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ANNUAL REPORTS

Todd Shipyards Corporation 1963
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TODD

Year Ended March 31,
annual report **1963**

SHIPYARDS CORPORATION





S/S ELIZABETHPORT, former tanker converted to dry cargo trailership for Sea Land Services, Inc. First vessel jumboized in New York harbor.

annual report

Year Ended March 31

1963

TODD

SHIPYARDS CORPORATION

One Broadway, New York 4, New York

DIRECTORS AND OFFICERS

- *JOHN D. REILLY *Chairman of the Board of Directors*
- *JOHN T. GILBRIDE *President*
- *JOHN D. REILLY, JR. *Executive Vice President*
- *HARRY G. HILL *Executive Vice President and Counsel*
- *CLIFFORD A. SHELDRAKE *Vice President — Finance and Comptroller*
- *JOHN H. BAKER *Vice President — Sales*
- *FRANCIS J. SMYTH *Vice President — Public Relations*
- HENRY D. OBST *Vice President — Labor Relations*
- J. THOMAS EDGE *Treasurer*
- EDWIN K. LINEN *Secretary*
- LANGDON S. GODDARD *Assistant to the President*
- ROBERT J. FARRINGTON *Assistant to the President*
- *ROBERT FREEBAIRN†

*Directors. †Retired as Vice President — Sales in 1962.

DIVISION MANAGEMENT

- ANGEL R. GARATE *General Manager — BROOKLYN*
- RALPH F. ANSELM I *General Manager — HOBOKEN*
- BERT L. HALE *General Manager — NEW ORLEANS*
- CARL M. LIPPINCOTT *General Manager — GALVESTON*
- LOWRY E. GILBREATH *General Manager — HOUSTON*
- JAMES F. GOODRICH *General Manager — LOS ANGELES*
- AUSTIN D. SHEAN *General Manager — SAN FRANCISCO*
- ROBERT G. ZENER *General Manager — SEATTLE*
- WILLIAM H. BOHN *General Manager — PRODUCTS*
- BENJAMIN W. WINCHELL *Manager — NUCLEAR*

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 Corporation's stock is traded on the American Stock Exchange, New York, N. Y.

TODD

SHIPYARDS CORPORATION

Significant Facts

	<i>Fiscal Year Ended March 31</i>	
	1963	1962
Sales	\$111,462,115	\$125,232,339
Income (loss) before Taxes	\$ 2,654,879	\$ (1,116,612)
Federal Income Taxes (credit)	\$ 1,225,000	\$ (625,000)
Net Income (loss)	\$ 1,429,879	\$ (491,612)
Dividends Paid.	\$ 1,026,385	\$ 1,026,835
Working Capital	\$ 24,136,217	\$ 23,043,965
Current Ratio	2.31	2.11
Fixed Assets — Net	\$ 18,131,768	\$ 18,557,947
Stockholders' Equity.	\$ 43,802,448	\$ 43,410,582
Number of Shares Outstanding	732,840	733,369
Number of Stockholders	2,663	2,665

Data on a Per Share Basis

Net Income (loss)	\$ 1.95	\$ (.67)
Dividends Paid.	\$ 1.40	\$ 1.40
Stockholders' Equity	\$ 59.77	\$ 59.19

May 24, 1963

To the Stockholders:

A net profit of \$1,429,879, after provision of \$1,225,000 for Federal taxes on income, was earned for the fiscal year ended March 31, 1963. This is equivalent to \$1.95 per share on common stock outstanding at the year end and compares with a loss of \$491,612 for the previous fiscal year.

Sales for the year totalled \$111,462,115 compared with \$125,232,339 for the preceding year, a decline of \$13,770,224. This decrease in sales is attributable to a tapering off of the shipbuilding program.

The Company's working capital increased \$1,092,252 during the year and at March 31, 1963 totalled \$24,136,217. The practice of resorting to short-term bank loans for outside financing of accounts receivable and work in progress was continued. These bank loans, bearing interest at the prime rate of 4½%, fluctuated during the year from a maximum of \$9,050,000 to a minimum of \$4,600,000 outstanding at March 31, 1963. This method of financing is considered the most practical pending final determination of the Company's future plant and facility requirements and settlement of the Navy facility problem, to which reference is made later herein.

Capital expenditures of \$1,747,000 were made during the year, the most significant item being construction of a new pier in the Galveston Division for servicing the N/S SAVANNAH, as well as conventional type vessels.

The Investment Tax Credit passed by the Congress in 1962 is being reflected in the accounts over the estimated useful life of the facilities to which the credit applies. The effect of the investment credit on income for the year ended March 31, 1963 is not significant.

Your Company has experienced a year free of any direct labor difficulties but the shipping industry has continued to be plagued by strikes on all three coasts. These strikes have had a disastrous effect, the repercussions of which are still being felt. One of the most serious and continuing effects of

these labor disturbances has been the greatly accelerated use of foreign ships by American exporters and importers.

We have previously reported the difficulties under which the maritime industry operates. While Government studies of these problems and suggestions for their elimination continue to be made, very little, if anything, is done to implement the conclusions reached in the studies.

In order to overcome this inertia the trade association of the private shipbuilding and shiprepair companies has succeeded, at least partially, in arousing the Congress to the inadequacy of the Merchant Marine and the impending block obsolescence of the Naval fleet. The trade association also was instrumental in securing from the Congress a requirement that 35% of Navy repair and conversion work be allocated to privately owned yards.

Because of the changing requirements of the shipping industry, certain of our plant locations are in areas where the need for integrated facilities such as ours is diminishing. In our last report it was stated that in addition to Company-owned facilities we also leased Navy-owned facilities, including land, at six of our divisions and that these leased facilities had been declared surplus by the Government. Pursuant to the terms of our leases with the Navy we reported we had requested the Secretary of the Navy to set a fair value at which we have the right to buy these facilities. Until such fair value is determined and the economics of the situation are examined in the light of these values, the decision as to the future of the individual plants cannot be resolved.

In the meantime, however, certain other courses are being contemplated by your management which should have more immediate and lasting results for the benefit of the Company. Our management consultants have suggested certain areas of activity in which your Company might engage profitably by acquiring an established company or companies in those fields. These suggestions are under active study and investigation.

In the field of foreign markets there have been some developments of interest. Your Company owned a 60% interest in Todd Oil Burners Limited, a company engaged in the manufacture and sale of fuel burning equipment; we also owned a 50% interest in Lister-Todd Engineering Corporation Limited, a company engaged in the manufacture and sale of insecticidal fogging equipment on the continent of Europe and within the "Sterling Area." Plans have been completed for the consolidation of these

two operations with your Company retaining a majority interest in the surviving company. The integration of these operations will permit more effective management and sales promotion programs to the end that greater advantage will be realized from the foreign market potential.

Intensive studies have been completed of techniques in connection with the manufacture at Houston, Texas, of fuel burners, air heaters, fogging and other apparatus marketed by the Products Division. Several of these products are illustrated on the following pages. As a result of such studies, we have installed semi-automatic machinery to reduce manufacturing costs and thus increase the profitability of this facet of our business.

In research and development, the work under our present contract with the Department of the Navy and the Maritime Administration is complete. We are endeavoring to obtain a new contract with either or both of these agencies under which our study of the computer method of design and building of ships will be continued. So far, the results obtained by this study have been excellent. As a recognized leader in this new concept we have accepted an invitation to lecture on the subject before an important international scientific and technical research group which will meet this September in Oslo, Norway, under the auspices of the North Atlantic Treaty Organization.

The number of ships being built by your Company has not been augmented since the last report, other than the award of a third Coast Guard Patrol Craft to the Houston Division. These Coast Guard Craft and the ships presently under construction, two Guided Missile Frigates at Los Angeles and two Guided Missile Destroyers at Seattle, are proceeding to completion as planned. These contracts were obtained at extremely competitive prices and while the shipbuilding program has been of overall advantage to the Company in absorbing overhead costs, the profit results remain unsatisfactory.

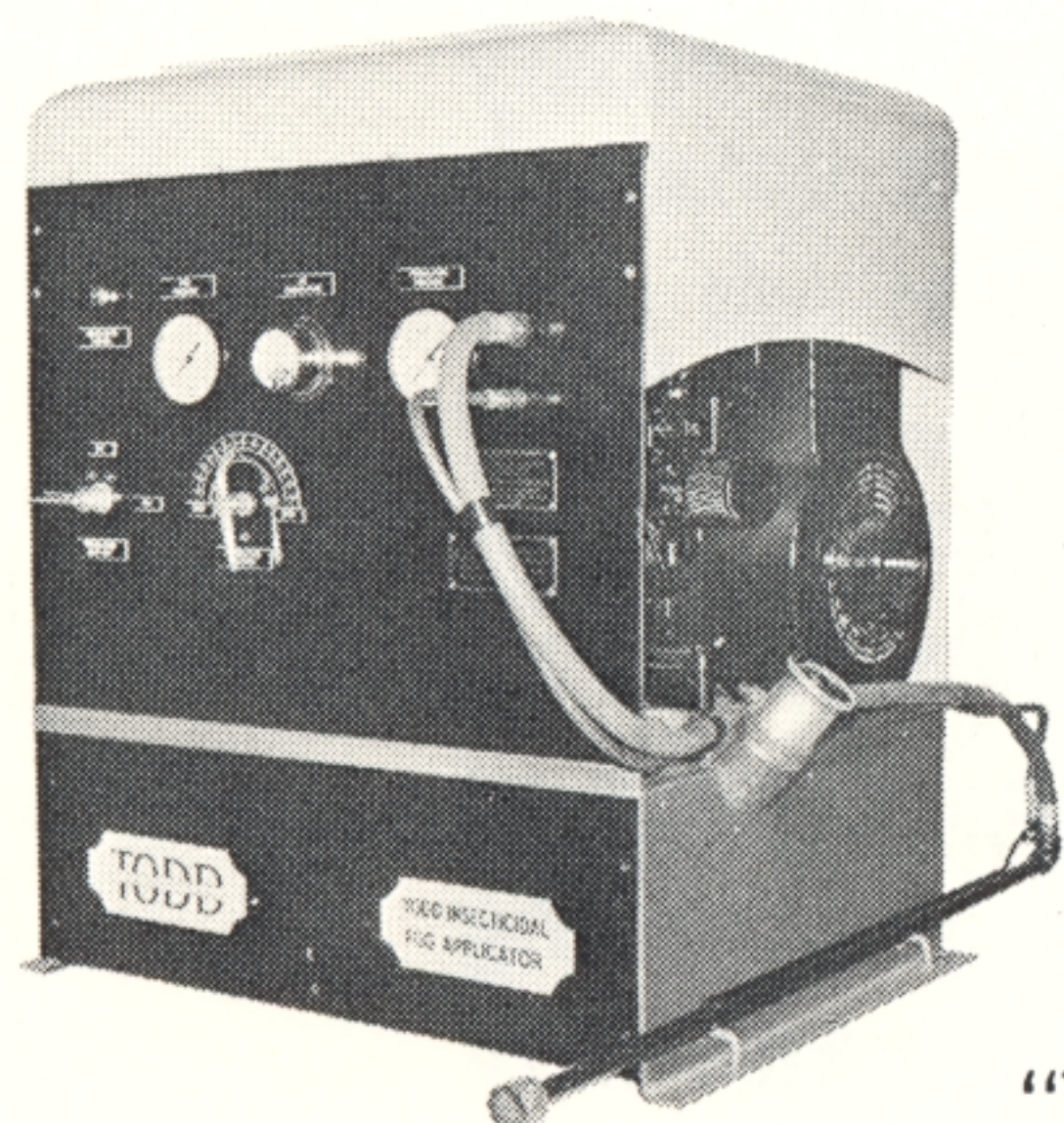
In shiprepair and conversion operations your Company obtained, as usual, its share of the volume of work which was offered. Competition in this field was also very keen, with the result that prices in general were not satisfactory in the light of current costs. During the fiscal year several vessels were "jumboized," a process in which a new midbody of increased length is joined to the bow and stern sections of an existing ship out of which its old midbody had been removed. Our divisions completed four such jobs and in all cases the resulting ships have more than met the expectations of the owners.

TODD PRODUCTS

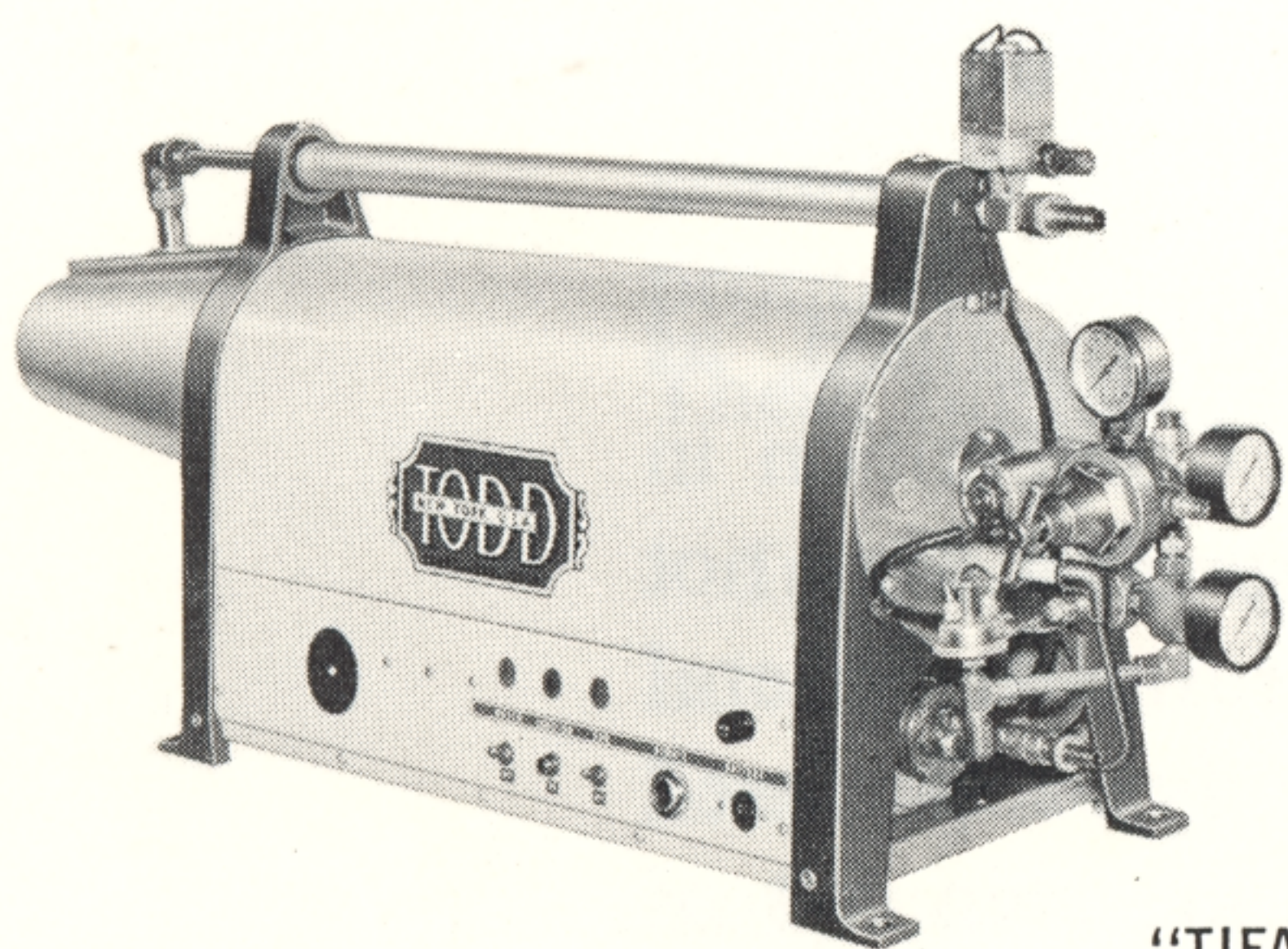
. . . world standard for combustion equipment for the production of heat and power. Exacting manufacture at modern facilities of subsidiaries and licensees overseas assures the availability of TODD equipment and spare parts at fifty-nine distribution points in this country and abroad. Constant analysis and testing of TODD equipment in Marine, Industrial and Commercial fields is the basis for top performance and design — for developing specific equipment for widely varying requirements.

Todd plants are U. S. service representatives for the repair and maintenance of Sulzer Marine Diesel Engines manufactured at Winterthur, Switzerland.

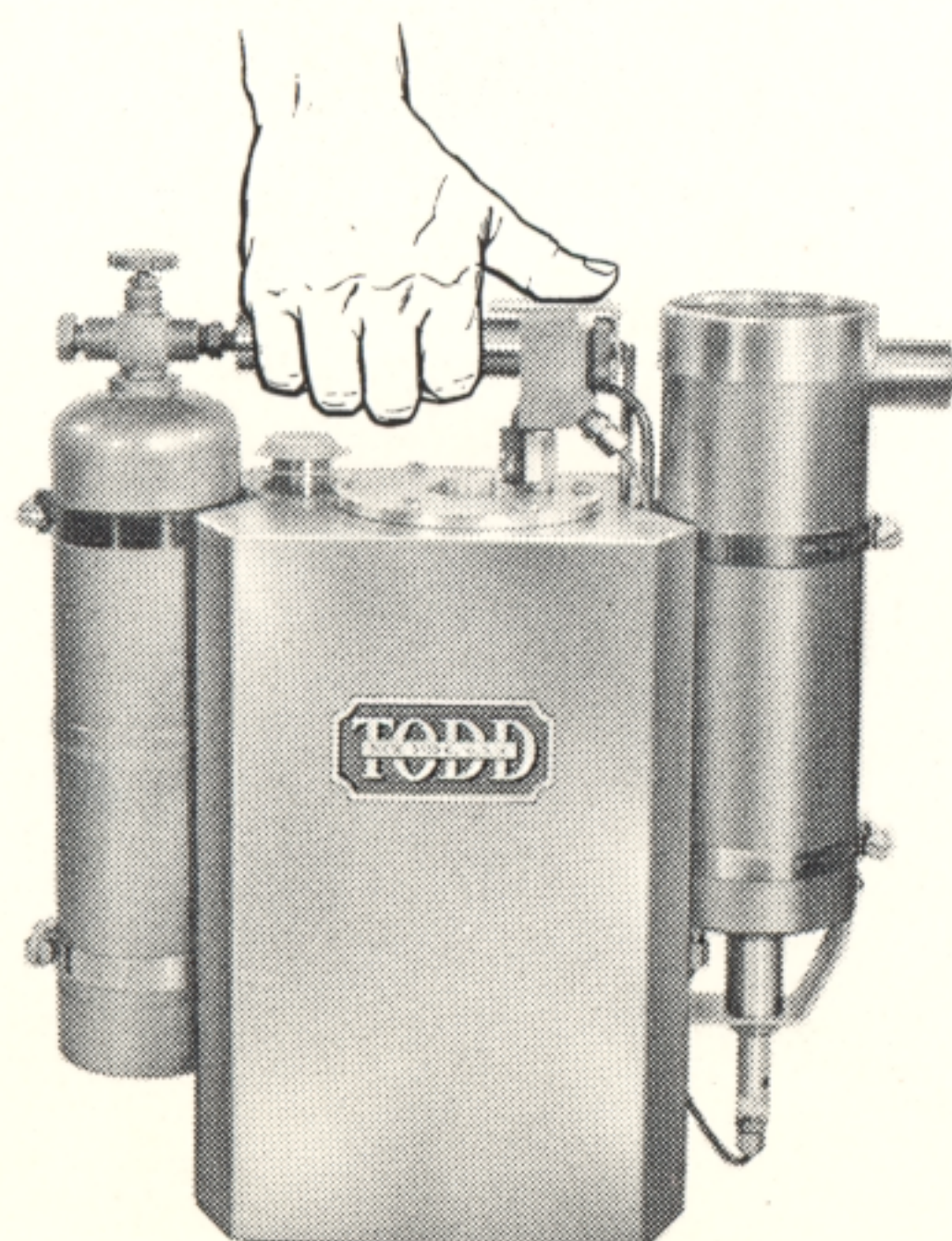
Todd Insecticidal Fog Applicators



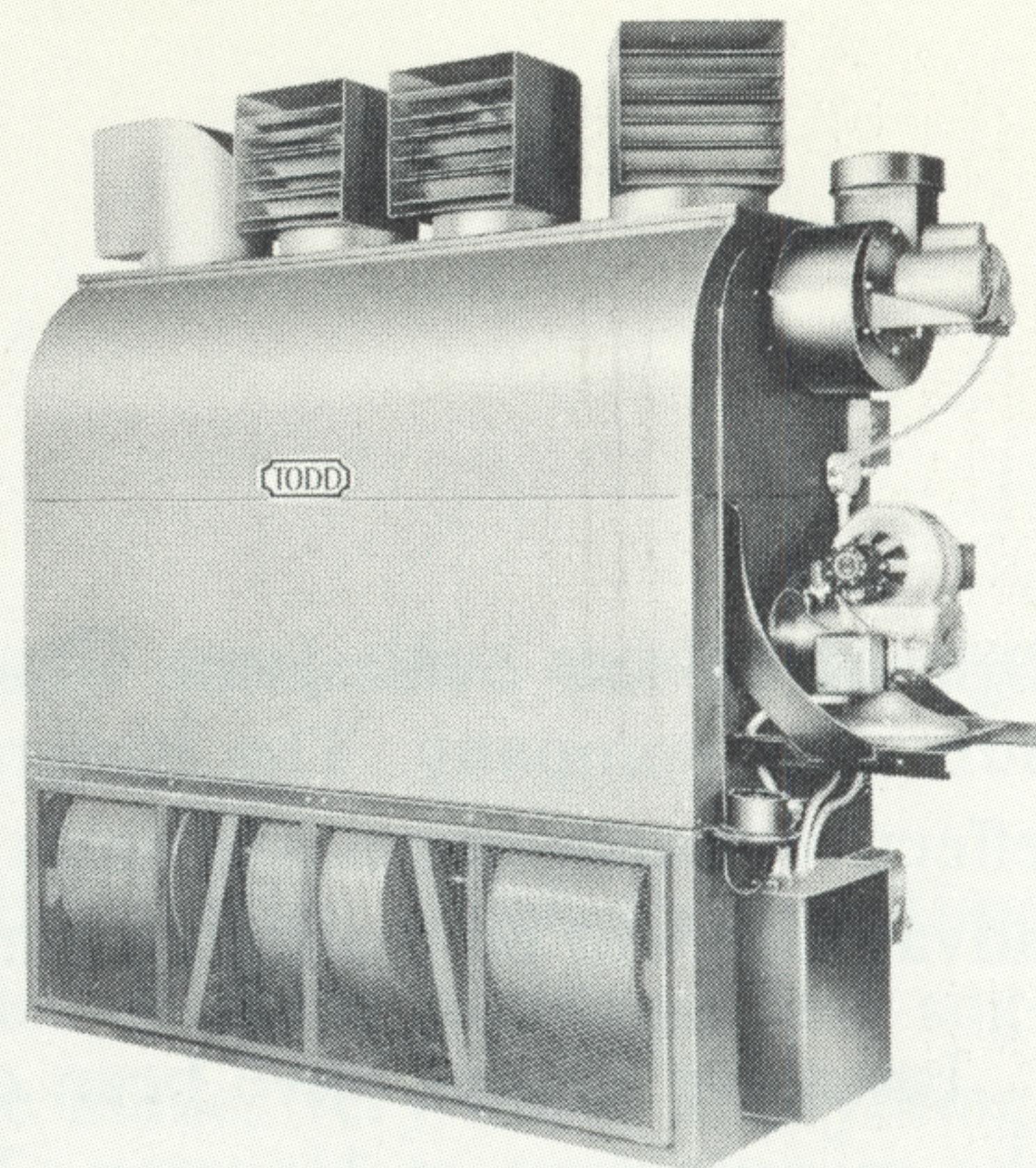
"TIFA" 100-gallon



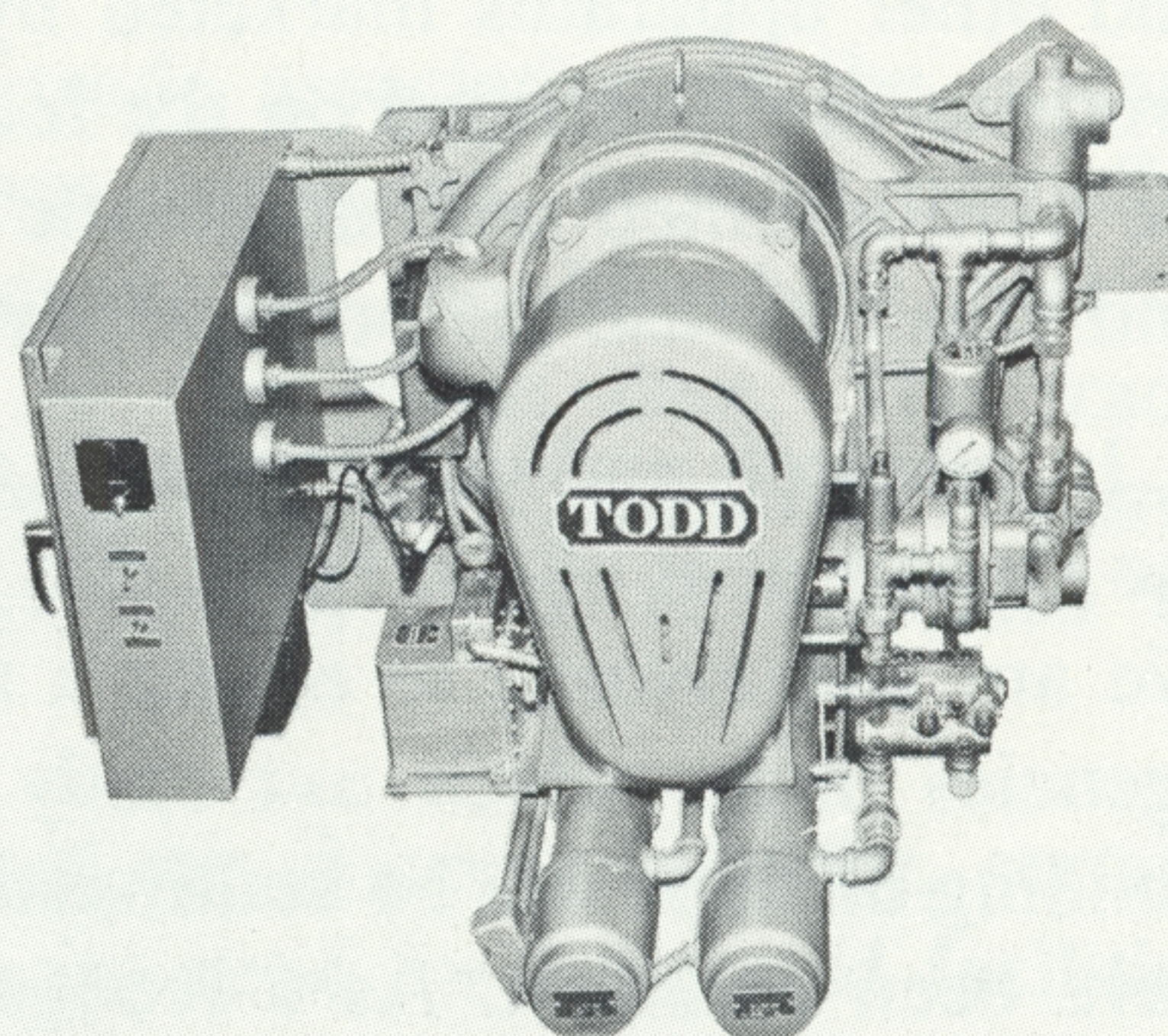
"TIFA" 50-gallon



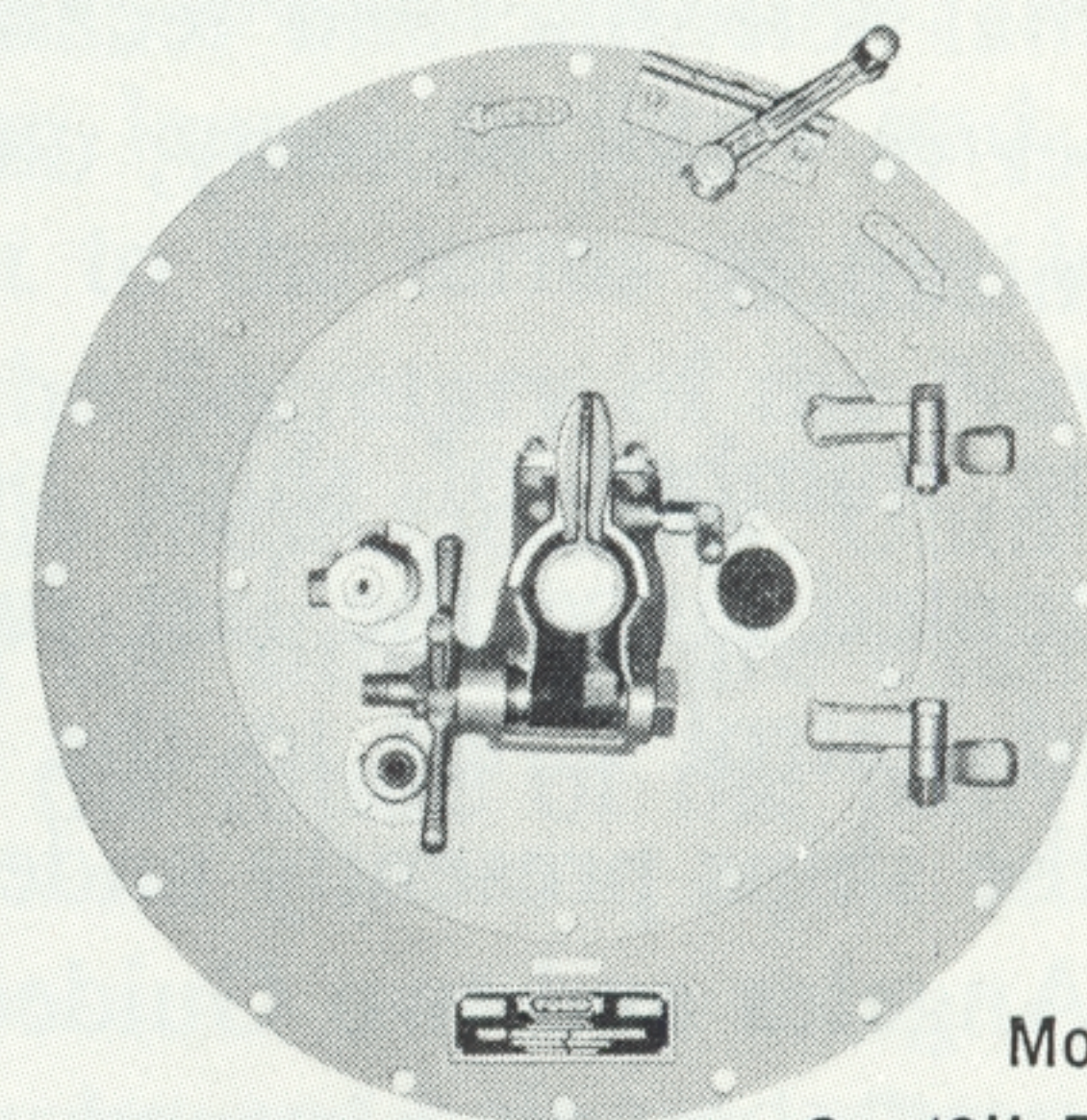
"TIFA" 5-gallon



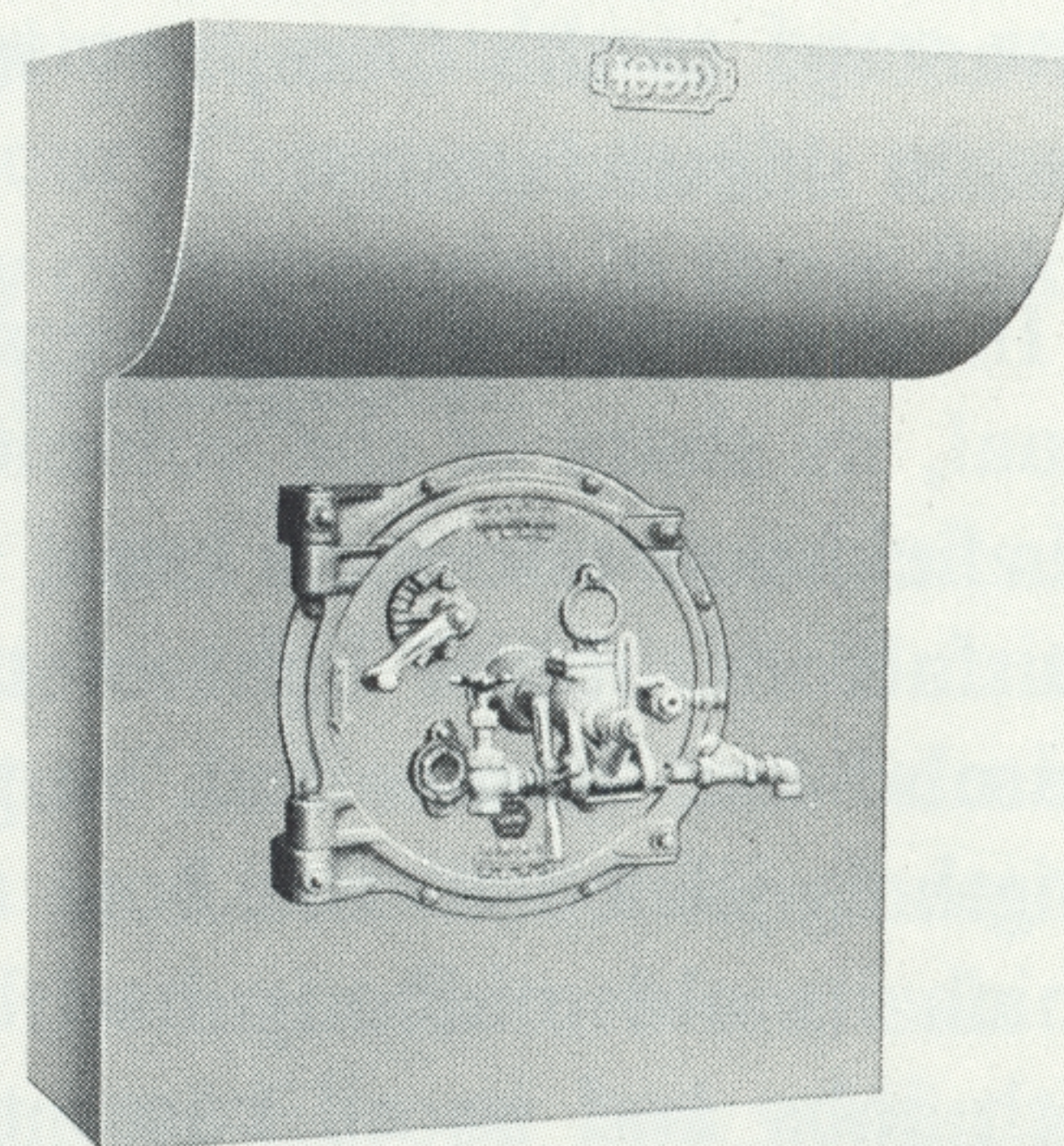
"Directaire" Commercial Heater



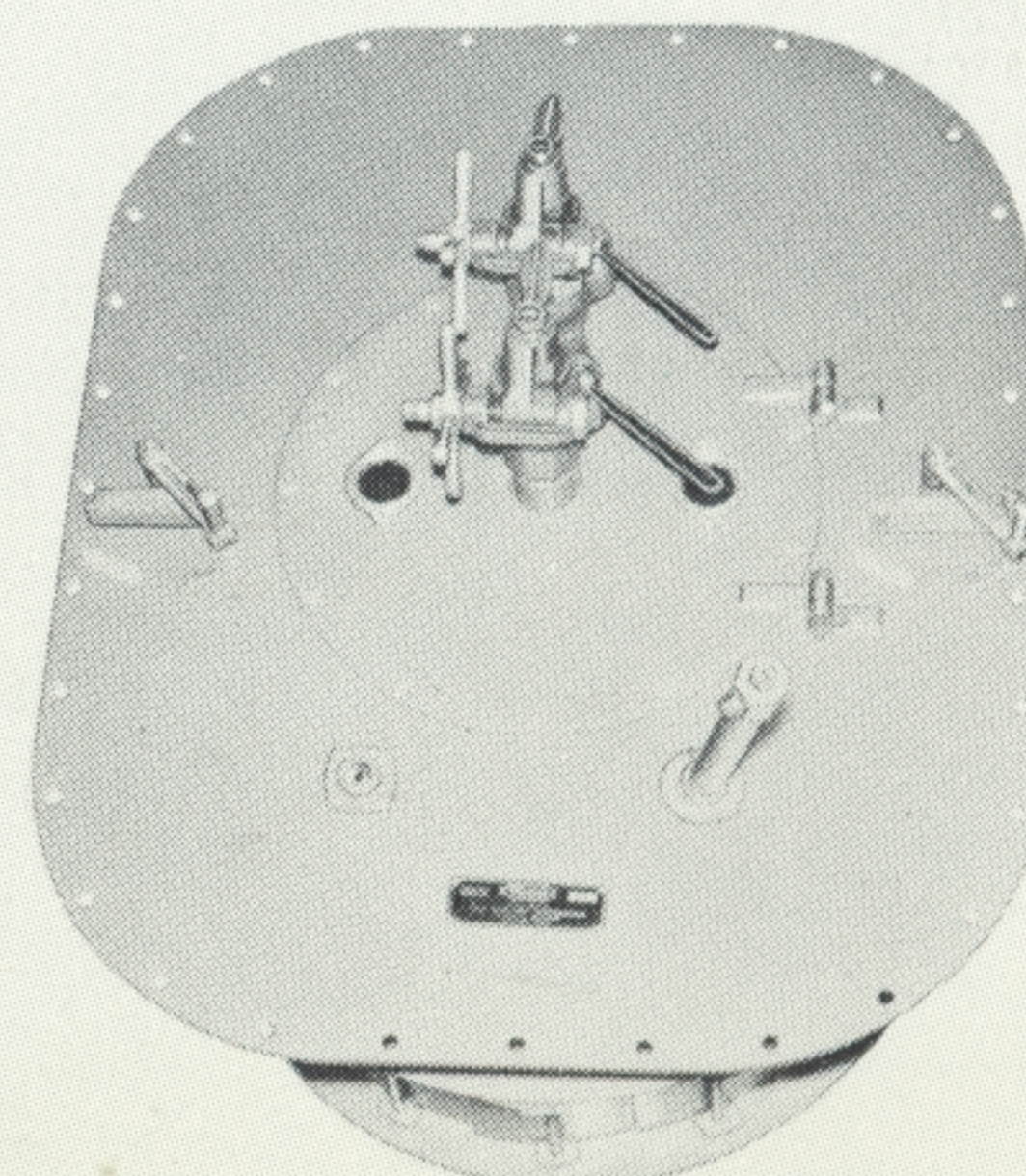
"Mercury" Industrial Rotary Gas/Oil Burner



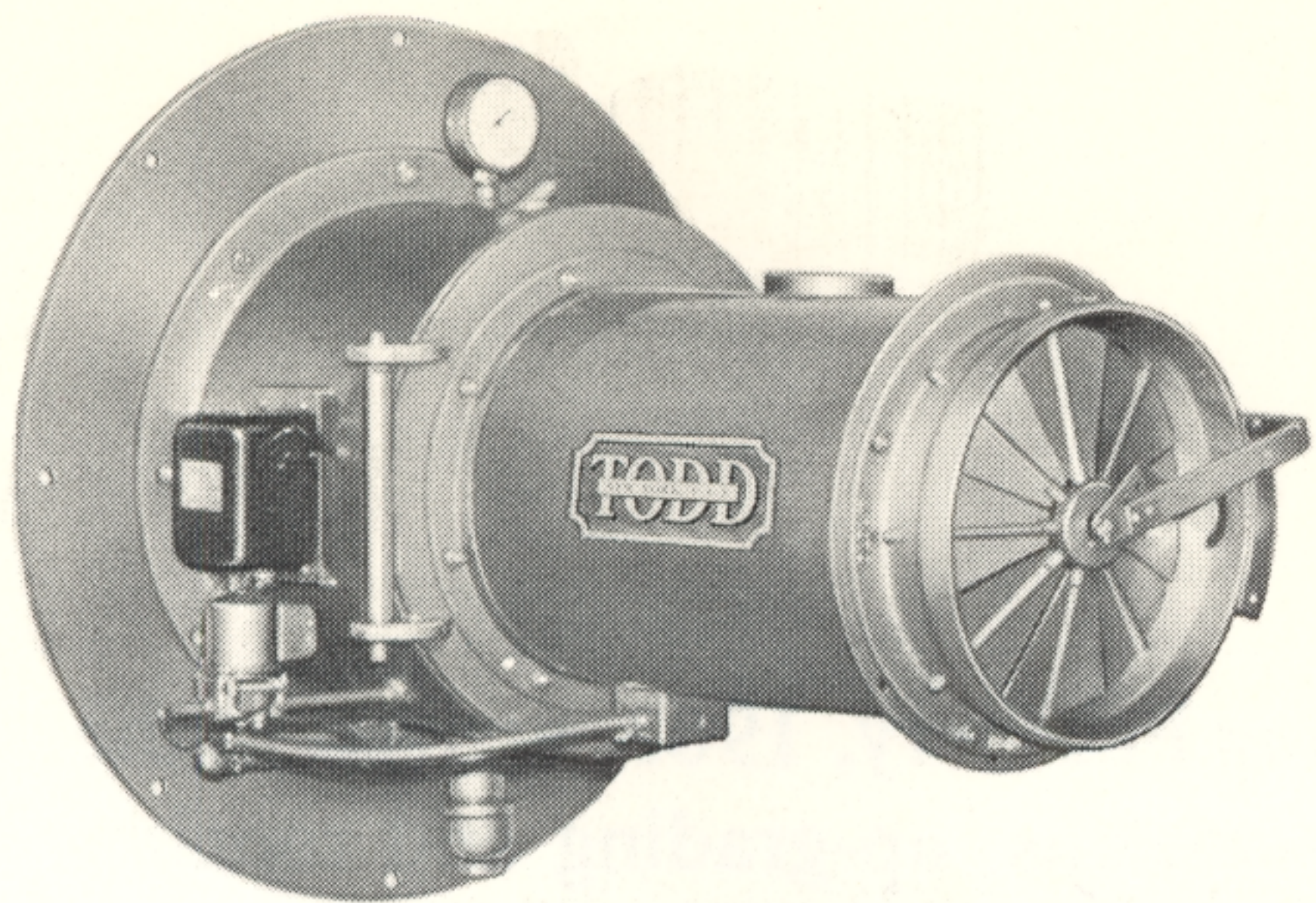
Model "D" Industrial Gas/Oil Burner Air Register



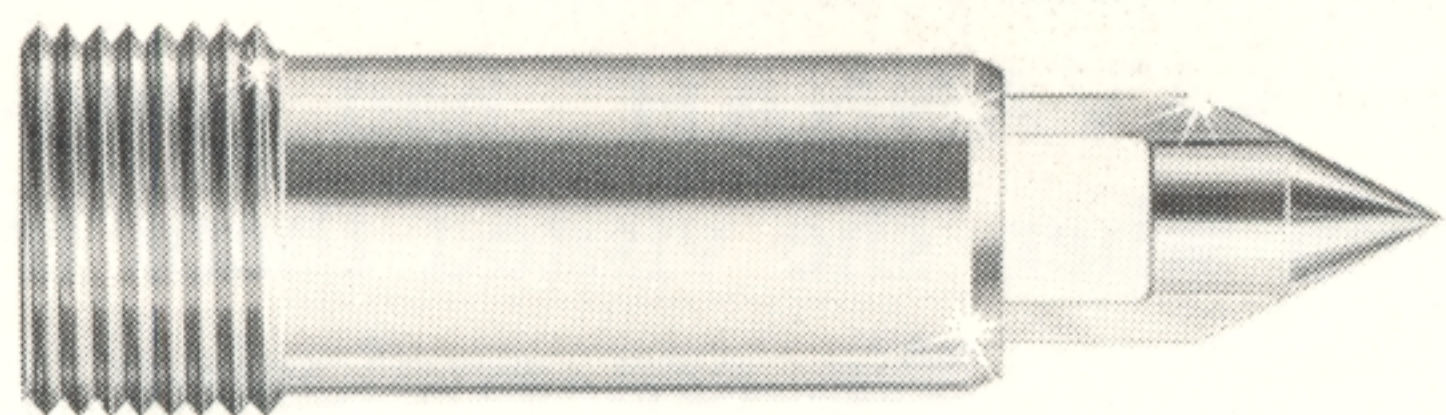
"Monitor" Modular Sav-Pac Industrial Package Burner System



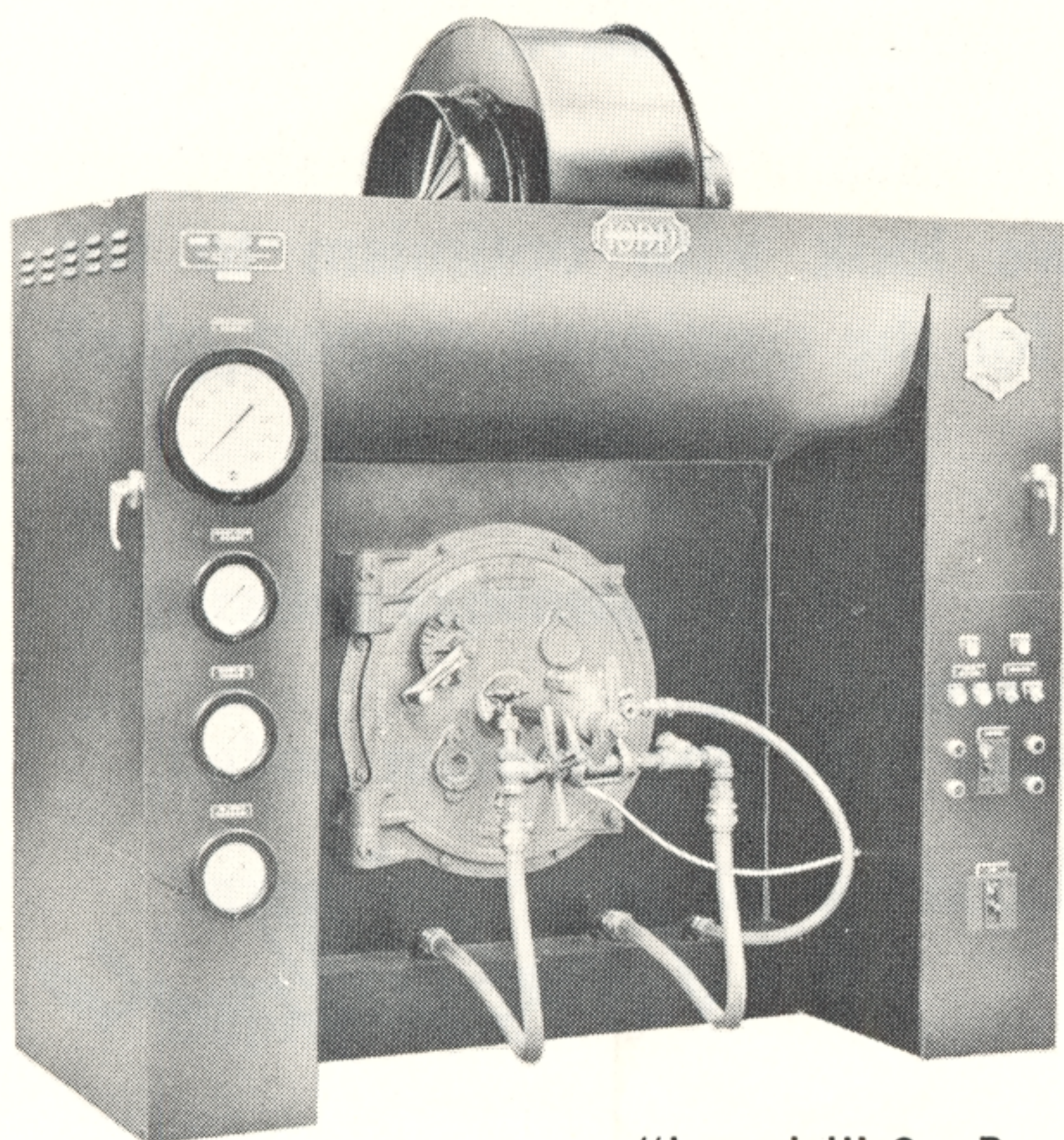
"Titan" Air Register



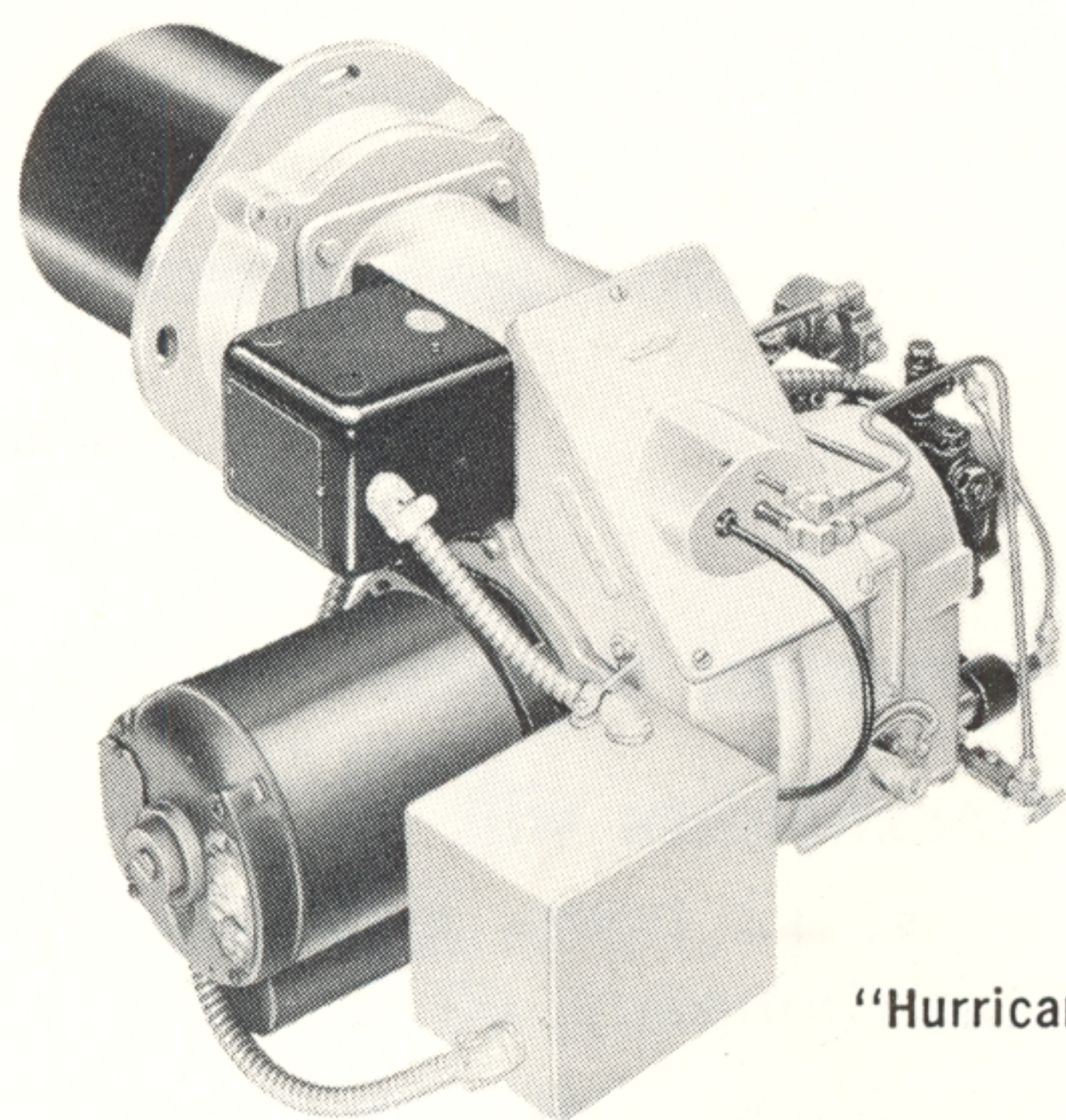
AO Commercial Aerodynamic Combustor



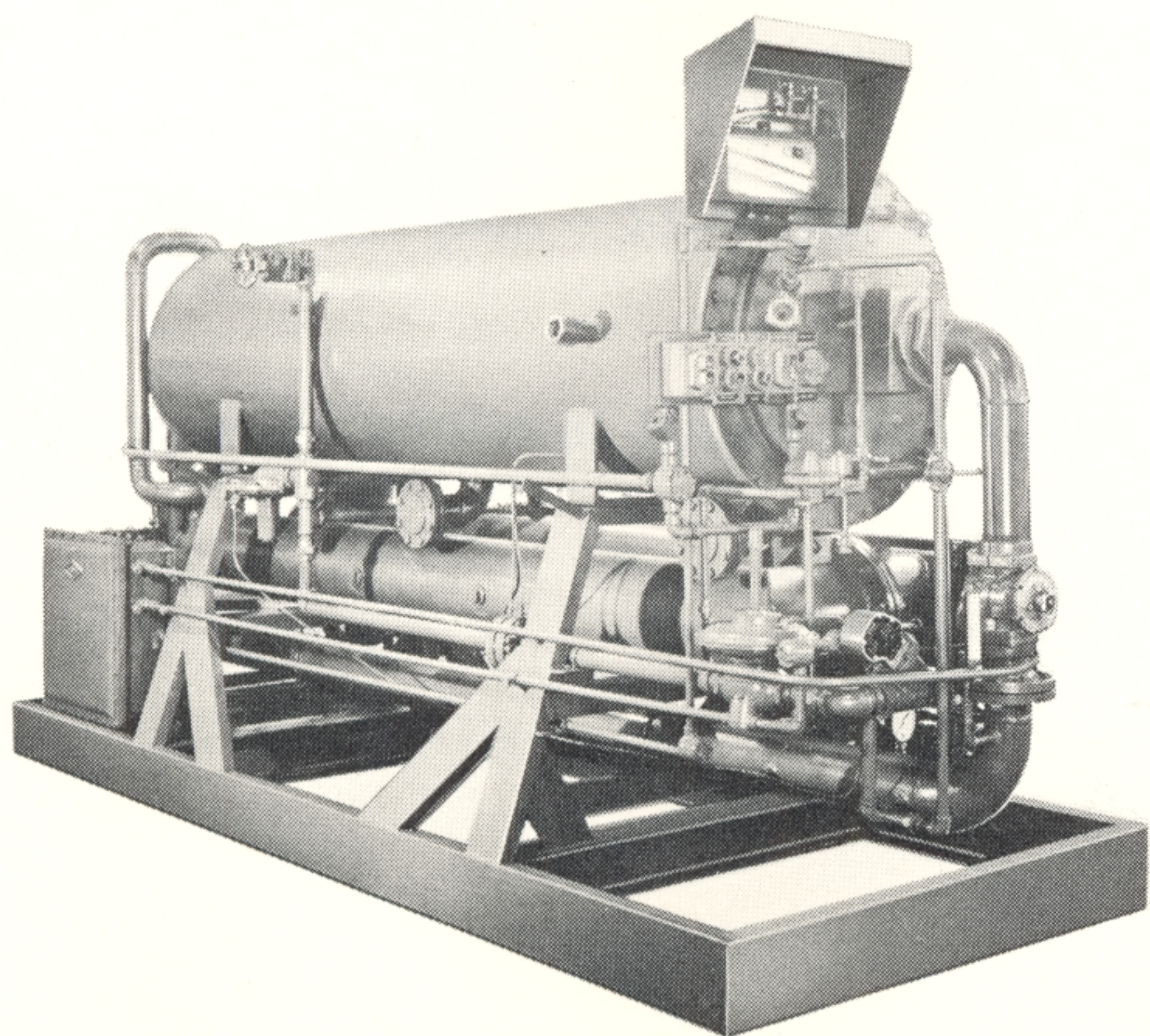
Ultrasonic Fuel Atomizer



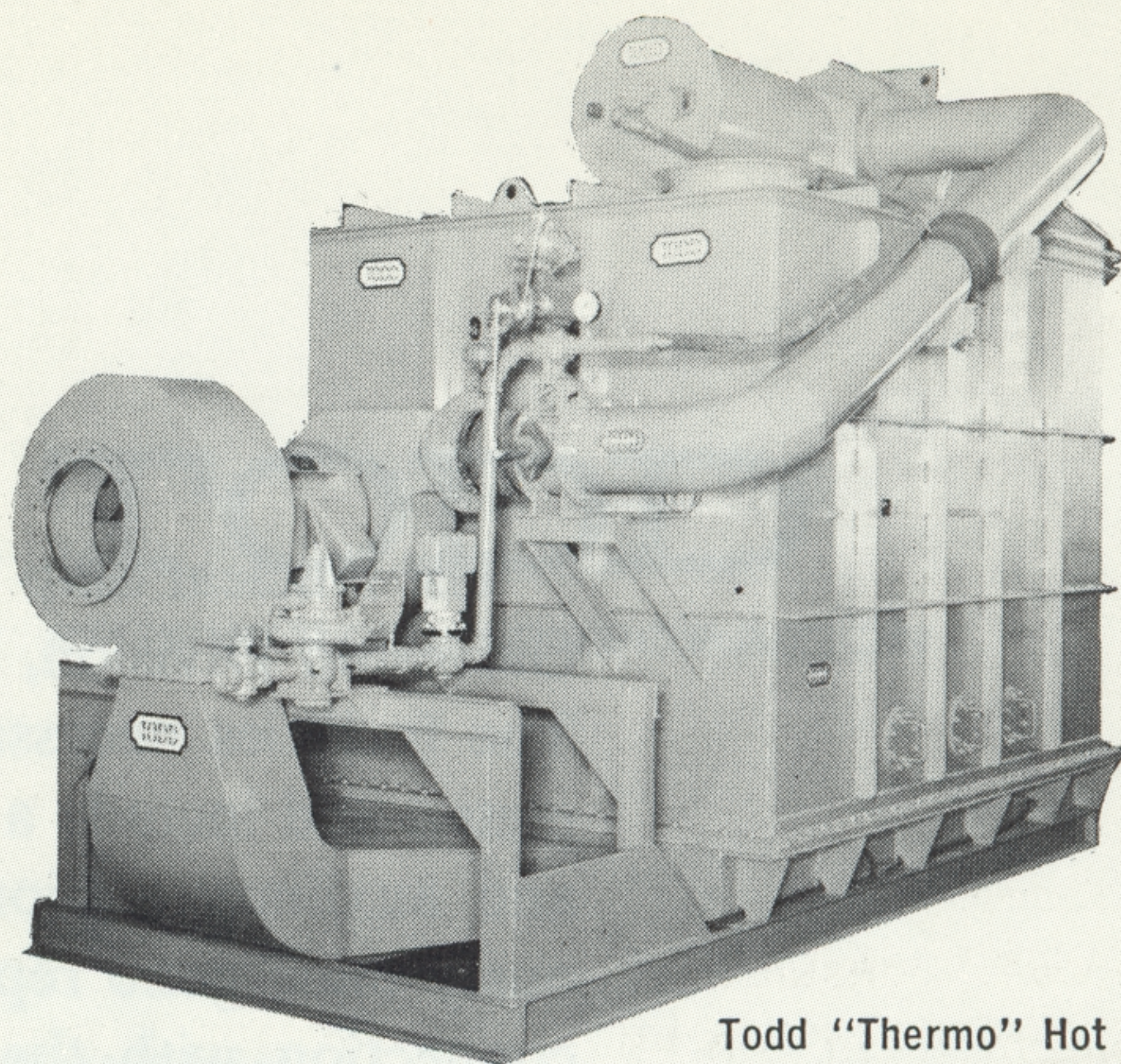
"Imperial" Sav-Pac Industrial Package Burner System



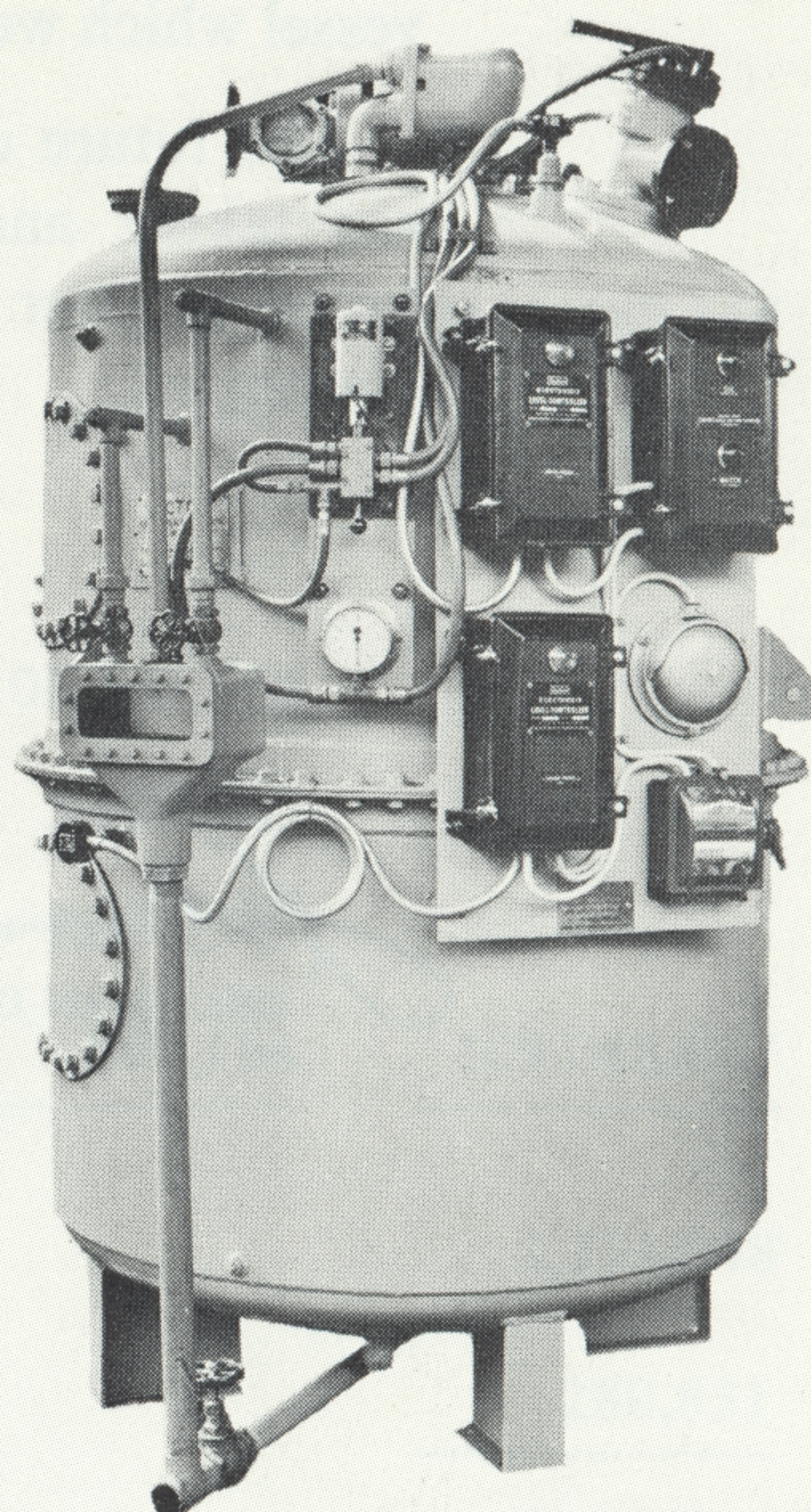
"Hurricane" Commercial Gas/Oil Burner



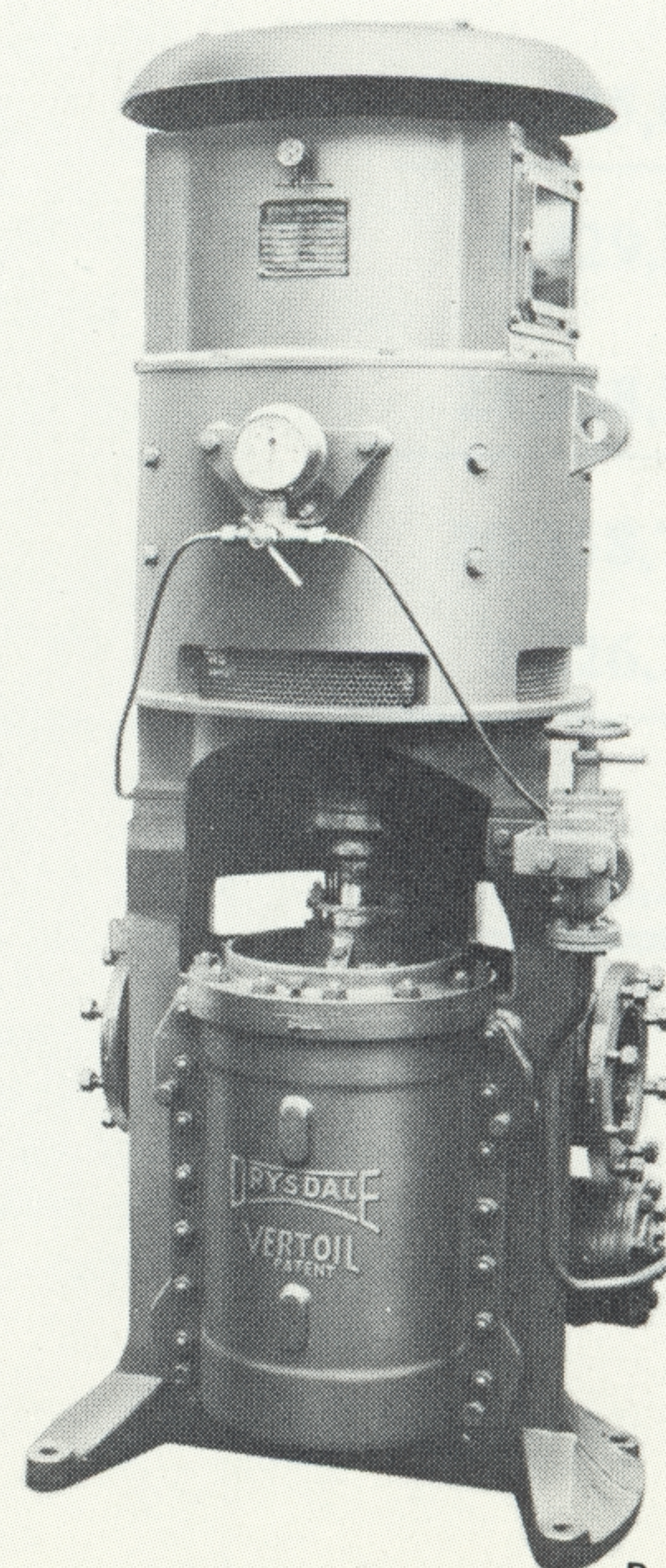
Marine Inert Gas Generator



Todd "Thermo" Hot Blast Industrial Process Heater



Victor Oily Water Separator
(Sole U.S. Manufacturing Licensee)



Drysdale Marine Pump
(Sole U.S. Repair and Service Licensee)

The Nuclear Ship "SAVANNAH," during February, 1963, arrived at the Galveston Division, her home port for alterations, up-grading and repairs. The facilities necessary to handle such work on this ship have been completed and include a new concrete and steel pier, heavy lift cranes, fuel pit and auxiliary equipment and buildings. The "SAVANNAH" had previously undergone repairs at the Seattle Division when she visited there in connection with the World's Fair then in progress. We are enclosing a folder describing our functions and responsibilities in connection with this vessel which we hope you will find interesting and informative.

The future of the maritime industry is uncertain but with the steps we are taking and have in contemplation we look with optimism to the future of your Company. We are grateful for the continued support of all concerned.

Respectfully submitted,


CHAIRMAN OF THE BOARD


PRESIDENT

ANNUAL MEETING

The Annual Meeting of Stockholders will be held on Wednesday, June 19, 1963, at 12 noon, E.D.S.T., at Manufacturers Hanover Trust Company, 40 Wall Street (Fourth Floor), New York City. You are cordially invited to attend.

TODD

SHIPYARDS CORPORATION

Statement of Income and Earned Surplus

Year ended March 31, 1963

Sales		\$111,462,115
Operating expenses:		
Labor, material and other expenses	\$103,147,655	
Taxes, other than Federal taxes on income	3,709,703	
Depreciation	1,631,545	
Contributions to retirement and pension plans	599,164	109,088,067
Profit from operations		2,374,048
Other income — net		280,831
		2,654,879
Federal taxes on income (including deferred taxes of \$225,000)		1,225,000
Net income		1,429,879
Earned surplus at March 31, 1962		28,928,901
		30,358,780
Dividends paid — \$1.40 per share		1,026,385
Earned surplus at March 31, 1963		\$ 29,332,395

See note to balance sheet.

TODD

SHIPYARDS CORPORATION

Balance Sheet *March 31, 1963*

ASSETS

CURRENT ASSETS:

Cash		\$ 2,408,357
Accounts and notes receivable, including amounts unbilled of \$7,855,005 (Note):		
U. S. Government Departments	\$ 5,200,595	
Other	19,180,631	24,381,226
		<hr/>
Work in progress, less progress billings (Note) . . .		10,022,718
Materials and supplies, at lower of cost or replacement market		3,069,329
Prepaid insurance and other expenses		2,609,305
		<hr/>
Total current assets		42,490,935

NON-CURRENT NOTES AND ACCOUNTS RECEIVABLE, partly secured	580,687
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INVESTMENTS IN AFFILIATED COMPANIES NOT CONSOLIDATED, at cost (estimated equity \$750,000) . . .	498,249
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TOOLS AND TOOL PARTS (at depreciated value)	1,580,527
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FIXED ASSETS, at cost:

Plant, dry docks and equipment	39,528,132	
Less accumulated depreciation	27,454,762	
	<hr/>	
	12,073,370	
Land	3,802,172	
Leasehold improvements, less amortization	2,256,226	18,131,768
	<hr/>	<hr/>
		\$63,282,166

Note: Contracts completed at March 31, 1963 are included in accounts receivable at estimated cash realization value. Contracts not completed at March 31, 1963 are carried in work in progress at the lower of (a) cost, plus, in the case of contracts requiring a construction period in excess of twelve months, a portion of estimated profits based on percentage of completion, or (b) estimated final realizable value reduced by estimated costs to complete.

LIABILITIES

CURRENT LIABILITIES:

Notes payable to banks	\$ 4,600,000
Accounts payable	9,334,508
Payrolls and vacations	2,517,049
Taxes, other than Federal taxes on income	1,092,661
Federal taxes on income	810,500
Total current liabilities	<u>18,354,718</u>

DEFERRED FEDERAL TAXES ON INCOME	1,125,000
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CAPITAL STOCK AND SURPLUS

Common stock, \$20 par value:

Authorized, 1,000,000 shares	
Issued, 746,709 shares	\$14,934,180
Earned surplus	<u>29,332,395</u>
	44,266,575

Less 13,869 shares of common stock held in treasury, at cost	<u>464,127</u>	43,802,448
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\$63,282,166

ARTHUR YOUNG & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

165 BROADWAY
NEW YORK 6

THE BOARD OF DIRECTORS AND STOCKHOLDERS
TODD SHIPYARDS CORPORATION

We have examined the accompanying balance sheet of Todd Shipyards Corporation at March 31, 1963 and the related statement of income and earned surplus 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.

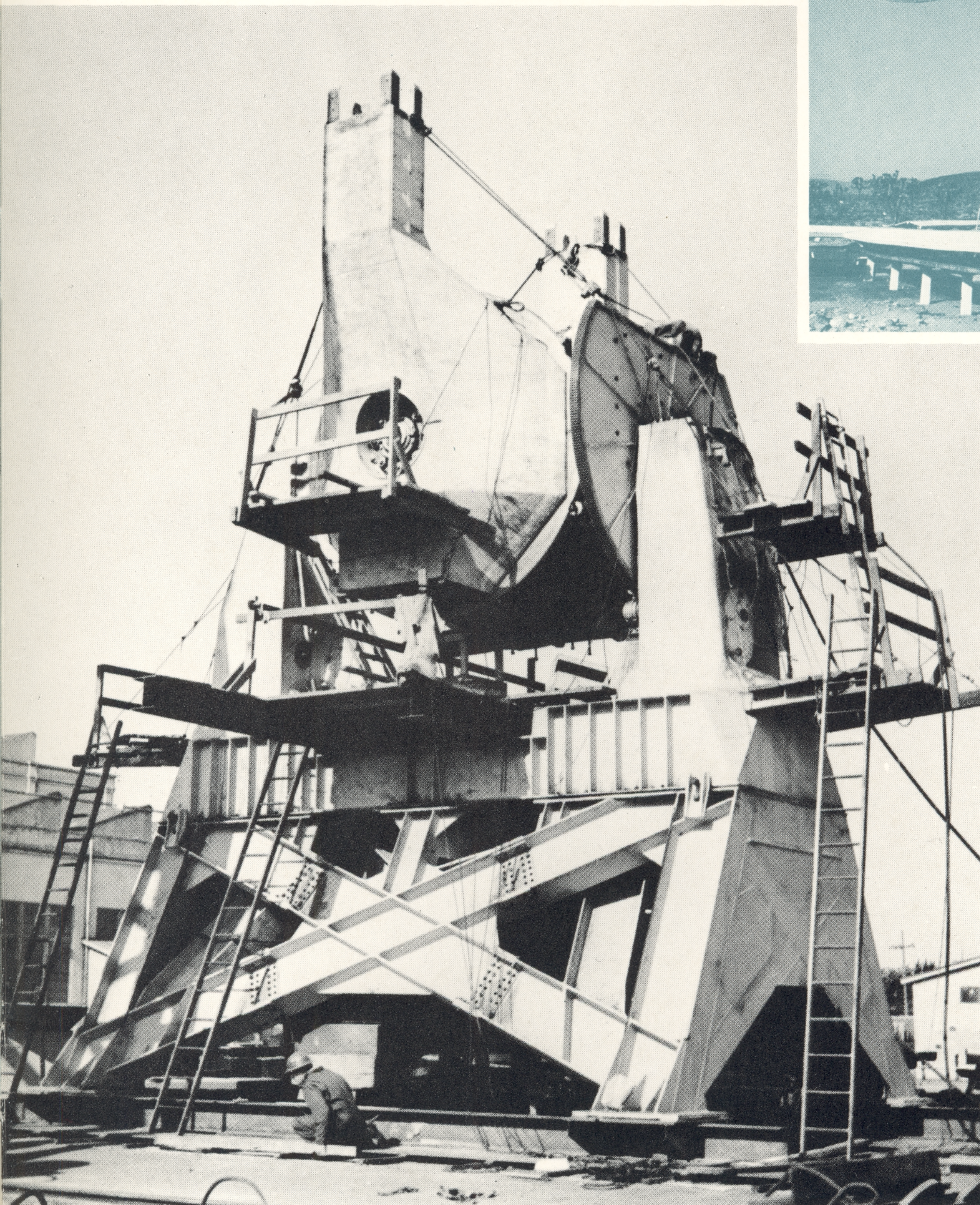
In our opinion, the statements mentioned above present fairly the financial position of Todd Shipyards Corporation at March 31, 1963 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Young & Company

May 6, 1963

3 9352 04360921 3

Forty-foot antenna tower pedestal for Project Relay Communication Satellite; fabricated, machined and test-erected by Todd to close tolerances in conformance with Philco and NASA standards. Three additional units in process of manufacture. (Inset) Complete antenna sited in Mojave Desert, California.



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DEC 0 5 1997 Ret'd Business



DIVISIONS

BROOKLYN
Brooklyn, New York

HOBOKEN
Hoboken, New Jersey

NEW ORLEANS
Algiers, Louisiana

GALVESTON
Galveston, Texas

HOUSTON
Houston, Texas

LOS ANGELES
San Pedro, California

SAN FRANCISCO
Alameda, California

SEATTLE
Seattle, Washington

PRODUCTS
Brooklyn, New York

NUCLEAR
Galveston, Texas

SUBSIDIARY

TODD PROPERTIES CORPORATION
Seattle, Washington

AFFILIATES

TODD OIL BURNERS LIMITED
London, England

LISTER-TODD ENGINEERING CORPORATION LIMITED
London, England

These affiliates consolidated subsequent to March 31, 1963.