

ALBERTO CULVER CO
Form 10-Q
February 07, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED:**

December 31, 2002

-OR-

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File No. 1-5050

ALBERTO-CULVER COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of

36-2257936

(I.R.S. Employer

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incorporation or organization)

Identification No.)

2525 Armitage Avenue

Melrose Park, Illinois

(Address of principal executive offices)

60160

(Zip code)

Registrant's telephone number, including area code: (708) 450-3000

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

At December 31, 2002, the company had 26,076,433 shares of Class A common stock and 32,331,640 shares of Class B common stock outstanding.

PART I

ITEM 1. FINANCIAL STATEMENTS

ALBERTO-CULVER COMPANY AND SUBSIDIARIES

Consolidated Statements of Earnings

Three Months Ended December 31, 2002 and 2001

(in thousands, except per share data)

	(Unaudited)	
	2002	2001
Net sales	\$ 696,776	614,260
Cost of products sold	352,288	310,585
Gross profit	344,488	303,675
Advertising, marketing, selling and administrative	282,631	253,279
Operating earnings	61,857	50,396
Interest expense, net of interest income of \$892 in 2002 and \$1,198 in 2001	5,582	5,329
Earnings before provision for income taxes	56,275	45,067
Provision for income taxes	20,259	15,773
Net earnings	\$ 36,016	29,294
Net earnings per share		
Basic	\$ 0.62	0.52
Diluted	\$ 0.60	0.50
Cash dividends paid per share	\$ 0.09	0.0825

See Notes to Consolidated Financial Statements.

ALBERTO-CULVER COMPANY AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2002 and September 30, 2002

(dollars in thousands, except share data)

	(Unaudited) December 31,	September 30,
	2002	2002
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 195,662	217,485
Receivables, less allowance for doubtful accounts (\$19,469 at 12/31/02 and \$17,550 at 9/30/02)	209,201	209,010
Inventories:		
Raw materials	39,338	39,932
Work-in-process	5,001	5,545
Finished goods	504,105	476,731
Total inventories	548,444	522,208
Other current assets	35,906	35,514
Total current assets	989,213	984,217
Property, plant and equipment at cost, less accumulated depreciation (\$286,057 at 12/31/02 and \$271,169 at 9/30/02)		
	247,994	247,850
Goodwill, net	344,930	343,431
Trade names, net	81,059	79,681
Other assets	73,735	74,312
Total assets	\$ 1,736,931	1,729,491
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings and current maturities of long-term debt	\$ 2,701	3,702
Accounts payable	214,768	233,942
Accrued expenses	176,036	208,311
Income taxes	26,359	14,492
Total current liabilities	419,864	460,447
Long-term debt	320,185	320,181
Deferred income taxes	39,567	38,337
Other liabilities	48,681	48,067
Stockholders' equity:		
Common stock, par value \$.22 per share:		
Class A authorized 75,000,000 shares; issued 30,612,798 shares	6,735	6,735

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Class B authorized 75,000,000 shares; issued 37,710,655 shares	8,296	8,296
Additional paid-in capital	209,285	205,470
Retained earnings	927,860	897,106
Deferred compensation	(5,342)	(5,849)
Accumulated other comprehensive income foreign currency translation	(67,692)	(77,603)
	<u>1,079,142</u>	<u>1,034,155</u>
Less treasury stock at cost (Class A common shares: 4,536,365 at 12/31/02 and 4,765,673 at 9/30/02; Class B common shares: 5,379,015 at 12/31/02 and 9/30/02)	(170,508)	(171,696)
Total stockholders equity	<u>908,634</u>	<u>862,459</u>
Total liabilities and stockholders equity	<u>\$ 1,736,931</u>	<u>1,729,491</u>

See Notes to Consolidated Financial Statements.

ALBERTO-CULVER COMPANY AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Three Months Ended December 31, 2002 and 2001

(dollar amounts in thousands)

	(Unaudited)	
	2002	2001
Cash Flows from Operating Activities:		
Net earnings	\$ 36,016	29,294
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	11,018	10,213
Amortization	874	994
Cash effects of changes in (exclusive of acquisitions):		
Receivables, net	3,427	3,549
Inventories, net	(21,950)	(14,810)
Other current assets	622	(498)
Accounts payable and accrued expenses	(53,103)	(16,915)
Income taxes	14,110	(3,232)
Other assets	178	242
Other liabilities	(77)	(921)
Net cash (used) provided by operating activities	(8,885)	7,916
Cash Flows from Investing Activities:		
Capital expenditures	(9,441)	(15,864)
Payments for purchased businesses, net of acquired companies cash	(16)	(95,596)
Other, net	372	(7)
Net cash used by investing activities	(9,085)	(111,467)
Cash Flows from Financing Activities:		
Short-term borrowings, net	4	(201)
Repayments of long-term debt	(1,095)	(97)
Cash dividends paid	(5,262)	(4,717)
Cash proceeds from exercise of stock options	8,670	25,870
Stock purchased for treasury	(7,721)	(27,999)
Net cash used by financing activities	(5,404)	(7,144)
Effect of foreign exchange rate changes on cash	1,551	174
Net decrease in cash and cash equivalents	(21,823)	(110,521)
Cash and cash equivalents at beginning of period	217,485	201,970
Cash and cash equivalents at end of period	\$ 195,662	91,449



See Notes to Consolidated Financial Statements.

ALBERTO-CULVER COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) BASIS OF PRESENTATION

The consolidated financial statements contained in this report have not been audited by independent public accountants, except for balance sheet information presented at September 30, 2002. However, in the opinion of the company, the consolidated financial statements reflect all adjustments, which include only normal adjustments, necessary to present fairly the data contained therein. The results of operations for the periods covered are not necessarily indicative of results for a full year. Certain amounts for the prior year have been reclassified to conform to the current year's presentation.

(2) STOCKHOLDERS' EQUITY

On January 23, 2003, the company announced an increase in the cash dividend on Class A and Class B common stock, raising the quarterly dividend 16.7% to 10.5 cents per share or 42 cents annually from 9 cents per share or 36 cents annually. The cash dividend is payable February 20, 2003 to stockholders of record on February 3, 2003.

During fiscal years 1998 and 1999, the Board of Directors authorized the company to purchase up to 9.0 million shares of its Class A common stock. Prior to the fourth quarter of fiscal year 2002, the company had purchased 7.3 million Class A common shares under this program at a total cost of \$162.9 million with the last purchase occurring in October, 1999. In July, 2002, the Board of Directors re-authorized the company to purchase up to 1.7 million shares of Class A common stock remaining under this program. As of December 31, 2002, the company had purchased 311,700 Class A shares under this re-authorization at a total cost of \$14.2 million. A total of 1,388,300 Class A shares remain available for purchase under this program as of December 31, 2002.

During the three months ended December 31, 2002 and 2001, the company acquired \$871,000 and \$28.0 million, respectively, of Class A and Class B common shares surrendered by employees in connection with the exercises of stock options and the payment of withholding taxes as provided under the terms of certain incentive plans. Shares acquired under these plans are not subject to the above-mentioned stock repurchase program.

(3) WEIGHTED AVERAGE SHARES OUTSTANDING

The following table provides information about basic and diluted weighted average shares outstanding (in thousands):

Three Months Ended December 31	
2002	2001
_____	_____

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Basic weighted average shares outstanding	58,011	56,851
Effect of dilutive securities:		
Assumed exercise of stock options	1,474	1,247
Assumed vesting of restricted stock	359	412
	<u> </u>	<u> </u>
Diluted weighted average shares outstanding	59,844	58,510
	<u> </u>	<u> </u>

No stock options were anti-dilutive for the three months ended December 31, 2002 or 2001.

ALBERTO-CULVER COMPANY AND SUBSIDIARIES