

DIAL CORP /NEW/
Form 10-Q
August 06, 2003

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended **June 28, 2003**

Commission file number 1-11793

THE DIAL CORPORATION

(Exact Name of Registrant as Specified in its Charter)

DELAWARE (State or Other Jurisdiction of Incorporation or Organization)	51-0374887 (I.R.S. Employer Identification No.)
15501 NORTH DIAL BOULEVARD SCOTTSDALE, ARIZONA (Address of Principal Executive Offices)	85260-1619 (Zip Code)

Registrant's Telephone Number, Including Area Code: (480) 754-3425

Indicate by check mark whether the registrant (1) has filed all Exchange Act reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months, 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

The number of shares of Common Stock, \$0.01 par value, outstanding as of the close of business on July 26, 2003 was 95,927,268.

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ITEM 1. FINANCIAL STATEMENTS****THE DIAL CORPORATION
CONSOLIDATED BALANCE SHEET**

(In thousands, except share data)	(Unaudited) June 28, 2003	December 31, 2002
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 320,263	\$ 219,554
Receivables, less allowance of \$1,857 and \$1,256	86,061	88,466
Inventories	144,567	131,508
Deferred income taxes	22,250	23,255
Income tax receivable		7,901
Current assets of discontinued operation	11,892	18,547
Other current assets	3,390	7,605
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Total current assets	588,423	496,836
Property and equipment, net	213,902	220,792
Deferred income taxes	45,817	57,012
Goodwill	313,132	312,678
Other intangibles, net	51,313	51,070
Non-current assets of discontinued operation	3,477	2,226
Other assets	18,943	9,125
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Total assets	\$ 1,235,007	\$ 1,149,739
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LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Trade accounts payable	\$ 98,407	\$ 94,187
Income taxes payable	31,211	
Current liabilities of discontinued operation	6,489	13,512
Other current liabilities	138,017	161,217
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Total current liabilities	274,124	268,916
Long-term debt	465,240	458,393
Post-retirement and other employee benefits	269,613	267,225
Other liabilities	5,414	6,207
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Total liabilities	1,014,391	1,000,741
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Stockholders Equity:		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized; no shares issued and outstanding		
Common stock, \$0.01 par value, 300,000,000 shares authorized; 106,816,344 and 106,372,531 shares issued	1,068	1,064
Additional paid-in capital	439,207	436,262
Retained income	66,446	8,835
Accumulated other comprehensive loss	(31,350)	(32,350)
Unearned employee benefits	(37,430)	(48,103)
Treasury stock, 10,942,317 and 10,910,433 shares held	(217,325)	(216,710)
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Total stockholders' equity	220,616	148,998
Total liabilities and stockholders' equity	\$1,235,007	\$1,149,739

See Notes to Consolidated Financial Statements.

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THE DIAL CORPORATION
STATEMENT OF CONSOLIDATED OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

(In thousands, except per share data)	Quarter Ended	
	June 28, 2003	June 29, 2002
Net sales	\$ 332,491	\$ 320,015
Costs and expenses:		
Cost of products sold	208,277	198,018
Asset writedowns and other special items (net gain)		(1,182)
Total cost of products sold	208,277	196,836
Selling, general and administrative expenses	62,445	65,593
Total costs and expenses	270,722	262,429
Operating income	61,769	57,586
Interest expense	6,360	6,591
Other expenses, net	2,254	2,868
Income from joint ventures		1,749
Income from continuing operations before income taxes	53,155	49,876
Income taxes	19,774	18,097
Income from continuing operations	33,381	31,779
Discontinued operations:		
Adjustment to loss on disposal of discontinued Argentina business, net of income tax of \$1,263	2,150	
Income from operation of discontinued Argentina business, net of income tax of \$1,125		1,654
Total income from discontinued operations	2,150	1,654
NET INCOME	\$ 35,531	\$ 33,433
Basic net income per common share:		
Income from continuing operations	\$ 0.36	\$ 0.34
Income from discontinued operations	0.02	0.02
NET INCOME PER SHARE BASIC	\$ 0.38	\$ 0.36
Diluted net income per common share:		
Income from continuing operations	\$ 0.35	\$ 0.34
Income from discontinued operations	0.02	0.02
NET INCOME PER SHARE DILUTED	\$ 0.37	\$ 0.35
Weighted average basic shares outstanding	93,662	92,243
Weighted average equivalent shares	1,857	2,235

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Weighted average diluted shares outstanding	95,519	94,478
NET INCOME	\$ 35,531	\$ 33,433
Other comprehensive income (loss):		
Foreign currency translation adjustment	647	(7,671)
COMPREHENSIVE INCOME	\$ 36,178	\$ 25,762

See Notes to Consolidated Financial Statements.

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THE DIAL CORPORATION
STATEMENT OF CONSOLIDATED OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

(In thousands, except per share data)	Six Months Ended	
	June 28, 2003	June 29, 2002
Net sales	\$ 644,892	\$ 614,594
Costs and expenses:		
Cost of products sold	401,772	384,190
Asset writedowns and other special items (net gain)		(1,182)
Total cost of products sold	401,772	383,008
Selling, general and administrative expenses	124,280	126,400
Total costs and expenses	526,052	509,408
Operating income	118,840	105,186
Interest expense	13,120	14,999
Other expenses, net	5,357	5,484
Income from joint ventures		1,749
Income from continuing operations before income taxes	100,363	86,452
Income taxes	37,334	31,577
Income from continuing operations	63,029	54,875
Discontinued operations:		
Adjustment to loss on disposal of discontinued Specialty Personal Care segment, net of income tax of \$740		1,260
Adjustment to loss on disposal of discontinued Argentina business, net of income tax of \$1,263	2,150	
Income from operation of discontinued Argentina business, net of income tax of \$1,610		2,130
Total income from discontinued operations	2,150	3,390
Cumulative effect of the change in accounting principle, net of income tax of \$661		(43,308)
NET INCOME	\$ 65,179	\$ 14,957
Basic net income per common share:		
Income from continuing operations	\$ 0.67	\$ 0.60
Income from discontinued operations	0.02	0.04
Effect of change in accounting principle		(0.47)
NET INCOME PER SHARE BASIC	\$ 0.70	\$ 0.16
Diluted net income per common share:		
Income from continuing operations	\$ 0.66	\$ 0.58
Income from discontinued operations	0.02	0.04

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Effect of change in accounting principle		(0.46)
NET INCOME PER SHARE DILUTED	\$ 0.68	\$ 0.16
Weighted average basic shares outstanding	93,445	92,020
Weighted average equivalent shares	1,863	1,840
Weighted average diluted shares outstanding	95,308	93,860
NET INCOME	\$ 65,179	\$ 14,957
Other comprehensive income (loss):		
Foreign currency translation adjustment	1,000	(34,695)
COMPREHENSIVE INCOME (LOSS)	\$ 66,179	\$ (19,738)

See Notes to Consolidated Financial Statements.

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THE DIAL CORPORATION
STATEMENT OF CONSOLIDATED CASH FLOWS
(Unaudited)

(In thousands)	Six Months Ended	
	June 28, 2003	June 29, 2002
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Net income	\$ 65,179	\$ 14,957
Adjustments to reconcile net income to net cash provided by operating activities:		
Adjustment to loss on disposal of discontinued Specialty Personal Care operation, net of tax		(1,260)
Adjustment to loss on disposal of discontinued Argentina business, net of tax	(2,150)	
Argentina business discontinued operation, net of tax		(2,130)
Effect of change in accounting principle, net of tax		43,308
Depreciation	17,881	17,665
Amortization	90	61
Deferred income taxes	12,200	(2,184)
Asset writedowns and other special items, net		(1,182)
Tax benefits from employee stock option exercises	1,265	
Change in operating assets and liabilities:		
Receivables	2,405	(9,084)
Inventories	(13,059)	(7,848)
Trade accounts payable	4,220	8,277
Income taxes payable/receivable	39,112	49,242
Other assets and liabilities, net	(17,742)	3,429
Net cash provided by operating activities	109,401	113,251
CASH FLOWS USED BY INVESTING ACTIVITIES:		
Capital expenditures	(11,107)	(12,636)
Investment in discontinued operation		(6,324)
Proceeds from disposition of discontinued operation		2,000
Proceeds from sale of assets	787	2,993
Net cash used by investing activities	(10,320)	(13,967)
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES:		
Repayment and amortization of debt	(1,244)	(581)
Dividends paid on common stock	(7,568)	(7,339)
Cash proceeds from employee stock option exercises	10,440	6,638
Net cash provided (used) by financing activities	1,628	(1,282)
Effects of foreign currency exchange rates on cash balances		(1,376)
Net increase in cash and cash equivalents	100,709	96,626
Cash and cash equivalents, beginning of period	219,554	28,310
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 320,263	\$ 124,936

See Notes to Consolidated Financial Statements.

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**THE DIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

Note 1. Basis of Preparation

The accompanying consolidated financial statements include the accounts of The Dial Corporation and all majority-owned subsidiaries. This information should be read in conjunction with the financial statements set forth in The Dial Corporation Annual Report to Stockholders for the year ended December 31, 2002.

On December 23, 2002, we announced the pending sale of our Argentina business. As a result of this pending sale, Argentina's financial position and historical earnings have been reclassified as a discontinued operation in the accompanying financial statements. The sale of our Argentina business was completed on June 30, 2003. See Note 2 to these consolidated financial statements.

Accounting policies utilized in the preparation of the financial information presented herein are the same as set forth in Dial's annual financial statements except as modified for interim accounting policies, which are within the guidelines set forth in Accounting Principles Board Opinion (APB) No. 28, Interim Financial Reporting . The interim consolidated financial statements are unaudited. All adjustments necessary to present fairly the financial position as of June 28, 2003, and the results of operations and cash flows for the quarters and six months ended June 28, 2003 and June 29, 2002, respectively, have been included. Interim results of operations are not necessarily indicative of the results of operations for the full year.

In May 2003, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity . This Statement requires the classification of certain financial instruments, previously classified within the equity section of the balance sheet, to be included in liabilities. This Statement is effective for financial instruments entered into or modified after May 31, 2003 and June 15, 2003 for all other instruments. We do not believe that this Statement will impact our future financial position.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities . This Statement amended and refined certain characteristics of derivative instruments and hedges. We do not anticipate a financial impact as a result of this Statement.

Note 2. Discontinued Operations

Argentina - In December 2002, we announced that we had reached an agreement to sell our Argentina business to an entity designated by Southern Cross Group, a private equity investor in Argentina. The transaction was structured as the sale of assets of Dial Argentina, S.A., which included the stock of its two subsidiaries, Sulfargen, S.A. and The Dial Corporation San Juan, S.A. In December 2002, we recorded an after-tax loss of \$62.4 million on the pending sale and reclassified our Argentina business as a discontinued operation. This primarily non-cash loss includes the reversal of \$92.8 million in currency translation adjustments, which had previously been recorded as a reduction of equity and an accrual for estimated exit and closing costs. This transaction also resulted in current tax benefits of approximately \$61 million.

At the beginning of the third quarter of 2003, we completed the sale of our Argentina business, based on negotiations concluded prior to June 28, 2003. The sale resulted in higher cash proceeds and lower projected exit and closing costs than originally anticipated. Accordingly, in the second quarter of 2003, we recognized a \$2.1 million after-tax (\$3.4 million pre-tax) reduction in the previously recorded loss on the disposal of our discontinued Argentina business.

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The tax benefits from the sale of Argentina were utilized by the end of the second quarter of 2003.

Our discontinued Argentina business has been classified as held for sale and as a discontinued operation since December 2002. Accordingly, we did not recognize any income from operation of this business during 2003. During the first six months of 2002, we recorded \$2.1 million in net income (\$3.7 million pre-tax) from our discontinued Argentina business.

Assets and liabilities of the discontinued Argentina operation included in our consolidated financial statements as of June 28, 2003 and December 31, 2002 were as follows:

(In thousands)	June 28, 2003	December 31, 2002
Cash and cash equivalents	\$ 1,663	\$ 1,657
Receivables		3,988
Inventories	8,953	10,483
Other current assets	1,276	2,419
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Current assets of discontinued operation	\$11,892	