

UNIVERSAL CORP /VA/  
Form 10-Q  
August 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 June 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: 1-652

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**UNIVERSAL CORPORATION**

(Exact name of registrant as specified in its charter)

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**Virginia**  
(State or other jurisdiction of  
incorporation or organization)  
  
**1501 North Hamilton Street,**  
**Richmond, Virginia**  
(Address of principal executive offices)

**804-359-9311**

**54-0414210**  
(I.R.S. Employer  
Identification Number)  
  
**23230**  
(Zip Code)

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(Registrant's telephone number, including area code)

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

As of August 1, 2007, the total number of shares of common stock outstanding was 27,363,456.

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**UNIVERSAL CORPORATION**

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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)**

	<b>Three Months Ended June 30, 2007      2006 (Unaudited)</b>	
Sales and other operating revenues	\$ 450,217	\$ 446,917
Costs and expenses		
Cost of goods sold	366,049	362,642
Selling, general and administrative expenses	51,107	65,300
Restructuring and impairment costs	3,304	12,289
Operating income	29,757	6,686
Equity in pretax earnings (loss) of unconsolidated affiliates	1,143	(3,540)
Interest income	4,288	667
Interest expense	11,391	13,172
Income (loss) before income taxes and other items	23,797	(9,359)
Income taxes	9,156	5,616
Minority interests, net of income taxes	(3,537)	(1,248)
Income (loss) from continuing operations	18,178	(13,727)
Income from discontinued operations, net of income taxes	530	11,379
Net income (loss)	18,708	(2,348)
Dividends on convertible perpetual preferred stock	(3,713)	(3,547)
Earnings (loss) available to common shareholders	\$ 14,995	\$ (5,895)
Basic earnings (loss) per common share:		
From continuing operations	\$ 0.53	\$ (0.67)
From discontinued operations	0.02	0.44
Net income (loss)	\$ 0.55	\$ (0.23)
Diluted earnings (loss) per common share:		
From continuing operations	\$ 0.52	\$ (0.67)
From discontinued operations	0.02	0.44
Net income (loss)	\$ 0.54	\$ (0.23)
Retained earnings - beginning of year	\$ 682,232	\$ 697,987
Net income (loss)	18,708	(2,348)
Cash dividends declared:		

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Series B 6.75% Convertible Perpetual Preferred Stock	(3,713)	(3,547)
Common stock (2007 - \$0.44 per share; 2006 - \$0.43 per share)	(12,054)	(11,072)
Adoption of Financial Accounting Standards Board Interpretation 48 (FIN 48) as of April 1, 2007	(10,870)	
Retained earnings - end of period	\$ 674,303	\$ 681,020

See accompanying notes.

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

(In thousands of dollars)

	June 30, 2007 (Unaudited)	June 30, 2006 (Unaudited)	March 31, 2007
<b>ASSETS</b>			
Current			
Cash and cash equivalents	\$ 320,764	\$ 85,495	\$ 358,236
Accounts receivable, net	213,100	189,148	261,106
Advances to suppliers, net	66,717	141,325	113,396
Accounts receivable - unconsolidated affiliates	47,343	25,051	37,290
Inventories - at lower of cost or market:			
Tobacco	814,564	812,489	595,901
Other	45,713	55,801	40,577
Prepaid income taxes	9,036	4,190	8,760
Deferred income taxes	22,824	22,264	25,182
Other current assets	54,099	67,857	62,480
Current assets of discontinued operations	8,295	638,243	42,437
Total current assets	1,602,455	2,041,863	1,545,365
Property, plant and equipment			
Land	16,795	17,404	16,640
Buildings	242,966	256,138	241,410
Machinery and equipment	519,097	525,104	512,586
	778,858	798,646	770,636
Less accumulated depreciation	(422,401)	(401,324)	(410,478)
	356,457	397,322	360,158
Other assets			
Goodwill and other intangibles	104,371	105,797	104,284
Investments in unconsolidated affiliates	105,931	94,766	104,316
Deferred income taxes	78,285	92,457	81,003
Other noncurrent assets	130,343	142,125	133,696
Noncurrent assets of discontinued operations		231,628	
	418,930	666,773	423,299
Total assets	\$ 2,377,842	\$ 3,105,958	\$ 2,328,822

See accompanying notes.

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

(In thousands of dollars)

	June 30, 2007 (Unaudited)	June 30, 2006 (Unaudited)	March 31, 2007
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>			
Current			
Notes payable and overdrafts	\$ 124,221	\$ 351,574	\$ 131,159
Accounts payable	259,117	226,742	220,181
Accounts payable - unconsolidated affiliates	27	2,640	644
Customer advances and deposits	132,434	187,064	133,608
Accrued compensation	15,874	16,981	18,519
Income taxes payable	12,863	11,646	11,549
Current portion of long-term obligations	164,000	8,534	164,000
Current liabilities of discontinued operations	2,757	308,723	13,314
<b>Total current liabilities</b>	<b>711,293</b>	<b>1,113,904</b>	<b>692,974</b>
Long-term obligations	398,122	761,520	398,952
Pensions and other postretirement benefits	103,218	94,375	100,004
Other long-term liabilities	86,728	78,229	70,528
Deferred income taxes	30,663	29,364	29,809
Noncurrent liabilities of discontinued operations		31,231	
<b>Total liabilities</b>	<b>1,330,024</b>	<b>2,108,623</b>	<b>1,292,267</b>
Minority interests	2,286	17,374	5,822
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 (220,000 at June 30, 2006, and March 31, 2007)			
	213,023	213,024	213,024
Common stock, no par value, 100,000,000 shares authorized, 27,356,307 shares issued and outstanding (25,748,306 at June 30, 2006, and 26,948,599 at March 31, 2007)			
	196,809	124,032	176,453
Retained earnings	674,303	681,020	682,232
Accumulated other comprehensive loss	(38,603)	(38,115)	(40,976)
<b>Total shareholders equity</b>	<b>1,045,532</b>	<b>979,961</b>	<b>1,030,733</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 2,377,842</b>	<b>\$ 3,105,958</b>	<b>\$ 2,328,822</b>

See accompanying notes.

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

	<b>Three Months Ended June 30,</b>	
	<b>2007</b>	<b>2006</b>
	<b>(Unaudited)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS:</b>		
Net income (loss)	\$ 18,708	\$ (2,348)
Adjustments to reconcile net income (loss) to net cash used by operating activities of continuing operations:		
Net income from discontinued operations	(530)	(11,379)
Depreciation	10,813	12,797
Amortization	393	698
Provisions for losses on advances and guaranteed loans to suppliers	780	2,650
Restructuring and impairment costs	3,304	12,289
Other, net	(2,469)	5,620
Changes in operating assets and liabilities, net	(73,597)	(31,805)
<b>Net cash used by operating activities of continuing operations</b>	<b>(42,598)</b>	<b>(11,478)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES OF CONTINUING OPERATIONS:</b>		
Purchase of property, plant and equipment	(6,851)	(7,140)
Proceeds from sale of business, less cash of business sold	25,156	
Proceeds from sale of property, plant and equipment, and other	110	294