

12-31-1976

Securities and Exchange Commission Form 10-Q for Emerson Electric Company

Securities and Exchange Commission

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

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

For Quarter Ended December 31, 1976

Commission file number 1-278

EMERSON ELECTRIC CO.

(Exact name of registrant as specified in its charter)

Missouri

(State or other jurisdiction of
incorporation or organization)

43-0259330

(I.R.S. Employer
Identification No.)

8100 W. Florissant Avenue, St. Louis, Missouri

(Address of principal executive offices)

63136

(Zip Code)

Registrant's telephone number, including area code (314) 553-2000

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 and (2) has been subject to such filing requirements for the past 90 days. Yes No

Common stock outstanding at December 31, 1976: 56,984,273 shares.

The following financial statements are unaudited and reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results of the interim periods.

EMERSON ELECTRIC CO. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF EARNINGS
 THREE MONTHS ENDED DECEMBER 31, 1976 AND 1975, AS RESTATED
 (Thousands of Dollars Except per Share Amounts)

	<u>December 31,</u> 1976	<u>December 31,</u> 1975 (Note)
Net sales	<u>\$398,743</u>	<u>345,676</u>
Costs and expenses:		
Cost of sales	268,607	231,351
Selling, general and administrative expenses	67,054	59,800
Interest expense	2,659	1,814
Other (income) deductions, net	<u>(42)</u>	<u>729</u>
	<u>338,278</u>	<u>293,694</u>
Earnings before income taxes	60,465	51,982
Income taxes	<u>28,656</u>	<u>24,597</u>
Net earnings	<u>\$ 31,809</u>	<u>27,385</u>
Average number of common and common equivalent shares outstanding	57,129,000	57,082,000
Earnings per common and common equivalent share	\$.56	.48
Cash dividends per common share	\$.25	.1875

Note: Amounts for 1975 have been restated to include companies acquired since December 31, 1975 on a pooling of interests basis and the adoption of Financial Accounting Standards Board method of translating foreign currencies.

EMERSON ELECTRIC CO. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 DECEMBER 31, 1976 AND 1975, AS RESTATED
 (Thousands of Dollars)

<u>ASSETS</u>	<u>1976</u>	<u>1975</u>
Current assets:		
Cash	\$ 5,036	6,737
Short-term investments, at cost which approximates market	99,466	65,358
Accounts receivable, less allowance for doubtful accounts of \$3,585,000 in 1976 and \$3,498,000 in 1975	207,791	194,609
Unbilled costs and estimated earnings under long-term contracts, less progress billings of \$3,655,000 in 1976 and \$3,799,000 in 1975	4,422	3,271
Inventories, at the lower of cost (principally standard costs which approximate average costs) or market:		
Finished products	130,762	106,483
Raw materials and work in process	<u>264,896</u>	<u>248,402</u>
Total inventories	395,658	354,885
Prepaid expenses	<u>11,816</u>	<u>9,486</u>
Total current assets	<u>724,189</u>	<u>634,346</u>
Property, plant and equipment:		
Property, plant and equipment, at cost	489,277	436,883
Less accumulated depreciation	<u>214,194</u>	<u>191,697</u>
Net property, plant and equipment	<u>275,083</u>	<u>245,186</u>
Other assets	<u>30,192</u>	<u>26,430</u>
	<u>\$1,029,464</u>	<u>905,962</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Current maturities on long-term debt and foreign borrowings	\$ 21,057	17,924
Accounts payable	68,918	61,900
Advance payments on long-term contracts, less costs incurred of \$20,025,000 in 1976 and \$6,433,000 in 1975	17,463	16,122
Accrued expenses	61,435	47,529
Income taxes	<u>49,957</u>	<u>40,400</u>
Total current liabilities	<u>218,830</u>	<u>183,875</u>
Long-term debt, less current maturities	<u>104,056</u>	<u>90,370</u>
Stockholders' equity:		
Preferred stock of \$2.50 par value per share. Authorized 5,400,000 shares; issued - none	-	-
Common stock of \$1 par value per share. Authorized 80,000,000 shares; issued 57,159,086 shares in 1976 and 57,092,750 in 1975	57,159	57,093
Additional paid-in capital	31,870	30,688
Retained earnings	<u>622,136</u>	<u>548,902</u>
	711,165	636,683
Less cost of common stock in treasury, 174,813 shares in 1976 and 188,958 shares in 1975	<u>4,587</u>	<u>4,966</u>
Total stockholders' equity	<u>706,578</u>	<u>631,717</u>
	<u>\$1,029,464</u>	<u>905,962</u>

EMERSON ELECTRIC CO. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
 THREE MONTHS ENDED DECEMBER 31, 1976 AND 1975, AS RESTATED
 (Thousands of Dollars)

	<u>1976</u>	<u>1975</u>
Sources of working capital:		
Net earnings	\$31,809	27,385
Add depreciation	<u>11,277</u>	<u>9,921</u>
Working capital provided from operations:	43,086	37,306
Proceeds from long-term debt	5,056	2,259
Sale and retirement of property, plant and equipment, net of accumulated depreciation	81	422
Other, net	<u>1,335</u>	<u>796</u>
	<u>49,558</u>	<u>40,783</u>
Uses of working capital:		
Purchase of property, plant and equipment	11,559	11,290
Cash dividends paid	14,245	10,434
Reduction of long-term debt	5,623	2,030
Purchases of businesses, less working capital acquired of \$650,000 in 1975		
Property, plant and equipment	-	3,175
Other assets	<u>-</u>	<u>1,068</u>
	<u>31,427</u>	<u>27,997</u>
Increase in working capital	<u>\$18,131</u>	<u>12,786</u>
Changes in components of working capital:		
Increase (decrease) in current assets:		
Cash and short-term investments	\$ 3,904	5,321
Receivables	(12,765)	(1,708)
Inventories	16,119	9,455
Prepaid expenses	<u>1,066</u>	<u>1,151</u>
	<u>8,324</u>	<u>14,219</u>
Decrease (increase) in current liabilities:		
Current maturities on long-term debt and foreign borrowings	(381)	(1,956)
Accounts payable and advance payments on long-term contracts	10,094	2,980
Accrued expenses	13,813	10,157
Income taxes	<u>(13,719)</u>	<u>(12,614)</u>
	<u>9,807</u>	<u>(1,433)</u>
Increase in working capital	<u>\$18,131</u>	<u>12,786</u>

Item I. Management's Discussion and Analysis of
the Consolidated Statements of Earnings

Form 10-Q

THREE MONTHS ENDED DECEMBER 31, 1976 COMPARED WITH PRIOR YEAR

Net sales for the first three months of fiscal 1977 were \$398,743,000, an increase of 15.4% over the net sales of \$345,676,000 for the first three months of fiscal 1976. All of Emerson's major markets showed substantial increases in sales over the prior year due to strengthened demand, both domestic and international.

Cost of sales were \$268,607,000 for the three months ended December 31, 1976 compared to \$231,351,000 for the prior year. Selling, general and administrative expenses of \$67,054,000 for the three months ended December 31, 1976 increased 12.1% over expenses of \$59,800,000 for the same period a year ago. These increases were primarily due to the increased level of business.

The increase in interest expense was due principally to the increased level of long-term debt for financing property additions through the use of Industrial Revenue Bonds, and to increased foreign short-term borrowings and interest rates.

Net earnings for the three months ended December 31, 1976 were \$31,809,000, an increase of 16.2% over earnings of \$27,385,000 for the prior year. The increase in earnings was primarily due to the increased level of sales and effective budgetary control of costs and expenses.

THREE MONTHS ENDED DECEMBER 31, 1976 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1976

Net sales for the quarter ended December 31, 1976 increased 2.7% over sales of \$388,380,000 for the quarter ended September 30, 1976. The increase was due to stronger sales in the consumer market. Although sales in the Company's other major markets were approximately equal to those of the previous quarter, the backlog in these markets increased during the current quarter over the level at September 30, 1976.

Costs and expenses of \$338,278,000 increased 1.5% over the \$333,305,000 for the previous quarter. The increase was principally due to the increased level of business, offset by a reduction of selling, general and administrative expenses. In addition, start-up costs and foreign exchange losses were lower during the current three-month period compared to the previous three months.

Net earnings of \$31,809,000 for the current quarter increased 10.8% over net earnings of \$28,710,000 for the quarter ended September 30, 1976. This increase resulted from the higher level of sales, improved product mix, budgetary control of selling and general administrative expenses and lower other deductions.

No securities were sold during the quarter ended December 31, 1976 in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933.

Item N. Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EMERSON ELECTRIC CO.

Dated: February 10, 1977

By /s/John C. Wilson
John C. Wilson,
Vice President of Finance
and Chief Financial Officer

Dated: February 10, 1977

By /s/Perry R. Beedle
Perry R. Beedle,
Corporate Comptroller