

UNIVERSAL CORP /VA/
Form 10-Q
August 06, 2008
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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 June 30, 2008

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: 1-652

UNIVERSAL CORPORATION

(Exact name of registrant as specified in its charter)

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Virginia
(State or other jurisdiction of
incorporation or organization)

54-0414210
(I.R.S. Employer
Identification Number)

1501 North Hamilton Street,

Richmond, Virginia
(Address of principal executive offices)

23230
(Zip Code)

804-359-9311

(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 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 by Rule 12b-2 of the Exchange Act). Yes No

As of August 1, 2008, the total number of shares of common stock outstanding was 25,410,740.

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS
UNIVERSAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS****(In thousands of dollars, except per share data)**

	Three Months Ended June 30, 2008 2007 (Unaudited)	
Sales and other operating revenues	\$ 506,287	\$ 450,217
Costs and expenses		
Cost of goods sold	403,253	366,049
Selling, general and administrative expenses	64,847	51,107
Restructuring costs		3,304
Operating income	38,187	29,757
Equity in pretax earnings (loss) of unconsolidated affiliates	(50)	1,143
Interest income	950	4,288
Interest expense	7,666	11,391
Income before income taxes and other items	31,421	23,797
Income taxes	10,281	9,156
Minority interests, net of income taxes	29	(3,537)
Income from continuing operations	21,111	18,178
Income from discontinued operations, net of income taxes		530
Net income	21,111	18,708
Dividends on convertible perpetual preferred stock	(3,712)	(3,713)
Earnings available to common shareholders	\$ 17,399	\$ 14,995
Basic earnings per common share:		
From continuing operations	\$ 0.65	\$ 0.53
From discontinued operations		0.02
Net income	\$ 0.65	\$ 0.55
Diluted earnings per common share:		
From continuing operations	\$ 0.64	\$ 0.52
From discontinued operations		0.02
Net income	\$ 0.64	\$ 0.54
Retained earnings beginning of year	\$ 711,655	\$ 682,232
Net income	21,111	18,708
Cash dividends declared:		

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Series B 6.75% Convertible Perpetual Preferred Stock	(3,712)	(3,713)
Common stock (2008 \$0.45 per share; 2007 \$0.44 per share)	(12,382)	(12,054)
Repurchase of common stock cost in excess of stated capital amount	(45,350)	
Adoption of Financial Accounting Standards Board Interpretation 48 (FIN 48) as of April 1, 2007		(10,870)
Retained earnings end of period	\$ 671,322	\$ 674,303

See accompanying notes.

Table of Contents**UNIVERSAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(In thousands of dollars)

	June 30, 2008 (Unaudited)	June 30, 2007 (Unaudited)	March 31, 2008
ASSETS			
Current			
Cash and cash equivalents	\$ 141,805	\$ 320,764	\$ 186,070
Short-term investments	28,939		58,889
Accounts receivable, net	224,854	213,100	231,107
Advances to suppliers, net	116,254	66,717	149,376
Accounts receivable - unconsolidated affiliates	16,183	47,343	43,718
Inventories - at lower of cost or market:			
Tobacco	965,244	814,564	602,945
Other	63,766	45,713	42,562
Prepaid income taxes	13,005	9,036	17,696
Deferred income taxes	24,281	22,824	22,737
Other current assets	93,216	54,099	61,960
Current assets of discontinued operations		8,295	
Total current assets	1,687,547	1,602,455	1,417,060
Property, plant and equipment			
Land	16,516	16,795	16,460
Buildings	256,470	242,966	254,737
Machinery and equipment	517,272	519,097	519,695
	790,258	778,858	790,892
Less accumulated depreciation	(463,345)	(422,401)	(456,059)
	326,913	356,457	334,833
Other assets			
Goodwill and other intangibles	106,413	104,371	106,647
Investments in unconsolidated affiliates	115,744	105,931	116,185
Deferred income taxes	50,164	78,285	49,632
Other noncurrent assets	92,922	130,343	109,755
	365,243	418,930	382,219
Total assets	\$ 2,379,703	\$ 2,377,842	\$ 2,134,112

See accompanying notes.

Table of Contents**UNIVERSAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(In thousands of dollars)

	June 30, 2008 (Unaudited)	June 30, 2007 (Unaudited)	March 31, 2008
LIABILITIES AND SHAREHOLDERS EQUITY			
Current			
Notes payable and overdrafts	\$ 260,590	\$ 124,221	\$ 126,229
Accounts payable and accrued expenses	233,493	259,117	210,354
Accounts payable - unconsolidated affiliates	119	27	10,343
Customer advances and deposits	165,945	132,434	21,030
Accrued compensation	19,128	15,874	25,484
Income taxes payable	7,133	12,863	8,886
Current portion of long-term obligations		164,000	
Current liabilities of discontinued operations		2,757	
Total current liabilities	686,408	711,293	402,326
Long-term obligations	399,496	398,122	402,942
Pensions and other postretirement benefits	91,776	103,218	88,278
Other long-term liabilities	81,828	86,728	84,958
Deferred income taxes	44,072	30,663	36,795
Total liabilities	1,303,580	1,330,024	1,015,299
Minority interests	3,171	2,286	3,182
Shareholders' equity			
Preferred stock:			
Series A Junior Participating Preferred Stock, no par value, 500,000 shares authorized, none issued or outstanding			
Series B 6.75% Convertible Perpetual Preferred Stock, no par value, 5,000,000 shares authorized, 219,999 shares issued and outstanding (219,999 at June 30, 2007, and March 31, 2008)	213,023	213,023	213,023
Common stock, no par value, 100,000,000 shares authorized, 26,095,635 shares issued and outstanding (27,356,307 at June 30, 2007, and 27,162,150 at March 31, 2008)	200,763	196,809	206,436
Retained earnings	671,322	674,303	711,655
Accumulated other comprehensive loss	(12,156)	(38,603)	(15,483)
Total shareholders' equity	1,072,952	1,045,532	1,115,631
Total liabilities and shareholders' equity	\$ 2,379,703	\$ 2,377,842	\$ 2,134,112

See accompanying notes.

Table of Contents**UNIVERSAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands of dollars)**

	Three Months Ended June 30,	
	2008	2007
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS:		
Net income	\$ 21,111	\$ 18,708
Adjustments to reconcile net income to net cash used by operating activities of continuing operations:		
Net loss (income) from discontinued operations		(530)
Depreciation	10,292	10,813
Amortization	249	393
Provisions for losses on advances and guaranteed loans to suppliers	3,766	780
Restructuring costs		3,304
Other, net	10,003	(2,469)
Changes in operating assets and liabilities, net	(182,739)	(73,597)
Net cash used by operating activities of continuing operations	(137,318)	(42,598)
CASH FLOWS FROM INVESTING ACTIVITIES OF CONTINUING OPERATIONS:		
Purchase of property, plant and equipment	(6,126)	(6,851)
Purchases of short-term investments	(9,658)	