

AMERICAN GREETINGS CORP

Form 10-Q

January 06, 2010

[Table of Contents](#)

UNITED STATES
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 27, 2009

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 1-13859

AMERICAN GREETINGS CORPORATION

(Exact name of registrant as specified in its charter)

Edgar Filing: AMERICAN GREETINGS CORP - Form 10-Q

Ohio
(State or other jurisdiction of
incorporation or organization)

34-0065325
(I.R.S. Employer
Identification No.)

One American Road, Cleveland, Ohio
(Address of principal executive offices)

44144
(Zip Code)

(216) 252-7300

(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 (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 ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of January 4, 2010, the number of shares outstanding of each of the issuer's classes of common stock was:

Class A Common 36,256,457

Class B Common 3,232,238

Table of Contents

AMERICAN GREETINGS CORPORATION

INDEX

	Page Number
 <u>PART I - FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	3
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	32
Item 4. <u>Controls and Procedures</u>	32
 <u>PART II - OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	32
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	33
Item 6. <u>Exhibits</u>	34
 <u>SIGNATURES</u>	 35
 <u>EXHIBITS</u>	

Table of Contents**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements****AMERICAN GREETINGS CORPORATION****CONSOLIDATED STATEMENT OF OPERATIONS**

(Thousands of dollars except share and per share amounts)

	(Unaudited)			
	Three Months Ended		Nine Months Ended	
	November 27, 2009	November 28, 2008	November 27, 2009	November 28, 2008
Net sales	\$ 431,512	\$ 444,527	\$ 1,189,428	\$ 1,242,932
Other revenue	8,654	9,557	20,010	25,287
Total revenue	440,166	454,084	1,209,438	1,268,219
Material, labor and other production costs	204,997	223,214	525,414	586,668
Selling, distribution and marketing expenses	124,167	159,819	373,915	465,081
Administrative and general expenses	69,233	50,841	180,867	170,564
Goodwill and other intangible assets impairment		242,889		242,889
Other operating (income) expense net	(575)	(491)	25,801	(1,329)
Operating income (loss)	42,344	(222,188)	103,441	(195,654)
Interest expense	6,331	6,634	19,989	16,973
Interest income	(299)	(947)	(1,564)	(2,835)
Other non-operating (income) expense net	(1,827)	792	(4,160)	(2,726)
Income (loss) before income tax expense (benefit)	38,139	(228,667)	89,176	(207,066)
Income tax expense (benefit)	8,444	(35,356)	26,398	(29,385)
Net income (loss)	\$ 29,695	\$ (193,311)	\$ 62,778	\$ (177,681)
Earnings (loss) per share basic	\$ 0.75	\$ (4.25)	\$ 1.59	\$ (3.75)
Earnings (loss) per share assuming dilution	\$ 0.75	\$ (4.25)	\$ 1.59	\$ (3.75)
Average number of shares outstanding	39,391,399	45,460,385	39,469,293	47,343,640
Average number of shares outstanding assuming dilution	39,755,233	45,460,385	39,495,247	47,343,640
Dividends declared per share	\$ 0.12	\$ 0.12	\$ 0.24	\$ 0.36

See notes to consolidated financial statements (unaudited).

Table of Contents**AMERICAN GREETINGS CORPORATION****CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(Thousands of dollars)

	(Unaudited) November 27, 2009	(Note 1) February 28, 2009	(Unaudited) November 28, 2008
ASSETS			
Current assets			
Cash and cash equivalents	\$ 50,563	\$ 60,216	\$ 55,604
Trade accounts receivable, net	193,317	63,140	163,049
Inventories	176,161	202,601	244,918
Deferred and refundable income taxes	64,374	71,850	62,490
Assets held for sale	7,800	8,918	9,810
Prepaid expenses and other	147,631	158,610	179,898
Total current assets	639,846	565,335	715,769
Goodwill	38,177	26,871	56,965
Other assets	345,438	372,524	411,582
Deferred and refundable income taxes	169,566	178,785	166,269
Property, plant and equipment at cost	882,546	944,489	951,905
Less accumulated depreciation	610,609	654,216	664,715
Property, plant and equipment net	271,937	290,273	287,190
	\$ 1,464,964	\$ 1,433,788	\$ 1,637,775
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Debt due within one year	\$ 1,000	\$ 750	\$ 23,445
Accounts payable	86,835	117,504	135,002
Accrued liabilities	75,822	75,673	78,607
Accrued compensation and benefits	74,770	32,198	35,184
Income taxes payable	10,479	11,743	36,686
Other current liabilities	87,221	105,537	106,436
Total current liabilities	336,127	343,405	415,360
Long-term debt	355,974	389,473	425,184
Other liabilities	129,517	149,820	148,320
Deferred income taxes and noncurrent income taxes payable	31,935	21,901	17,229
Shareholders' equity			
Common shares - Class A	36,111	37,043	41,917
Common shares - Class B	3,232	3,499	3,495
Capital in excess of par value	456,478	449,085	447,958
Treasury stock	(946,569)	(938,086)	(918,826)
Accumulated other comprehensive loss	(35,824)	(67,278)	(48,334)
Retained earnings	1,097,983	1,044,926	1,105,472

Edgar Filing: AMERICAN GREETINGS CORP - Form 10-Q

Total shareholders' equity	611,411	529,189	631,682
	\$ 1,464,964	\$ 1,433,788	\$ 1,637,775

See notes to consolidated financial statements (unaudited).

Table of Contents

AMERICAN GREETINGS CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

(Thousands of dollars)

	(Unaudited) Nine Months Ended	
	November 27, 2009	November 28, 2008
OPERATING ACTIVITIES:		
Net income (loss)	\$ 62,778	\$ (177,681)
Adjustments to reconcile net income (loss) to cash flows from operating activities:		
Goodwill and other intangible assets impairment		242,889
Net loss on dispositions	27,671	
Net loss on disposal of fixed assets	163	642
Depreciation and intangible assets amortization	34,121	37,732
Deferred income taxes	20,133	(32,726)
Other non-cash charges	7,096	8,053
Changes in operating assets and liabilities, net of acquisitions and dispositions:		
Trade accounts receivable	(124,205)	(115,086)
Inventories	17,703	(44,591)
Other current assets	16,948	9,538
Deferred costs net	1,904	6,023
Accounts payable and other liabilities	7,309	(17,452)
Other net	2,579	(1,505)
Total Cash Flows From Operating Activities	74,200	(84,164)
INVESTING ACTIVITIES:		