

AMERICAN GREETINGS CORP

Form 10-Q

January 02, 2013

[Table of Contents](#)

**UNITED STATES**  
**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 November 23, 2012

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)

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**Ohio**  
(State or other jurisdiction of  
incorporation or organization)  
**One American Road, Cleveland,**  
**Ohio**  
(Address of principal executive offices)

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

**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 December 27, 2012, the number of shares outstanding of each of the issuer's classes of common stock was:

Class A Common	28,780,998
Class B Common	2,856,813

**Table of Contents**

**AMERICAN GREETINGS CORPORATION**

**INDEX**

	<b>Page Number</b>
<b><u>PART I FINANCIAL INFORMATION</u></b>	
<u>Item 1. Financial Statements</u>	3
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	35
<u>Item 4. Controls and Procedures</u>	36
<b><u>PART II OTHER INFORMATION</u></b>	
<u>Item 1. Legal Proceedings</u>	37
<u>Item 1A. Risk Factors</u>	39
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	39
<u>Item 6. Exhibits</u>	40
<b><u>SIGNATURES</u></b>	42
<b><u>EXHIBITS</u></b>	

**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 23, 2012	November 25, 2011	November 23, 2012	November 25, 2011
Net sales	\$ 499,368	\$ 458,535	\$ 1,275,139	\$ 1,217,800
Other revenue	7,446	6,472	18,617	21,097
<b>Total revenue</b>	<b>506,814</b>	<b>465,007</b>	<b>1,293,756</b>	<b>1,238,897</b>
Material, labor and other production costs	244,071	230,572	584,667	546,699
Selling, distribution and marketing expenses	190,041	141,501	466,199	392,630
Administrative and general expenses	74,483	60,510	225,521	186,734
Other operating income net	(2,217)	(813)	(1,421)	(6,858)
Operating income	436	33,237	18,790	119,692
Interest expense	4,504	5,821	13,314	17,708
Interest income	(65)	(207)	(297)	(838)
Other non-operating (income) expense net	(1,904)	(2,077)	3,523	(2,621)
(Loss) income before income tax (benefit) expense	(2,099)	29,700	2,250	105,443
Income tax (benefit) expense	(1,290)	9,454	63	38,128
Net (loss) income	\$ (809)	\$ 20,246	\$ 2,187	\$ 67,315
(Loss) earnings per share basic	\$ (0.03)	\$ 0.51	\$ 0.06	\$ 1.67
(Loss) earnings per share assuming dilution	\$ (0.03)	\$ 0.50	\$ 0.06	\$ 1.63
Average number of shares outstanding	31,877,088	39,480,798	33,712,073	40,226,039
Average number of shares outstanding assuming dilution	31,877,088	40,436,865	34,478,737	41,381,157
Dividends declared per share	\$ 0.15	\$ 0.15	\$ 0.45	\$ 0.45

See notes to consolidated financial statements (unaudited).

Table of Contents

**AMERICAN GREETINGS CORPORATION**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(Thousands of dollars)

	(Unaudited)			
	Three Months Ended		Nine Months Ended	
	November 23, 2012	November 25, 2011	November 23, 2012	November 25, 2011
Net (loss) income	\$ (809)	\$ 20,246	\$ 2,187	\$ 67,315
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	2,680	(15,592)	(91)	(12,554)
Pension and postretirement benefit adjustments	145	536	643	607
Unrealized loss on securities		(1)	(1)	
Other comprehensive income (loss), net of tax	2,825	(15,057)	551	(11,947)
Comprehensive income	\$ 2,016	\$ 5,189	\$ 2,738	\$ 55,368

See notes to consolidated financial statements (unaudited).

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

(Thousands of dollars)

	(Unaudited) November 23, 2012	(Note 1) February 29, 2012	(Unaudited) November 25, 2011
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 63,291	\$ 132,438	\$ 85,661
Trade accounts receivable, net	197,844	113,840	235,318
Inventories	264,330	208,945	214,412
Deferred and refundable income taxes	80,502	58,118	57,400
Prepaid expenses and other	155,543	123,419	123,481
Total current assets	761,510	636,760	716,272
Goodwill			27,713
Other assets	460,647	503,700	417,479
Deferred and refundable income taxes	120,870	121,228	128,595
Property, plant and equipment at cost	1,004,686	924,512	904,555
Less accumulated depreciation	642,994	636,736	637,334
Property, plant and equipment net	361,692	287,776	267,221
	\$ 1,704,719	\$ 1,549,464	\$ 1,557,280
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities			
Accounts payable	\$ 194,945	\$ 86,166	\$ 108,254
Accrued liabilities	82,893	58,657	67,596
Accrued compensation and benefits	60,702	68,317	58,411
Income taxes payable	14,641	7,409	26,626
Deferred revenue	26,404	35,519	29,477
Other current liabilities	44,287	49,013	60,963
Total current liabilities	423,872	305,081	351,327
Long-term debt	356,832	225,181	234,642
Other liabilities	259,787	269,367	182,565
Deferred income taxes and noncurrent income taxes payable	21,008	22,377	21,769
Shareholders' equity			
Common shares - Class A	28,849	34,011	35,562
Common shares - Class B	2,860	2,842	2,778
Capital in excess of par value	520,119	513,163	509,999
Treasury stock	(1,093,789)	(1,020,838)	(995,338)
Accumulated other comprehensive loss	(11,279)	(11,830)	(14,293)
Retained earnings	1,196,460	1,210,110	1,228,269
Total shareholders' equity	643,220	727,458	766,977

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\$ 1,704,719      \$ 1,549,464      \$ 1,557,280

See notes to consolidated financial statements (unaudited).

