

SMITHFIELD FOODS INC
Form 10-Q
December 08, 2006
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended October 29, 2006

COMMISSION FILE NUMBER

1-15321

SMITHFIELD FOODS, INC.

200 Commerce Street

Smithfield, Virginia 23430

(757) 365-3000

Virginia
(State of Incorporation)

52-0845861
(I.R.S. Employer Identification Number)

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

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

At November 30, 2006, 111,842,366 shares of the Registrant's Common Stock (\$.50 per value per share) were outstanding.

Table of Contents

SMITHFIELD FOODS, INC.

CONTENTS

	PAGE
<u>PART I FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	3
<u>Consolidated Condensed Statements of Income 13 and 26 Weeks Ended October 29, 2006 and October 30, 2005</u>	3
<u>Consolidated Condensed Balance Sheets October 29, 2006 and April 30, 2006</u>	4
<u>Consolidated Condensed Statements of Cash Flows 26 Weeks Ended October 29, 2006 and October 30, 2005</u>	5
<u>Notes to Consolidated Condensed Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	26
Item 4. <u>Controls and Procedures</u>	26
<u>PART II OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	27
Item 1A. <u>Risk Factors</u>	27
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	30
Item 3. <u>Defaults Upon Senior Securities</u>	30
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	30
Item 5. <u>Other Information</u>	31
Item 6. <u>Exhibits</u>	32
<u>SIGNATURES</u>	34

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****SMITHFIELD FOODS, INC.****CONSOLIDATED CONDENSED STATEMENTS OF INCOME**

(in millions, except per share data)

	13 Weeks Ended		26 Weeks Ended	
	October 29, 2006	October 30, 2005	October 29, 2006	October 30, 2005
	(Unaudited)			
Sales	\$ 2,807.7	\$ 2,872.0	\$ 5,580.6	\$ 5,801.5
Cost of sales	2,545.6	2,589.9	5,040.8	5,245.7
Gross profit	262.1	282.1	539.8	555.8
Selling, general and administrative expenses	174.2	172.4	347.4	343.2
Interest expense	43.8	36.8	84.7	74.2
Equity in (income) loss of affiliates	(19.6)	(4.4)	(13.5)	(12.2)
Income from continuing operations before income taxes	63.7	77.3	121.2	150.6
Income taxes	19.0	25.7	37.6	50.0
Income from continuing operations	44.7	51.6	83.6	100.6
Loss from discontinued operations, net of tax of \$(2.2)			(3.9)	
Loss on sale of discontinued operations, net of tax of \$(5.9)			(10.4)	
Net income	\$ 44.7	\$ 51.6	\$ 69.3	\$ 100.6
Income per share:				
Basic				
Continuing operations	\$.40	\$.46	\$.75	\$.91
Discontinued operations			(.13)	
Net income per common share	\$.40	\$.46	\$.62	\$.91
Diluted				
Continuing operations	\$.40	\$.46	\$.75	\$.90
Discontinued operations			(.13)	
Net income per diluted common share	\$.40	\$.46	\$.62	\$.90
Weighted average shares outstanding:				
Basic	111.3	111.1	111.2	111.1
Effect of dilutive stock options	0.8	0.9	0.8	1.0
Diluted	112.1	112.0	112.0	112.1

See Notes to Consolidated Condensed Financial Statements

Table of Contents**SMITHFIELD FOODS, INC.****CONSOLIDATED CONDENSED BALANCE SHEETS**

(in millions, except share data)

	October 29, 2006 (Unaudited)	April 30, 2006
ASSETS		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 84.1	\$ 89.4
Accounts receivable, net	729.6	650.8
Inventories	1,904.1	1,585.2
Prepaid expenses and other current assets	123.3	63.4
Assets of discontinued operations		30.8
Total current assets	2,841.1	2,419.6
Property, plant and equipment	3,468.6	3,325.6
Accumulated depreciation	(1,245.6)	(1,259.6)
Property, plant and equipment, net	2,223.0	2,066.0
Goodwill	701.0	720.9
Investments	675.1	487.6
Other	436.3	453.1
Assets of discontinued operations		29.3
Total assets	\$ 6,876.5	\$ 6,176.5
LIABILITIES AND SHAREHOLDERS EQUITY		
<i>Current liabilities:</i>		
Notes payable	\$ 263.9	\$ 43.1
Current portion of long-term debt and capital lease obligations	100.4	215.7
Accounts payable	600.1	539.9
Accrued expenses and other current liabilities	457.5	409.2
Liabilities of discontinued operations		33.9
Total current liabilities	1,421.9	1,241.8
Long-term debt and capital lease obligations	2,814.0	2,313.9
Other	519.6	517.3
Liabilities of discontinued operations		57.0
Total liabilities	4,755.5	4,130.0
Minority interests	16.4	18.3
<i>Commitments and contingencies</i>		
<i>Shareholders equity:</i>		
Preferred stock, \$1.00 par value, 1,000,000 authorized shares		
Common stock, \$.50 par value, 200,000,000 authorized shares; 111,367,692 and 111,167,542 issued and outstanding	55.7	55.6

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Additional paid-in capital	497.6	494.1
Stock held in trust	(52.1)	(51.8)
Retained earnings	1,627.3	1,558.0
Accumulated other comprehensive loss	(23.9)	(27.7)
Total shareholders' equity	2,104.6	2,028.2
Total liabilities and shareholders' equity	\$ 6,876.5	\$ 6,176.5

See Notes to Consolidated Condensed Financial Statements

Table of Contents**SMITHFIELD FOODS, INC.****CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**

(in millions)

	October 29, 2006	26 Weeks Ended October 30, 2005 (Unaudited)
<i>Cash flows from operating activities:</i>		
Net income	\$ 69.3	\$ 100.6
Adjustments to reconcile net cash flows from operating activities:		
Loss from discontinued operation, net of tax	3.9	
Loss on sale of discontinued operation, net of tax	10.4	
Impairment loss	4.2	8.4
Depreciation and amortization	112.5	108.1
Changes in operating assets and liabilities and other, net of effect of acquisitions:		
Accounts receivable	(147.3)	(100.2)
Inventories	(168.6)	83.6
Accounts payable	117.5	79.0
Accrued expenses and other liabilities	7.7	(125.2)
Other	(114.3)	(88.3)
Net cash flows from operating activities	(104.7)	66.0
<i>Cash flows from investing activities:</i>		
Capital expenditures, net of proceeds from disposals	(222.9)	(152.8)
Business acquisitions, net of cash acquired	(240.8)	(13.7)
Business dispositions	31.4	
Investments and other	(67.5)	(96.4)
Net cash flows from investing activities	(499.8)	(262.9)
<i>Cash flows from financing activities:</i>		
Proceeds from the issuance of long-term debt and changes in notes payable	230.8	126.2
Principal payments on long-term debt and capital lease obligations	(227.7)	(38.9)
Net borrowings on revolving credit facilities	594.5	111.0
Other	0.8	(8.5)
Net cash flows from financing activities	598.4	189.8
<i>Cash flows from discontinued operations:</i>		
Net cash flows from operating activities	3.3	(4.1)
Net cash flows from investing activities	(0.6)	(5.4)
Net cash flows from financing activities	(2.7)	9.5
Net cash flows from discontinued operations activities		
Effect of foreign exchange rate changes on cash	0.8	0.3
Net change in cash and cash equivalents	(5.3)	(6.8)
Cash and cash equivalents at beginning of period	89.4	84.8
Cash and cash equivalents at end of period	\$	