

HORMEL FOODS CORP /DE/
Form 10-Q/A
July 11, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q/A-1

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

For Quarter Ended April 26, 2003

Commission File
Number 1-2402

HORMEL FOODS CORPORATION

Incorporated Under the Laws
of the State of Delaware

Fein #41-0319970

1 Hormel Place
Austin, Minnesota 55912-3680
Telephone - (507) 437-5611

None

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

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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Class

Outstanding at April 26, 2003

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Common Stock	\$.0586 par value	138,342,776
Common Stock Non-Voting	\$.01 par value	-0-

Introductory Note

This Form 10-Q/A-1 is the result of discussions between Company management and the Securities and Exchange Commission (SEC) during a normal review of the Company s SEC filings. The only change in this amendment was the addition of two text sentences to the Goodwill and other intangible assets section of Critical Accounting Policies contained in Management s Discussion and Analysis of Financial Condition and Results of Operations. This Form 10-Q/A-1 contains no changes to the consolidated financial statements as previously reported.

For the purposes of this Form 10-Q/A-1, and in accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended, the Company has amended and restated in its entirety each item of the Company s Form 10-Q for the second quarter ended April 26, 2003. This Form 10-Q/A-1 does not reflect events occurring after the filing of the original Form 10-Q, or modify or update those disclosures affected by subsequent events.

This Form 10-Q/A-1 contains forward-looking statements with respect to our financial condition, results of operations, plans, objectives, future performance and business. Forward-looking statements include predictions of future results and may contain the words expects, believes, will deliver, anticipates, projects or words or phrases of similar meaning. Our actual results for future periods could differ materially from historical earnings and those anticipated or projected in forward-looking statements. In particular, our future results could be affected by the factors described in Exhibit 99.1 to Form 10-K/A-1 under the caption Cautionary Statement Regarding Forward-Looking Statements and Risk Factors.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

HORMEL FOODS CORPORATION
STATEMENTS OF FINANCIAL POSITION
(In Thousands of Dollars)

	April 26, 2003 (Unaudited)	October 26, 2002
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 156,979	\$ 309,563
Accounts receivable	242,779	275,460
Inventories	382,103	355,638
Deferred income taxes	7,759	7,431
Prepaid expenses and other current assets	42,017	14,078
TOTAL CURRENT ASSETS	831,637	962,170
DEFERRED INCOME TAXES	0	6,583
GOODWILL	362,143	310,072
OTHER INTANGIBLES	93,159	56,224
INVESTMENTS IN AND RECEIVABLES FROM AFFILIATES	145,093	127,222
OTHER ASSETS	158,653	105,247
PROPERTY, PLANT AND EQUIPMENT		
Land	23,675	21,709
Buildings	404,653	382,573
Equipment	885,777	852,403
Construction in progress	46,454	46,466
	1,360,559	1,303,151
Less allowance for depreciation	(683,839)	(650,473)
	676,720	652,678
TOTAL ASSETS	\$ 2,267,405	\$ 2,220,196

See notes to financial statements

HORMEL FOODS CORPORATION
STATEMENTS OF FINANCIAL POSITION

(In Thousands of Dollars)

	April 26, 2003 (Unaudited)	October 26, 2002
LIABILITIES AND SHAREHOLDERS INVESTMENT		
CURRENT LIABILITIES		
Accounts payable	\$ 154,757	\$ 174,070
Accrued expenses	38,240	34,496
Accrued marketing expenses	56,246	51,739
Employee compensation	63,001	87,897
Taxes, other than federal income taxes	19,946	19,819
Dividends payable	14,735	13,569
Federal income tax	25,038	14,701
Current maturities of long-term debt	13,812	13,820
TOTAL CURRENT LIABILITIES	385,775	410,111
LONG-TERM DEBT less current maturities	408,019	409,648
ACCUMULATED POSTRETIREMENT BENEFIT OBLIGATION	253,161	253,078
OTHER LONG-TERM LIABILITIES	35,101	32,104
DEFERRED INCOME TAXES	6,957	0
SHAREHOLDERS INVESTMENT		
Preferred stock, par value \$.01 a share authorized 80,000,000 shares; issued none		
Common stock, non-voting, par value \$.01 a share authorized 200,000,000 shares; issued none		
Common stock, par value \$.0586 a share authorized 400,000,000 shares; issued 138,438,302 shares April 26, 2003		
issued 138,411,338 shares October 26, 2002	8,112	8,111
Additional paid in capital	168	0
Accumulated other comprehensive loss	(18,032)	(32,959)
Retained earnings	1,190,146	1,140,103
	1,180,394	1,115,255
Shares held in treasury - 95,526 shares	(2,002)	0
TOTAL SHAREHOLDERS INVESTMENT	1,178,392	1,115,255
TOTAL LIABILITIES AND SHAREHOLDERS INVESTMENT	\$ 2,267,405	\$ 2,220,196

See notes to financial statements

HORMEL FOODS CORPORATION
STATEMENTS OF EARNINGS
(In Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	April 26, 2003	April 27, 2002	April 26, 2003	April 27, 2002
Net sales	\$ 1,002,602	\$ 954,627	\$ 2,021,052	\$ 1,937,641
Cost of products sold	764,154	730,570	1,530,439	1,467,332
GROSS PROFIT	238,448	224,057	490,613	470,309
Expenses:				
Selling and delivery	147,681	145,533	295,566	284,202
Administrative and general	32,712	23,021	60,802	46,040
TOTAL EXPENSES	180,393	168,554	356,368	330,242
Equity in earnings of affiliates	1,629	2,725	2,510	3,999
OPERATING INCOME	59,684	58,228	136,755	144,066
Other income and expenses:				
Interest and investment income	694	1,457	2,555	3,196
Interest expense	(8,097)	(8,123)	(15,144)	(16,414)
EARNINGS BEFORE INCOME TAXES	52,281	51,562	124,166	130,848
Provision for income taxes	18,480	18,822	43,425	47,757
NET EARNINGS	\$ 33,801	\$ 32,740	\$ 80,741	\$ 83,091
NET EARNINGS PER SHARE:				
BASIC	\$ 0.24	\$ 0.24	\$ 0.58	\$ 0.60
DILUTED	\$ 0.24	\$ 0.23	\$ 0.58	\$ 0.59
WEIGHTED AVERAGE SHARES OUTSTANDING:				
BASIC	138,380	138,819	138,384	138,776
DILUTED	139,533	140,603	139,641	140,545
DIVIDENDS DECLARED PER SHARE:	\$ 0.105	\$ 0.0975	\$ 0.21	\$ 0.195

See notes to financial statements

HORMEL FOODS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of Dollars)

(Unaudited)

	Six Months Ended	
	April 26, 2003	April 27, 2002
OPERATING ACTIVITIES		
Net earnings	\$ 80,741	\$ 83,091
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	41,428	40,858
Amortization of intangibles	1,395	450
Equity in earnings of affiliates	(2,098)	(3,999)
Provision for deferred income taxes	(8,142)	(5,831)
Loss on property/equipment sales and plant facilities	1,158	576
Changes in operating assets and liabilities, net of acquisitions:		
Decrease in accounts receivable	44,228	65,225
(Increase) in inventories and prepaid expenses and other current assets	(44,876)	(657)
(Decrease) in accounts payable and accrued expenses	(31,407)	(14,821)
NET CASH PROVIDED BY OPERATING ACTIVITIES	82,427	164,892
INVESTING ACTIVITIES		
Sale of held-to-maturity securities	0	5,000
Purchase of held-to-maturity securities	0	(10,000)
Acquisitions of businesses	(124,432)	(476)
Purchases of property/equipment	(30,198)	(24,791)
Proceeds from sales of property/equipment	1,142	1,334
(Increase) decrease in investments, equity in affiliates, and other assets	(48,630)	2,318
NET CASH USED IN INVESTING ACTIVITIES	(202,118)	(26,615)
FINANCING ACTIVITIES		
Proceeds from long-term debt	40	1,257
Principal payments on long-term debt	(1,677)	(6,693)
Dividends paid on common stock	(28,017)	(26,350)
Share repurchases	(4,808)	(45)
Other	1,569	1,239
NET CASH USED IN FINANCING ACTIVITIES	(32,893)	(30,592)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(152,584)	107,685
Cash and cash equivalents at beginning of year	309,563	186,276
CASH AND CASH EQUIVALENTS AT END OF QUARTER	\$ 156,979	293,961

See notes to financial statements

HORMEL FOODS CORPORATION

NOTES TO FINANCIAL STATEMENTS

(In Thousands, Except Per Share and Percentage Amounts)

(Unaudited)

NOTE A GENERAL

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information, and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the interim period are not necessarily indicative of the results that may be expected for the full year. The balance sheet at October 26, 2002, has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the fiscal year ended October 26, 2002.

Commitments

The Company enters into various agreements guaranteeing specified obligations of affiliated parties. In some cases the Company guarantees the payment for raw materials that were purchased by a supplier of Hormel Foods. In other cases the Company provides a standby letter of credit for obligations of an affiliated party that may arise under worker compensation claims. The Company's guarantees either terminate in one year or remain in place until such time as Hormel Foods revokes the agreement. Total guarantees provided by the Company, as of April 26, 2003, amounted to \$3,549. These potential obligations are not reflected in the Company's consolidated balance sheet.

Stock-Based Compensation

The Company uses the intrinsic value method prescribed by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for employee stock options. Under the intrinsic value method, compensation expense is recognized only to the extent that the market price of the common stock exceeds the exercise price of the stock option at the date of the grant. The Company does not recognize compensation expense on stock options as all options are granted at current market prices.

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Pro forma amounts as if the Company had used the fair value method in accounting for employee stock options are as follows:

Three Months Ended

Six Months Ended

April 26,
2003