

GREIF INC  
Form 10-Q  
June 08, 2007

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**FORM 10-Q**

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**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended April 30, 2007

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 001-00566

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**GREIF, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**425 Winter Road, Delaware, Ohio**  
(Address of principal executive offices)

Registrant's telephone number, including area code (740) 549-6000

**31-4388903**  
(I.R.S. Employer  
Identification No.)

**43015**  
(Zip Code)

Not Applicable

## Edgar Filing: GREIF INC - Form 10-Q

Former name, former address and former fiscal year, if changed since last report.

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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 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. (Check one):

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

The number of shares outstanding of each of the issuer's classes of common stock at the close of business on April 30, 2007 was as follows:

Class A Common Stock	23,613,318 shares
Class B Common Stock	22,985,666 shares

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**PART I. FINANCIAL INFORMATION****ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS****GREIF, INC. AND SUBSIDIARY COMPANIES****CONSOLIDATED STATEMENTS OF INCOME**

(UNAUDITED)

(Dollars in thousands, except per share amounts)

	Three months ended		Six months ended	
	April 30,		April 30,	
	2007	2006	2007	2006
Net sales	\$ 815,043	\$ 620,107	\$ 1,565,802	\$ 1,202,423
Cost of products sold	672,512	510,664	1,293,185	1,003,308
Gross profit	142,531	109,443	272,617	199,115
Selling, general and administrative expenses	77,670	62,378	152,279	121,832
Restructuring charges	4,049	10,287	6,086	15,755
Gain (loss) on sale of timberlands	(382)	9,238	(320)	40,807
Gain on sale disposal of properties, plants and equipment, net	3,448	5,548	8,587	7,190
Operating profit	63,878	51,564	122,519	109,525
Interest expense, net	10,046	9,794	22,080	18,967
Debt extinguishment charge	23,479		23,479	
Other income (loss), net	(4,327)	1,186	(5,063)	793
Income before income tax expense	26,026	42,956	71,897	91,351
Income tax expense	7,278	13,365	18,837	28,319
Equity in earnings (loss) of affiliates and minority interests	(124)	(898)	(457)	(987)
Net income	\$ 18,624	\$ 28,693	\$ 52,603	\$ 62,045
<b>Basic earnings per share:</b>				
Class A Common Stock	\$ 0.32	\$ 0.50	\$ 0.91	\$ 1.08
Class B Common Stock	\$ 0.48	\$ 0.75	\$ 1.36	\$ 1.61
<b>Diluted earnings per share:</b>				
Class A Common Stock	\$ 0.32	\$ 0.49	\$ 0.89	\$ 1.06
Class B Common Stock	\$ 0.48	\$ 0.75	\$ 1.36	\$ 1.61

See accompanying Notes to Consolidated Financial Statements

**GREIF, INC. AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands)

**ASSETS**

	April 30, 2007 (Unaudited)	October 31, 2006
<b>Current assets</b>		
Cash and cash equivalents	\$ 115,370	\$ 187,101
Trade accounts receivable, less allowance of \$11,896 in 2007 and \$8,575 in 2006	350,769	315,661
Inventories	247,489	205,004
Net assets held for sale	4,663	3,374
Deferred tax assets	15,118	15,814
Prepaid expenses and other current assets	94,038	66,083
	827,447	793,037
<b>Long-term assets</b>		
Long-term notes receivable	32,008	626
Goodwill, net of amortization	407,283	286,552
Other intangible assets, net of amortization	136,180	63,587
Assets held by special purpose entities (Note 8)	50,891	50,891
Other long-term assets	72,786	52,359
	699,148	454,015
<b>Properties, plants and equipment</b>		
Timber properties, net of depletion	193,974	195,115
Land	130,053	81,768
Buildings	340,127	317,110
Machinery and equipment	1,005,870	930,924
Capital projects in progress	72,536	53,099
	1,742,560	1,578,016
Accumulated depreciation	(696,154)	(637,067)
	1,046,406	940,949
	\$ 2,573,001	\$ 2,188,001

See accompanying Notes to Consolidated Financial Statements

**GREIF, INC. AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands)

**LIABILITIES AND SHAREHOLDERS' EQUITY**

	April 30, 2007 (Unaudited)	October 31, 2006
<b>Current liabilities</b>		
Accounts payable	\$ 317,155	\$ 301,753
Accrued payrolls and employee benefits	53,314	65,513
Restructuring reserves	4,274	8,391
Short-term borrowings	53,036	29,321
Other current liabilities	103,773	86,321
	531,552	491,299
<b>Long-term liabilities</b>		
Long-term debt	723,120	481,408
Deferred tax liability	203,987	179,329
Pension liability	14,672	18,639
Postretirement benefit liability	47,534	47,702
Liabilities held by special purpose entities (Note 8)	43,250	43,250
Other long-term liabilities	114,842	77,488
	1,147,405	847,816
<b>Minority interest</b>	4,952	4,875
<b>Shareholders' equity</b>		
Common stock, without par value	67,747	56,765
Treasury stock, at cost	(86,304)	(81,643)
Retained earnings	933,076	901,267
Accumulated other comprehensive income (loss):		
- foreign currency translation	5,972	1,525
- interest rate derivatives	(377)	(1,861)
- energy and other derivatives	75	(945)
- minimum pension liability	(31,097)	(31,097)
	889,092	844,011
	\$ 2,573,001	\$ 2,188,001

See accompanying Notes to Consolidated Financial Statements

**GREIF, INC. AND SUBSIDIARY COMPANIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)****(Dollars in thousands)**

<b>For the six months ended April 30,</b>	<b>2007</b>	<b>2006</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 52,603	\$ 62,045
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	53,276	47,999
Asset impairments	939	5,525
Deferred income taxes	27,081	12,436
Gain on disposal of properties, plants and equipment, net	(8,587)	(7,190)
Loss (gain) on the sale of timberland (Note 8)	320	(40,807)
Loss on extinguishment of debt	23,479	
Equity in losses (earnings) of affiliates and minority interests	457	987
Increase (decrease) in cash from changes in certain assets and liabilities:		
Trade accounts receivable	17,479	(28,970)
Inventories	(7,422)	(3,322)
Prepaid expenses and other current assets	(28,587)	(32,498)
Other long-term assets	(73,347)	1,353
Long-term notes receivable	(8,159)	626
Accounts payable	(4,844)	7,578
Accrued payroll and employee benefits	(12,874)	(176)
Restructuring reserves	(4,117)	(3,297)
Other current liabilities	(1,786)	(10,965)
Pension and postretirement benefit liability	(4,135)	2,138
Other long-term liabilities	59,931	35,032
<b>Net cash provided by operating activities</b>	<b>81,707</b>	<b>48,494</b>
<b>Cash flows from investing activities:</b>		
Acquisitions of companies, net of cash acquired	(311,108)	
Purchases of properties, plants and equipment	(74,225)	(45,503)
Purchases of timber properties	(400)	(36,667)
Increase in notes receivable	(29,748)	
Proceeds from the sale of properties, plants and equipment	13,122	52,282
<b>Net cash used in investing activities</b>	<b>(402,359)</b>	<b>(29,888)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of long-term debt	1,254,588	480,544
Payments on long-term debt	(1,012,876)	(458,685)
Proceeds from short-term borrowings	46,552	11,141
Payment of premiums for extinguishment of debt	(14,303)	
Debt issuance costs	(2,839)	
Dividends paid	(20,793)	(13,732)
Acquisitions of treasury stock	(5,338)	(5,733)
Exercise of stock options	9,001	1,916
<b>Net cash provided by financing activities</b>	<b>253,992</b>	<b>15,451</b>
<b>Effects of exchange rates on cash</b>	<b>(5,071)</b>	<b>(4,438)</b>

<b>Net increase (decrease) in cash and cash equivalents</b>	(71,731)	&nb
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