



ANNUAL REPORTS

Todd Shipyards Corporation 1967
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ANNUAL REPORT

TODD SHIPYARDS CORPORATION

YEAR ENDED MARCH 31, 1967

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ON THE COVER: Launching of the USS HEPBURN (DE 1055) at the Los Angeles Division, March 25, 1967. Two sister ships, USS KNOX and USS ROARK (DE's 1052 and 1053) were launched at the Seattle Division on November 19, 1966 and April 24, 1967, respectively.

ANNUAL REPORT
YEAR ENDED MARCH 31, 1967

TODD SHIPYARDS CORPORATION
One Broadway, New York, N.Y. 10004

TRANSFER AGENT—Manufacturers Hanover Trust Company, New York, N. Y.

REGISTRAR—First National City Bank, New York, N. Y.

AUDITORS—Arthur Young & Company, New York, N. Y.

COUNSEL—Cullen and Dykman, Brooklyn, N. Y.

THE ANNUAL MEETING of Stockholders will be held on Wednesday, June 21, 1967, at 12 noon, at the Auditorium of the Chase Manhattan Bank, One Chase Manhattan Plaza, New York City. You are cordially invited to attend.



SIGNIFICANT FACTS

	Year Ended March 31	
	1967	1966
Sales	\$159,008,655	\$132,933,965
Income Before Extraordinary Item	4,556,760	3,809,932
Extraordinary Item		(825,000)
Net Income	4,556,760	2,984,932
Dividends Paid	1,021,838	1,021,838
Total Taxes	9,590,391	6,421,788
Working Capital	37,745,902	33,767,039
Current Ratio	2.22	2.39
Fixed Assets—Net	24,250,278	23,036,802
Stockholders' Equity	50,442,879	46,907,957
Number of Shares Outstanding	729,884	729,884
Number of Stockholders	2,827	2,652
Data on a Per Share Basis		
Income Before Extraordinary Item	\$ 6.24	\$ 5.22
Extraordinary Item		(1.13)
Net Income	6.24	4.09
Dividends Paid	1.40	1.40
Total Taxes	13.14	8.80
Stockholders' Equity	69.11	64.27

TO THE STOCKHOLDERS

Ship repair and alterations were performed on 1,983 vessels during the year ended March 31, 1967 and ship construction at the Seattle and Los Angeles Divisions accelerated to a considerable degree. As a result, total sales increased to \$159,008,655 from \$132,933,965 for the previous fiscal year.

Net income for the year amounted to \$4,556,760. For the preceding year net income was \$2,984,932. These figures are equivalent to \$6.24 and \$4.09 per share.

The major cause of the increase in ship repair and alteration was, of course, the Vietnam sealift. While it is the fervent wish of all of us that this conflict be honorably resolved, to date there seems to be little chance of an early end to hostilities. Even if the war were to end very soon, it seems probable that the necessity for the sealift would continue in order to support our military and to rebuild the economy of that devastated land. At this time also, there are in prospect large conversion jobs of types the Company has performed with success. These factors and others to which reference will be made hereafter lead your management to believe that a high volume of business should continue for fiscal 1968.

While the over-all results were encouraging, some operations of the Company give cause for concern. At the Houston Division, where the principal business is the semi-automated construction of barges, the year's results were in the main not satisfactory. The principal cause was an acute shortage of qualified manpower. An intensive drive

to recruit skilled workmen has been in progress for some months, and while results are not spectacular, the shortage of manpower has been somewhat alleviated. We are confident that future results will be more satisfactory.

Lester Engineering Company's operating results for the year have been disappointing. Management and operational problems have contributed to the unsatisfactory performance of this company. We have retained a well qualified consulting firm to help in planning for the future of Lester, and preliminary studies bolster the confidence of your management in the profit potential of this subsidiary. Although a sixteen acre industrial site in the Cleveland area has been acquired for a modern and efficient plant, as mentioned in the last Annual Report, we have deferred the start of construction. While one of Lester's most serious problems is the lack of space in its present facilities, prudent management dictates this delay until management, operational and engineering problems are solved. It is impossible at this time to predict when building will start, but completion of studies now in progress should furnish a basis on which a decision can be made.

The Company's contract with the Navy for the construction of fourteen Destroyer Escorts has been delayed, and the delivery dates for these vessels will be extended. The causes for the delay are not attributable to Todd but stem, primarily, from engineering and other problems which have confronted the Navy in the design, characteristics and engineering of this new class of ships. We are presently negotiating with the Navy as to additional costs and delivery dates. So far, three of the vessels

have been launched and keels for four others have been laid. We plan to launch five additional ships during fiscal 1968.

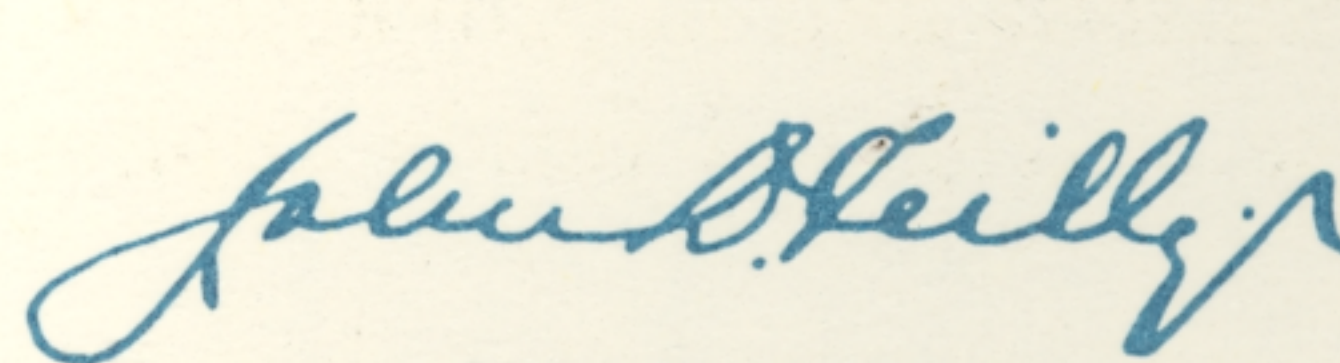
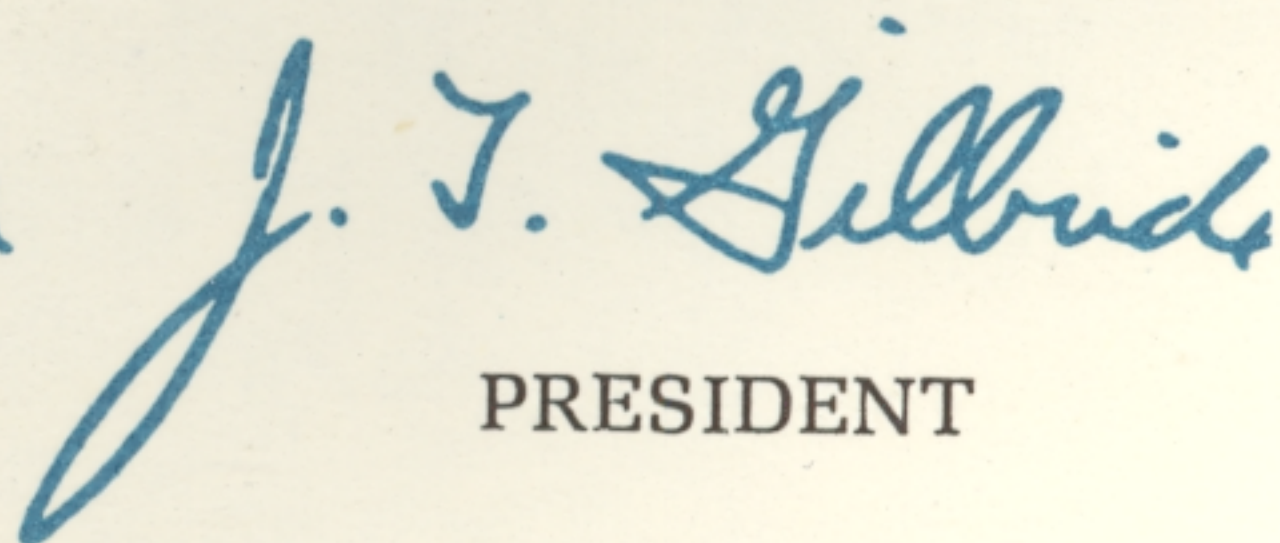
All our divisions, as does industry generally, suffer from the shortage of skilled manpower to varying degrees, and we are attacking this problem by training programs at all divisions. Further complicating our labor picture was a strike by the International Brotherhood of Electrical Workers in West Coast shipyards, involving two of our divisions, Seattle and San Francisco. All other crafts employed in the two yards crossed picket lines set up by the electricians and continued to work during the strike which was terminated after 126 days by an injunction under the Taft-Hartley Act. The injunction was issued because the electricians' strike was causing delays in servicing ships vitally needed in the sealoft to Vietnam. This injunction was due to expire on May 29th but the union and employer negotiators, on May 4th, agreed to submit the unresolved issues to the Board of Inquiry, named by the President under the Taft-Hartley Act, to make recommendations as to settlement by June 10, 1967. It is hoped that these recommendations will lead to the resolution of the dispute and a return to the principle of unified bargaining which all other craft unions have agreed to in the San Francisco, Portland and Seattle areas. Because of the status of construction of the Destroyer Escorts at Seattle, the strike had no effect on that program, but had it continued much longer, the effect might well have been severe. However, due to the strike, the San Francisco and Seattle Divisions had to refuse numerous jobs requiring electricians and, of course, such work is irretrievably lost.

Our three combustion equipment operations had satisfactory results. The Products Division moved its headquarters from the Brooklyn plant to 120 Park Avenue, New York City, a more central location for servicing the trade. The operating return of our English subsidiary, Todd Combustion Limited, improved considerably, attributable to management and operating changes. During the first part of the fiscal year we acquired a 60% interest in Todd-Rock Combustion Limited, a small company with offices in Montreal and Toronto, Canada. This acquisition will allow us to participate in a larger share of the Canadian market.

We have actively supported all efforts on the national scene for the development of an effective, urgently needed Merchant Marine policy and there are indications that before this Congress adjourns, this long over-due program to rejuvenate our Merchant Marine will have been established. Further, we earnestly support the buildup of our Naval fleet, which is presently 70% obsolete. The future of our Country, and that of our Company, is inextricably bound up with the strength of our Navy and Merchant Marine. Their importance was never more significantly evidenced than by the Vietnam War.

We thank all our employees for their dedicated efforts, and our shareholders and customers for their support.

Respectfully submitted,

 
CHAIRMAN PRESIDENT

May 25, 1967



TODD SHIPYARDS CORPORATION

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Year ended March 31	
	1967	1966
Sales	\$159,008,655	\$132,933,965
Operating expenses:		
Labor, material and other expenses	140,910,545	119,013,052
Taxes, other than federal taxes on income	5,340,391	4,371,788
Depreciation	2,114,354	1,808,275
Contributions to retirement and pension plans	964,120	654,821
	<u>149,329,410</u>	<u>125,847,936</u>
Profit from operations	9,679,245	7,086,029
Other income (deductions):		
Interest and debt expense, less interest income of \$71,160 and \$182,013, respectively	(995,364)	(778,423)
Miscellaneous	122,879	302,326
	<u>(872,485)</u>	<u>(476,097)</u>
	8,806,760	6,609,932
Federal taxes on income, excluding amount applicable to extraordinary item, less investment tax credit of \$145,000 and \$315,000, respectively	4,250,000	2,800,000
Income before extraordinary item	4,556,760	3,809,932
Estimated cost of closing Hoboken plant, less \$750,000 federal tax credit		825,000
Net income	4,556,760	2,984,932
Retained earnings at beginning of year	32,515,421	30,552,327
	<u>37,072,181</u>	<u>33,537,259</u>
Dividends paid — \$1.40 per share	1,021,838	1,021,838
Retained earnings at end of year	<u>\$ 36,050,343</u>	<u>\$ 32,515,421</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Source of funds:		
Net income	\$ 4,556,760	\$ 2,984,932
Expenses not requiring outlay of funds, principally depreciation	2,286,217	1,924,634
	<u>6,842,977</u>	<u>4,909,566</u>
Reduction in other non-current assets	47,452	186,417
Total funds provided	<u>6,890,429</u>	<u>5,095,983</u>
Application of funds:		
Additions and improvements to fixed assets	3,374,214	5,338,602
Less segregated funds applied	1,484,486	4,493,555
	<u>1,889,728</u>	<u>845,047</u>
Cash dividends to stockholders	1,021,838	1,021,838
Total funds used	<u>2,911,566</u>	<u>1,866,885</u>
Increase in working capital	<u>\$ 3,978,863</u>	<u>\$ 3,229,098</u>

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEET • MARCH 31, 1967 AND 1966

Assets	1967	1966
Current assets:		
Cash	\$ 1,456,083	\$ 2,271,596 208,012
Accounts and notes receivable, including amounts un-		
billed of \$17,594,876 and \$13,884,550, respectively:		
U. S. Government	16,787,368	11,484,969 2,398,195
Other	22,309,747	23,187,645 3,187,107
	39,097,115	34,672,614 5,585,302
Work in progress, less progress billings	19,345,470	13,152,441 2,763,639
Materials and supplies, at lower of cost or replacement		
market	6,253,327	6,270,121 893,332
Prepaid insurance and other expenses	2,639,114	1,649,095 377,016
Total current assets	68,791,109	58,015,867 9,827,301
Funds segregated for plant betterment program	2,336,456	3,820,942 333,779
Tools and tool parts, at depreciated value	1,406,158	1,422,388 200,880
Fixed assets, at cost:		
Plant, dry docks and equipment	48,027,421	46,136,790 6,861,060
Less accumulated depreciation	29,268,320	28,337,897 4,181,189
	18,759,101	17,798,893 2,679,872
Land	4,505,352	4,308,290 643,622
Leasehold improvements, less amortization	985,825	929,619 140,832
	24,250,278	23,036,802 3,464,325
Other assets	1,079,085	1,160,786 154,155
	\$97,863,086	\$87,456,785 13,980,441

TODD SHIPYARDS CORPORATION

Liabilities	1967	1966
Current liabilities:		
Notes payable to banks	\$ 3,800,000	\$ 1,500,000 542,857
Accounts payable	18,756,810	16,040,686 2,679,544
Payrolls and vacations	4,276,559	3,492,711 610,937
Taxes, other than federal taxes on income	1,819,811	1,691,396 259,973
Federal taxes on income	2,392,027	1,524,035 341,718
Total current liabilities	31,045,207	24,248,828 4,435,030 (29)
5½% Notes due 1985, payable \$1,000,000 annually		
commencing February 1, 1971	15,000,000	15,000,000 2,142,857
Deferred federal taxes on income	1,375,000	1,300,000 196,429
Stockholders' Equity		
Common stock, \$20 par value:		
Authorized, 1,000,000 shares		
Issued, 746,709 shares	14,934,180	14,934,180 2,133,454
Retained earnings	36,050,343	32,515,421 5,150,049
	50,984,523	47,449,601 7,283,503
Less 16,825 shares of common stock held in treasury,		
at cost	541,644	541,644 77,378
	50,442,879	46,907,957 7,206,126
	\$97,863,086	\$87,456,785 13,980,441

The accompanying notes are an integral part of this statement.

TODD SHIPYARDS CORPORATION

NOTES TO FINANCIAL STATEMENTS • MARCH 31, 1967



Note 1 — Sales

Sales consist of the estimated realizable value of work performed under repair and construction contracts and sales of manufactured products. Profits on short-term repair and construction contracts are recorded upon completion and on contracts requiring a construction period in excess of twelve months on a percentage of completion basis; full provision is made for estimated losses on con-

tracts not completed. Revisions to contract estimates are recorded as estimating factors are refined.

Note 2 — Notes due 1985

The 5½% Notes limit the payment of cash dividends and the purchase of the Company's common stock. At March 31, 1967 retained earnings of approximately \$6,425,000 were not subject to this limitation.

ACCOUNTANTS' REPORT

ARTHUR YOUNG & COMPANY

277 Park Avenue
New York, N. Y. 10017

The Board of Directors and Stockholders
Todd Shipyards Corporation

We have examined the accompanying consolidated balance sheet of Todd Shipyards Corporation at March 31, 1967 and the related consolidated statements of income and retained earnings and of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Todd Shipyards Corporation at March 31, 1967 and the consolidated results of operations and source and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after restating net income of that year to include extraordinary item.

May 3, 1967

CORPORATION MANAGEMENT

DIRECTORS

JOHN D. REILLY, Chairman
JOHN T. GILBRIDE
HARRY G. HILL
JOHN D. REILLY, JR.
CLIFFORD A. SHELDRAKE
JOHN H. BAKER
EDWIN K. LINEN
ROBERT C. HILL

OFFICERS

JOHN D. REILLY
Chairman of the Board
JOHN T. GILBRIDE
President
HARRY G. HILL
Executive Vice President and Counsel
JOHN D. REILLY, JR.
Vice President (San Francisco)
CLIFFORD A. SHELDRAKE
Vice President—Finance
JOHN H. BAKER
Vice President—Sales
HENRY D. OBST
Vice President—Industrial Relations
ROBERT J. FARRINGTON
Vice President (Washington, D.C.)
LEROY V. HONSINGER
Vice President—Shipbuilding
EDWIN K. LINEN
Secretary
ALBERT C. CORBIN
Treasurer
JOHN G. VAN DALEN
Comptroller
LANGDON S. GODDARD
Assistant to the President
JOHN S. SMITH, JR.
Assistant to the President (Houston)
PAUL J. O'KEEFE
Assistant to the President

OPERATING DIVISIONS

General Managers

ANGEL GARATE, Brooklyn
Brooklyn, New York
BERT L. HALE, New Orleans
Algiers, Louisiana
RALPH F. ANSELM, Galveston
Galveston, Texas
LOWRY E. GILBREATH, Houston
Houston, Texas
CARL M. LIPPINCOTT, Los Angeles
San Pedro, California
AUSTIN D. SHEAN, San Francisco
Alameda, California
CARL M. MEURK, Seattle
Seattle, Washington
WILLIAM H. BOHN, Products
New York, New York

Manager

CHARLES W. HATHWAY, Nuclear Division
Galveston, Texas

SUBSIDIARIES

LESTER ENGINEERING COMPANY
Cleveland, Ohio
David J. Sloane, President
TODD COMBUSTION LIMITED
London, England
David L. Nicolson, Chairman
TODD-ROCK COMBUSTION LIMITED
Montreal, Quebec, Canada
Samuel Aboud, President

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