

UST Inc.

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## **INTRODUCTION**

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In the spring of 1993, Louis F. Bantle, chairman and chief executive officer of UST Inc. (formerly known as United States Tobacco Co.) for 20 years, quietly revealed his decision to step down by year-end and pass the reins to the executive who would lead UST Inc. into the twenty-first century. The heir apparent, Vincent A. Gierer Jr., joined UST Inc. in 1978 and has been President since 1990. Together, Bantle and Gierer oversee one of the most profitable corporations in the United States. According to a 1993 Fortune survey, UST Inc. is the second most-admired corporation based on financial performance.<sup>1</sup> While Fortune observes that a very close relationship generally exists between a corporation's financial performance and its overall reputation, UST deviates from the norm as its overall reputation based on the Fortune survey ranks only 94. UST's low overall reputation relative to financial performance may stem from the nature of its core business—UST is the dominant producer of the moist, smokeless tobacco market, controlling 86% of industry sales with brand names such as Copenhagen and Skoal. It is also worth noting that UST has spent most of its focus on the bottom line rather than efforts to promote corporate image.

UST's history traces back more than 170 years to America Tobacco, a trust that held over 90% of the tobacco market during the nineteenth century. The trust-busting activities by the United States government in the early part of this century led to the formation of United State Tobacco Co., along with that of R.J. Reynolds, Liggett & Myers, and British American Tobacco. Since its inception as an independent corporation in 1911, United States Tobacco Co. has had remarkable success. Even through the turbulent depression era and subsequent recessions, management at UST has always steered the company in the direction of high profitability as witnessed by an uninterrupted

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<sup>1</sup> See Jennifer Reese, "America's Most Admired Corporations," *Fortune* (February 8, 1993) 44-72.

quarterly cash dividend throughout its entire history, a status unparalleled by virtually all other corporations.

Recent times have proved no different for UST. During Louis Bantle's tenure as Chairman of the Board since 1973, UST has distributed large, positive returns in the form of capital gains and high dividends (for example, UST has increased its dividend every year for the past 22 years) to its stockholder base. Moreover, since 1984, UST has repurchased a sizable number of its shares using an accumulation of excess cash. In addition, accounting measures of performance such as profit margins and return on assets have been extremely high at UST relative to other firms in the tobacco industry.

Unlike many corporations, UST has never had to rely greatly on debt to finance acquisitions and projects. Its steadily growing stream of large cash flow has allowed complete discretion with respect to project funding. In fact, one analyst claims that "Chairman Bantle brags that his personal liabilities exceed the liabilities of UST Inc."<sup>2</sup>

## MARKETING

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Moist, smokeless tobacco is the fastest growing segment of the domestic tobacco industry. Since 1979, total unit volume in this segment increased over 70%, while cigarette volume declined nearly 20%. The increase in the moist, smokeless segment's volume may be attributed to several factors including recent bans on smoking in specific public areas as well as usage by non-traditional customers. Marketing at UST focuses on promoting the convenience factor of its products, encouraging their use when cigarette consumers find it is inconvenient or impossible to smoke. The consumer base for moist, smokeless tobacco products has extended from the traditional rural and blue collar users to include members of other socio-economic classes. Demand for the product has also grown geographically, gaining strength in areas where product demand has traditionally been low. Further, UST Inc. has proven to be a leader in new product development in its industry, marketing a number of new product introductions and line extensions aimed at targeting new users.

While the smokeless tobacco industry spends only a fraction of the amount spent on advertising by cigarette manufacturers, advertising and promotional budgets are increasing. Restrictions on public advertisements, however, have forced tobacco companies to change their approach of attracting consumers. UST Inc. targets its marketing of primarily adult males through a series of advertising and promotional activities including sponsoring concerts, stock cars, professional rodeos and fishing and hunting tournaments, supporting college rodeo scholarships, supplying free samples, and providing generous mail-in offers.

UST Inc. has been extremely successful in developing strong brand name recognition for its products. In fact, its efforts have been so successful that the company claims that Skoal is the second most recognized consumer tobacco product name after Marlboro. UST's stable of products, which includes Copenhagen, Skoal and several variations of Skoal, commands nearly ninety percent of the moist, smokeless tobacco market and includes eight of the top ten selling moist, smokeless tobacco products (see Table 1). In response to increasing demand for its products, UST has been able to enact yearly price increases (averaging approximately 8% annually for the past five years) which have consistently outpaced inflation without reducing sales volume.

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<sup>2</sup> Quote taken from case authors' private conversation with Roy D. Burry, beverage and tobacco analyst at Kidder, Peabody & Co.

**Table 1** Top Ten Moist, Smokeless Tobacco Products

PRODUCT	SHARE %
Copenhagen (UST)	48.9
Skoal (UST)	19.2
Kodiak (Conwood)	9.4
Skoal Long Cut Wintergreen (UST)	7.7
Skoal Long Cut Classic (UST)	3.7
Skoal Straight Long Cut (UST)	3.5
Skoal Long Cut Mint (UST)	2.5
Hawken (Conwood)	1.7
Skoal Bandits Classic (UST)	1.5
Skoal Bandits Mint (UST)	1.0

Source: *U.S. Distribution Journal*

## FINANCIAL PERFORMANCE

Throughout its history, UST has proven to be an exceptional performer in terms of profits as evidenced by its consistently increasing cash flows, earnings, dividends, and equity value. In 1992, the company marked its thirty-second consecutive year of net earnings growth. Internal funds have provided most of the stimulus behind growth as witnessed by the fact that UST has been referred to as a "veritable cash machine."<sup>3</sup> Shareholders have reaped the benefits of management's conservative strategies, realizing nearly 600% of dividend increases over the last ten years. During this period, UST paid out over \$850 million in dividends. Moreover, since 1983, UST has repurchased in excess of \$800 million of its common stock.<sup>4</sup>

Exhibit 1 displays financial performance measures at UST during 1983 through 1992. During this period, UST has realized increasing growth in sales, cash flows, stock prices, and all other key financial measurement variables. Sales, net income, and cash flows over the last ten years have grown at the annual compounded rate of 12, 19 and 37%, respectively. High margins have been the norm at UST with annual pretax and net profit margins averaging 43 and 25% during the same period. Annual return on assets has averaged 29% over the same period. Stock performance has been equally impressive, rising from a year-end price of \$2.93 in 1982 to \$32.00 in 1992 (adjusted for stock splits) with total market equity value booming from \$650 million to nearly \$7 billion.

The outlook for UST remains bright as management can look forward to continued growth in sales and earnings due to a number of factors including the following: the market for moist, smokeless tobacco products continues to grow, UST produces a clearly premium product and the company has a lock on the moist, smokeless tobacco market due to advertising restrictions and strong brand name recognition for its products. According to a Shearson Lehman Brothers, Inc. research report dated April 30, 1993, ". . . the stage is set for continued double-digit earnings growth. Our five-year EPS forecast calls for earnings gains of 16%–17%." This research report is typical of Wall

<sup>3</sup> See Andy Pasztor, "Mutual Choice: Selected Mutual Fund Managers Select Their Favorite Stocks," *Barron's* (September 23, 1992):32.

<sup>4</sup> Note that the number of shares outstanding as shown in Exhibit 1 do not decline significantly during the period since 1984 when UST initiated its stock repurchase program. This lack of significant decline in shares outstanding is due to an aggressive stock option plan at UST where employees are strongly encouraged to buy stock at low exercise prices.

Street's current analysis of UST Inc. Of course while the outlook for UST is very good, management remains cognizant of potential constraints on or obstacles to growth such as changing public opinions about tobacco products, onerous excise taxes and even an outright legislative ban on tobacco products.

### **RECENT DIVERSIFICATION HISTORY**

Similar to numerous other large publicly-traded corporations, UST Inc. engaged in diversification efforts during the 1970s and 1980s. Table 2 displays acquisitions by UST during this period—though the number of acquisitions does not appear excessive, they vary widely, ranging from a pen and pencil company to a firm that leases camera cars to the movie industry. To date, UST has divested much of its non-core acquisitions conceived during this era. Moreover, UST retained some of the acquisitions for only a short period of time, as was the case with Heritage Health Corporation, a chain of alcohol and substance abuse centers, acquired in late 1986 and divested less than two years later.

UST Inc. has not restricted its diversification efforts to acquisitions. In 1988, UST formed Cabin Fever Entertainment to produce video and television programming with an Americana theme. Its "Lonesome Dove" video introduced in 1991 set a record for the best-selling miniseries on videocassette. Today, UST continues to build this division with emphasis on country music and western lifestyles.

Based on historical evidence, UST's business strategy appears quite simple. Management proceeds with caution and invests a relatively small amount in a new business, especially if the new venture goes beyond the scope of its core area. For the most part, UST has been able to rely on excess cash to finance these ventures, thereby bypassing the more expensive financing of funds via the debt and equity markets. If the venture proves unprofitable, UST either discontinues or sells the unprofitable unit before possibly steering important managerial decision making away from its core smokeless tobacco business. Consequently, UST's dabbling in unrelated areas has had less negative impact on overall financial performance than has been the case with many other large corporations during the diversification wave of recent times.

**Table 2** UST Inc. Acquisition Record

Year	Acquisition	Line of Business	Status
1974	National Pencil Company	Pen and pencil manufacturing	Sold in 1988
1980	WPBN-TV and WTOM-TV	Television stations in Michigan	Sold in 1985
1981	Havana Cigar Corporation	Cigar manufacturing	Sold in 1987
1986	Conn Creek Winery; Villa Mt. Eden	Napa Valley wineries	Unchanged
1986	Heritage Health	Substance abuse rehabilitation centers	Sold in 1988
1990	Camera Platforms (76% of stock)	Leases camera cars to film producers	Unchanged

Source: 1993 Moody's Industrial Manual.

## **THE TOBACCO INDUSTRY**

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UST's performance relative to six other publicly-traded tobacco companies is shown in Exhibit 2. The financial statistics indicate extremely high profit margins and high return on assets and equity for UST vis-à-vis the other tobacco firms. Also noticeable is the lack of any debt by UST, whereas all the other firms have considerable debt with long-term debt to market equity ratios ranging from 0.23 for Philip Morris to 1.40 for RJR Nabisco.

For four of the six comparable firms in the tobacco industry, Standard & Poor's rates the debt as investment grade (see Exhibit 3). The other two have the highest level of speculative grade debt. The favorable debt ratings for the tobacco product manufacturers stem largely from the nature of the industry. The cash flows are quite stable as the industry is recession resistant and mature. While domestic sales are slowly declining, overall growth is expected as these firms capture untapped foreign markets such as Russia and in Eastern Europe where in the past, low product quality has been the status quo. Meanwhile for UST, while domestic sales have been increasing continually and are likely to maintain high growth levels, it has not realized sales in the foreign market.

While litigation risk is an important factor in the tobacco industry, its bearing has declined recently. For example, the Supreme Court has recently determine that warning labels disallow lawsuits based on insufficient lack of warning. To date, the industry has established a track record of successfully defending its products and practices. As such, S&P has yet to factor into its rating of tobacco companies the potential impact of losses due to product liability suits. S&P's reasoning on this matter considers the length and difficulty of the litigation and appeals processes. Even lawsuits successful in their claims would take a substantial amount of time before they could negatively affect creditors' claims.<sup>5</sup> With respect to UST, litigation risk has been even less of an issue than for the cigarette producers. Currently, there are no outstanding major lawsuits against UST in regards to health concerns. Management recognizes, however, that this environment could change overnight. Indeed on a related matter, the word out of Washington is that the federal government would attempt to pay for the proposed health care reform by dramatically increasing the excise tax on smokeless tobacco.

## **THE OUTLOOK FOR UST INC.**

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Notwithstanding the threats of litigation risk and higher excise taxes, the overall outlook appears very positive for UST Inc. and heir apparent Vincent A. Gierer. Outgoing chairman Louis F. Bantle has certainly done a stellar job over the past twenty years and the future is expected to be equally bright. Preliminary 1993 estimates show earnings continuing their upward trend for the thirty-third year in a row. In addition, UST Inc. recently increased its quarterly dividend by 20% to \$.24 a share in efforts to provide returns for a stockholder base of which tax-free institutions and corporations own 52%.

In only four months when Vincent Gierer assumes the helm at the beginning of 1994, he must decide whether to continue business as usual or to rock the boat so as to leave his own imprint on UST Inc. Aside from the production, marketing and distribution side of the business, Gierer and John Bucchignano, UST chief financial officer, will need to map out a financial policy that enhances the value of UST's real assets as they prepare for the twenty-first century.

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<sup>5</sup> See Michael J. Crehan, "Tobacco Firms' Credit Quality Burns Bright," *Standard & Poor's Creditweek* (April 27, 1992): 36.

**Exhibit 1** UST Inc.—Ten Year Financial Summary, 1983–1992 (\$ in millions, except per share and ratio data)

	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
<b>Summary of Operations</b>										
Net sales	\$1,007.6	\$879.5	\$750.6	\$669.8	\$606.7	\$564.5	\$511.6	\$477.8	\$441.4	\$379.8
Operating income	500.8	423.8	349.7	302.9	264.2	240.4	200.3	177.1	165.1	141.2
Interest expense	0.7	0.7	1.6	3.1	4.4	5.3	8.5	6.8	6.3	5.9
Pretax earnings	502.6	426.1	352.2	301.6	261.3	234.6	194.7	171.2	159.9	136.5
Net earnings	312.6	265.9	223.3	190.5	162.2	130.9	103.9	93.5	83.7	70.6
Cash flow	\$276.2	\$254.4	\$231.9	\$157.3	\$149.8	\$112.9	\$100.4	\$78.1	\$64.7	\$57.4
Primary earnings per share	\$1.41	\$1.18	\$0.98	\$0.82	\$0.70	\$0.56	\$0.45	\$0.41	\$0.36	\$0.30
Dividends per share	\$0.80	\$0.67	\$0.55	\$0.46	\$0.37	\$0.30	\$0.25	\$0.22	\$0.18	\$0.15
Dividend payout ratio (%)	53.7	52.5	53.0	53.1	50.4	51.0	52.7	51.2	48.4	46.0
<b>Financial Position</b>										
Cash and equivalents	\$36.4	\$41.5	\$46.6	\$54.6	\$72.7	\$50.4	\$31.4	\$24.1	\$5.2	\$2.7
Total assets	674.0	656.5	622.6	636.3	598.0	549.0	523.9	468.1	408.5	372.8
Working capital	249.0	210.0	197.2	187.5	221.1	197.3	189.6	166.6	118.9	122.4
Long-term debt	0.0	0.0	3.1	6.8	21.8	37.1	47.1	57.0	36.0	39.5
Total debt	0.0	1.3	4.8	14.5	30.8	48.3	59.8	70.1	67.1	53.5
Common equity	516.6	482.9	473.9	482.3	453.3	401.1	371.6	323.4	281.1	260.0
Market equity	6,753.3	6,910.3	3,887.3	3,340.9	2,255.0	1,487.7	1,239.3	968.8	1,064.9	1,121.0
Shares outstanding	211.0	211.0	213.0	218.2	220.0	220.4	223.3	222.2	221.4	225.1
Price/earnings ratio (x)	22.7	27.8	18.6	18.8	14.5	12.0	12.3	10.6	13.5	16.5
Book value per share	\$2.45	\$2.29	\$2.22	\$2.21	\$2.06	\$1.82	\$1.66	\$1.46	\$1.27	\$1.16
<b>Stock Price Performance</b>										
High	\$35.38	\$34.00	\$18.25	\$15.38	\$10.50	\$8.06	\$5.69	\$4.98	\$5.38	\$5.02
Low	\$25.25	\$16.38	\$12.38	\$9.72	\$6.06	\$4.88	\$3.75	\$3.69	\$3.91	\$2.63
Year-end	\$32.00	\$32.75	\$18.25	\$15.31	\$10.25	\$6.75	\$5.55	\$4.36	\$4.81	\$4.98
<b>Selected Ratios</b>										
Operating margin (%)	49.7	48.2	46.6	45.2	43.5	42.6	39.2	37.1	37.4	37.2
Net profit margin (%)	31.0	30.2	29.7	28.4	26.7	23.2	20.3	19.6	19.0	18.6
Return on assets (%)	46.4	40.6	36.0	30.2	27.6	24.4	20.7	20.8	21.3	19.8
Return on equity (%)	60.5	55.1	47.1	39.5	35.8	32.6	28.0	28.9	29.8	27.2
Long-term debt/book equity (%)	0.0	0.0	0.7	1.4	4.8	9.2	12.7	17.6	12.8	15.2
Total debt/book equity (%)	0.0	0.3	1.0	3.0	6.8	12.0	16.1	21.7	23.9	20.6
Long-term debt/market equity (%)	0.0	0.0	0.1	0.2	1.0	2.5	3.8	5.9	3.4	3.5
Total debt/market equity (%)	0.0	0.0	0.1	0.4	1.4	3.2	4.8	7.2	6.3	4.8

Note: Standard & Poor's Compustat used as the source of financial information; data may differ immaterially from other sources. See the appendix for definition of key variables and ratio

**Exhibit 2** Comparative Data on Selected Publicly Held Tobacco Companies, For Fiscal Years Ended in 1992  
(\$ in millions, except per share and ratio data)

Summary of Operations	Tobacco Product Manufacturers				Tobacco Leaf Dealers		
	UST Inc.	Philip Morris	RJR Nabisco	American Brands	Dibrell Brothers	Standard Commercial	Universal Corporation
Net sales	\$1,007.6	\$50,095.0	\$15,734.0	\$8,840.3	\$1,081.1	\$1,239.5	\$2,989.0
Operating Income	500.8	10,066.0	2,898.0	1,665.8	67.1	66.9	156.3
Interest expense	0.7	1,513.0	1,449.0	270.1	26.6	48.3	49.8
Pretax earnings	502.6	8,608.0	1,456.0	1,398.1	47.5	34.8	105.7
Net earnings	312.6	4,939.0	299.0	883.8	30.3	21.2	70.7
Cash flows	\$276.2	\$3,938.0	\$1,414.0	\$383.5	(\$45.5)	(\$110.6)	(\$0.3)
Primary earnings per share	\$1.41	\$5.45	\$0.55	\$4.29	\$2.31	\$2.58	\$2.15
Dividends per share	\$0.80	\$2.23	\$0.00	\$1.81	\$0.51	\$0.54	\$0.78
<b>Financial Position</b>							
Cash and equivalents	\$36.4	\$1,021.0	\$99.0	\$140.2	\$15.2	\$48.4	\$82.7
Total assets	674.0	50,014.0	32,041.0	14,963.0	630.5	926.4	1,261.4
Long-term debt	0.0	14,265.0	13,353.0	2,406.8	202.0	128.8	190.2
Total debt	0.0	18,203.0	14,030.0	3,231.5	385.7	598.6	592.5
Preferred stock	0.0	0.0	3,765.9	19.1	0.0	9.2	0.0
Common equity	516.6	12,563.0	8,250.0	4,282.5	120.4	151.1	301.7
Market equity (common)	6,753.3	68,853.9	9,786.4	8,204.5	367.8	223.6	858.5
Year-end stock price	\$32.00	\$77.13	\$8.63	\$40.50	\$27.75	\$26.25	\$26.13
Price earnings ratio	22.7	14.2	15.7	9.4	12.0	10.2	12.2
Equity beta	1.1	1.2	1.2	1.2	1.1	1.0	0.8
<b>Selected Ratios</b>							
Operating margin (%)	49.7	20.1	18.4	18.8	6.2	5.4	5.2
Net profit margin (%)	30.2	9.9	4.9	10.0	2.8	1.7	2.4
Return on assets (%)	46.4	11.6	4.8	7.0	7.6	5.3	8.2
Return on equity (%)	60.5	39.3	9.4	20.6	25.4	13.7	23.4
Long-term debt/book common equity (%)	0.0	113.5	161.9	56.2	167.8	85.2	63.0
Total debt/book common equity (%)	0.0	144.9	170.1	75.5	320.3	396.2	196.4
Long term-debt/market equity (%)	0.0	20.7	136.4	29.3	54.9	57.6	22.2
Total debt/market equity (%)	0.0	26.4	143.4	39.4	104.9	267.7	69.0
Interest coverage (x)	719.00	6.69	2.01	6.18	2.79	1.72	3.12

Note: Standard & Poor's Compustat and Value Line Investment Surveys used as the sources of financial information; data may differ immaterially from other sources. See the Appendix for definitions of key variables and ratios.

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**Exhibit 3** Standard & Poor's Debt Ratings – 1993

Company Name	Long-Term Debt	Commercial Paper	Commercial Paper Ratings - Correlation with Bond Ratings
UST Inc.	None	A-1+	AAA
Philip Morris	A	A-1	AA+
RJR Nabisco	BBB-	A-3	AA
American Brands	A	A-1	AA-
Dibrell Brothers	BB	None	A+
Standard Commercial	BB-	None	A
Universal Corporation	A-	A-2	A-
			BBB+
			BBB
			BBB-
			BB+
			B

**Rating Definitions for Long-Term Debt<sup>1</sup>**

**Investment Grade**

**AAA** Capacity to pay interest and repay principal is extremely strong

**AA** Capacity to pay interest and repay principal is very strong, differing from the highest rating by only a small degree

**A** Capacity to pay interest and repay principal is strong; however, it is somewhat more susceptible to adverse changes in circumstances and economic conditions than higher rated debt

**BBB** Adequate capacity to pay interest and repay principal; while normally exhibiting adequate protection parameters, adverse economic conditions and changing circumstances are more likely to weaken capacity to pay

**Speculative Grade**

**BB** Ongoing uncertainties or exposure to adverse business, financial or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments

**Other** S&P's ratings of speculative grade debt also includes B, CCC, CC, C and D (default); with these grades displaying successively greater vulnerabilities to default

**Note:** Plus (+) or minus (-) may be added to ratings AA to CCC to indicate relative standing within the major categories

**Industry Rating Criteria<sup>2</sup>**

For purposes of evaluation and debt ratings, S&P classifies the above companies in the Consumer Products Industry. Key characteristics of this industry are as follows:

<b>Industry</b>	Recession Resistant
<b>Characteristics:</b>	Mature
	Highly Predictable Earnings and Cash Flows
	Highly Competitive
	Favorable Cost Structure
	Modest Capital Requirement

Companies are rated on both an individual basis and vis-a-vis competitors. The criteria on which the companies are evaluated follow:

<b>Business Risk:</b>	Marketing	<b>Financial Risk:</b>	Financial Policy
	Technology		Profitability
	Efficiency		Capital Structure
	Management		Cash Flow Protection

<sup>1</sup>Source of rating definitions- Standard & Poor's Corporate Finance Criteria.

<sup>2</sup>Source: Jayne Ross of Standard and Poor's.

**Exhibit 4** UST Inc. — Financial Restructuring Alternatives (\$ in millions, except per share data)

	Preliminary 1993 <sup>1</sup>	Pro Forma 1994 — Debt as a Percent of Pre-Restructuring Firm Value				U.S. T-Bond	Corporate Bond Yields								
		0%	10%	20%	30%		AAA	AA	A	BBB	BB	B			
Operating income	\$570.0														
Interest expense	0.8														
Pretax earnings	576.0														
Taxes	218.0														
Net earnings	348.0														
Total dividends	\$200.0														
Shares outstanding (millions)	210														
Earnings per share	\$1.69														
Dividends per share	\$0.96														
Common equity	\$495.0														
Market equity	6,300.0														
Stock price	\$30.00														
Debt															
Interest rate															
Interest coverage															
Bond rating															
Historical (1984-92)						9.1%	10.0%	10.4%	10.9%	11.6%	13.8%				
Current (August 1993)						6.6%	7.3%	7.8%	8.5%	9.1%	10.6%				

<sup>1</sup>Preliminary 1993 figures based on analysts' forecasts in mid-1993

**APPENDIX**

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**UST Inc.—Definitions of Key Variables and Ratios—  
Exhibits 1-4**

- (1) Sales are net of Purchase Allowances and Excise Taxes
- (2) Operating Income is after Depreciation
- (3) Pretax Earnings = Operating + Non-Operating Earnings
- (4) Net Earnings reflect Discontinued Operations, Extraordinary Items, and Income Taxes
- (5) Cash Flow = Operating Activities Cash Flow – Investing Activities Cash Flow
- (6) Earnings per Share excludes Extraordinary Items
- (7) Dividend Payout Ratio = Total Dividends Paid / Net Income
- (8) Total Debt includes Long-Term Debt, Long-Term Debt due in one year and Short-Term Debt
- (9) Shares Outstanding have been adjusted to reflect stock splits
- (10) Price/ Earning Ratio = Year-End Price / Primary Earnings per Share
- (11) Operating Margin = Operating Income / Net Sales
- (12) Pretax Margin = Pretax Earnings / Net Sales
- (13) Net Profit Margin = Net Earnings / Net Sales
- (14) Return on Assets = Net Earnings / Total Assets
- (15) Return on Equity = Net Earnings / Common Equity
- (16) Interest Coverage = Pretax Income Gross of Interest Expense / Interest Expense