statutory corporate income tax rate and the retroactive provisions of the Revenue Reconciliation Act of 1993. The effective income tax rate for the balance of the year should be lower than last year's effective tax rate.

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PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings

There has been no material change in the legal proceedings reported on under Item 3 - Legal Proceedings, of the Registrant's Annual Form 10-K, for the fiscal year ended May 30, 1993.

ITEM 6. Exhibits and Reports on Form 8-K

a.) Exhibits

None

b.) Reports on Form 8-K

Item 5 - Other Events

News release - Dean Foods to Acquire Birds Eye
Frozen Vegetable Business,
filed November 24, 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.

DEAN FOODS COMPANY
(Registrant)

DATE: January 11, 1994

TIMOTHY J. BONDY
Vice President, Finance

DATE: January 11, 1994

DALE I. HECOX
Treasurer

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