Sunbeam Corporation: A Forensic Analysis

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ABSTRACT

The members of the Board of Directors at Sunbeam were completely bewildered. Al Dunlap, Sunbeam's highly successful but controversial CEO was threatening to resign after almost two years of leading Sunbeam successfully out of a slump that had threatened the long-term viability of the company. Al Dunlap didn't mince words. He angrily told the board, "We can't fight a battle on two fronts. Either we get the support we should have or Russ [chief financial officer] and I are prepared to go…Just pay us."[1] The directors had always stood solidly behind their hardnosed, cost-cutting leader and had been rewarded handsomely for their allegiance. The directors were taken aback. Why would they stop now? What was going on? Was it possible that one of the lead investors had conspired against the success of Sunbeam? A sense of panic set in but the board members assured Al Dunlap that he had their full support.

Keywords: Financial Statements, Financial Analysis, Ratio Analysis, Quality of Earnings, Corporate Governance

COMPANY BACKGROUND

Sunbeam was formed in 1897 as the Chicago Flexible Shaft Company. The company originally manufactured mechanical horse clippers. By 1910 the company introduced the iron as its first electrical home appliance. Later other appliances such as mixers, toasters and coffeemakers were introduced. Sunbeam came to be known as a recognized designer, manufacturer and marketer of innovative consumer products aimed at improving lifestyle. In 1946, the company changed its name to Sunbeam Corporation. In 1960, Sunbeam acquired Oster which allowed Sunbeam to expand into other home products such as hair dryers and health and beauty appliances. The company later added electric blankets, mattresses, humidifiers, vaporizers and thermostats, among other innovations. Sunbeam soon became the leading manufacturer of electric appliances. In 1981, Sunbeam was acquired by Allegheny International (AI); and although Sunbeam was AI's most profitable unit, poor management caused Sunbeam to experience major financial difficulties, and the company was eventually forced into bankruptcy in 1988.

In 1990, Michael Price, manager of Mutual Shares, corporate turnaround executive Paul Kazarian, and hedge fund manager Michael Steinhardt purchased the bankrupt Sunbeam. Under their leadership, Sunbeam went public as Sunbeam-Oster in 1992. Despite these obstacles, the board at Sunbeam felt that a profitable future was ahead, and they just had to search for someone to lead them in the right direction. Kazarian, who then became CEO, and Price retained 44% ownership in the company. The years following were tumultuous ones for Sunbeam. Executives at Sunbeam grew increasingly agitated at Kazarian's no risk policies. Kazarian was reportedly hesitant to manufacture too much inventory in the event items would not sell making it difficult to fill retailer's orders. More importantly, he was hesitant to invest in the development of new products, processes or facilities. This was particularly troubling to the board since Sunbeam's longevity was dependent on its abilities to create innovative products for consumers at the lowest possible cost. In January 1993, Kazarian was forced out of the company due to his erratic behavior and abrasive management style. His departure resulted in a number of lawsuits which led to a buyout giving Steinhardt and Price a 57% stake in Sunbeam.[2] In August 1993, Roger Schipke, a former GE executive was hired to lead Sunbeam but was asked to resign in early 1996.

Al Dunlap, a corporate turnaround artist, was recruited in 1996 by Michael Price, a 20% stockholder, to turn the fledgling company around and boost its languishing stock price. Dunlap and his team agreed to lead the company through a massive restructuring that resulted in record earnings in 1997 and a stock price increase from $12 in July 1996 to a high in March 1998 of $52. However, there were a few bumps along the way. First, Al Dunlap and Ronald Perelman, one of Sunbeam's largest stockholders, had never seen eye to eye. The media became involved and questioned Al Dunlap's leadership. After calling a meeting with the board, Dunlap addressed the situation by accusing financier Ronald Perelman of engaging in a media conspiracy to drive the price of Sunbeam stock down so that Mr. Perelman could buy a larger proportion of Sunbeam shares at a lower price.

Roger Schipke

Roger Schipke, spent 29 years working in the appliance division at General Electric with his last 8 years serving as vice-president of the division. Schipke knew the industry well and managed to increase the division's sales. Schipke later left GE and became CEO of Ryland Group Inc., a home construction and mortgage finance company. However, Schipke was recruited to Sunbeam by Charles Thayer, a board member of Sunbeam who also served as the interim CEO after Kazarian's departure. Thayer had worked with Schipke in the past and realized that his GE background provided him with the industry expertise necessary to move Sunbeam forward. Schipke accepted the position of CEO in August 1993. Quickly, he recognized the need to cut costs and increase brand recognition. Some cost cutting efforts had occurred before he arrived. Square footage of the production facilities had been cut nearly 20%. Ten of the 33 facilities were closed and the corporate staff had been cut by more than 70%. [4] Schipke was pleased with these cuts but still planned further facilities cuts. His long-term strategy was to increase profits by introducing new, innovative, higher margin products and expand product offerings through acquisitions. He planned to increase international sales, particularly in Mexico and South America. Schipke also expected to cut costs at Sunbeam by building a large plant facility in Hattiesburg, Mississippi which would allow them to streamline research, production and distribution efforts in a central location thereby cutting operating expenses dramatically. Finally, he planned to spend $45 million per year on brand support.[5]

It appeared that, in the beginning, Wall Street approved of Schipke's strategies and leadership. Schipke worked hard to bring in outside executives to inject new ideas in the company. These efforts resulted in an increase in new product offerings and Sunbeam was successfully downsized and its management restructured. Revenues had increased by 10% and the stock price by 22%. His plan to open the operational facility in Hattiesburg was well in progress and due to open its doors in 1995.

However, in December 1995 the financials were not as rosy as expected. Sunbeam's stock price had dropped to just over $15 per share. Schipke explained in his letter to the shareholders in the 1995 annual report that the disappointing results were due to factors out of his control. Sunbeam had experienced price increases for raw materials and commodities that could not be passed along to the consumer given the competitive retail environment. A severe recession in Mexico along with the devaluation of the peso didn't allow Sunbeam to achieve the sales in Mexico that they had earlier projected. Delays in the opening and utilization of the "state of the art" manufacturing and distribution center did not allow Sunbeam to achieve the economies it had expected in order to improve margins. Schipke offered plans to restore growth in the coming year which included: cost savings from the opening and utilization of the Hattiesburg manufacturing and distribution center which would open in 1996, improved sales and margin growth through selective acquisitions and the introduction of new products, and improving manufacturing efficiencies and quality through vendor certification programs and the implementation of electronic design and prototyping technology.

Despite Schipke's continuing efforts to improve Sunbeam's position, the board felt that improvements were not occurring fast enough, and Sunbeam's stock price continued to fall. Thus, the board elected to fire Schipke and he exited the firm in April 1996. A search ensued for a new CEO to lead Sunbeam in a fiercely competitive, low margin industry. The board of directors hired Al Dunlap, commonly referred to as "Chainsaw Al" or "Rambo in Pinstripes."

Albert J. Dunlap

Al Dunlap had a reputation of quick corporate turnarounds resulting in dramatic increases in share value. His management philosophy was based on the premise that maximization of shareholder wealth should be the primary goal of the firm. His strategy was to cut costs at all levels of the organization and return the corporate focus to its core products while searching for a buyer for the newly-organized company. He was not a long term CEO. His strategy was to take a "sick" company and turn it around within the year, look for a buyer and then exit. He demanded that his compensation come primarily in the form of the company's stock in order to align his interest with that of the shareholders. Al Dunlap's intimidating personality was opposite of what the board had encountered with Schipke. Schipke was known to be altruistic and soft spoken. Dunlap's personality was abrasive with frequent episodes of shameless self-promotion. Dunlap often referred to himself as a superstar "…much like Michael Jordan in basketball and Bruce Springsteen in rock 'n roll.[6]" Dunlap didn't mince words; his focus was to say what he meant and get the job done regardless of jobs lost or egos hurt. "If you want a friend, get a dog" was a common mantra quoted by Dunlap and Wall Street loved him.[6]

Wall Street appreciated Dunlap's no-nonsense approach to management as reflected in the rise of the company's stock price immediately after Dunlap was hired. Furthermore, his track record confirmed an impressive number of victories. His most recent success had been Scott Paper. By eliminating all excesses including assets and personnel, Scott Paper's value rose from $2.5 billion in 1993 to $9 billion in 1995. Kimberly Clark purchased Scott Paper in December 1995, and Al Dunlap walked away with $100 million. Only $1 million of this payment was salaried. Stock sales and options made up $80 million of the compensation and $20 million came from a non-compete agreement that Dunlap signed with Kimberly-Clark.[8] Dunlap had succeeded in other turn-arounds including Sterling Pulp and Paper, American Can, Lily-Tulip, Crown-Zellerbach, Australian National Industries and Consolidated Press Holdings. Mr. Dunlap was so confident in his potential for success that he insisted that both he and his management team be compensated in the form of stocks and options. Furthermore, he made a $3 million investment in Sunbeam with his own money his first day on the job with an additional $2 million personal investment about 8 months later. He argued that if he and his team were not able to turn the company around, then they shouldn't be compensated.

Despite Al Dunlap's obvious commitment to Sunbeam, he still had his share of critics. His perceived lack of compassion to workers displaced as a result of his restructuring and his extreme and abrupt style of management were highly controversial. He was often under fire from a number of reporters and executives that were highly critical of his approaches which lacked consideration of corporate stakeholders other than the stockholder.

Mr. Dunlap assumed management of Sunbeam Corporation in July 1996 just before the release of his book, *Mean Business: How I Save Bad Companies and Make Good Companies Great*. Dunlap's first day on the job was characterized by the belittling of the board of directors and berating them for their part in the downfall of Sunbeam. He expressed how it was their good fortune that he was hired at Sunbeam just in time to save a firm that was surely headed for bankruptcy. After the first meeting of the board, he promptly fired James Clegg, Sunbeam's chief operating officer while many other board members and senior ranked managers became casualties shortly thereafter. Dunlap quickly brought in his own management team that had worked with him in previous turnarounds to create what he called the "Sunbeam Dream Team." With his familiar team at hand, they studied the industry and were quick to hammer out a restructuring plan for the organization.

The Small Appliance Industry

The small appliance industry was highly competitive. However, Sunbeam successfully led the market in a number of home products including heating pads, electric blankets, bathroom scales, gas grills and hair clippers. Competitors such as Black and Decker Corp., Hamilton Beach/Proctor-Silex, Inc., Newell/Braun/Gillette, Rival and others all fought for consumer dollars in a stagnant market. Barriers to entry were very low and it was easy to reverse engineer the greatest and latest product introduced by a competitor. As the industry grew increasingly competitive, margins were squeezed. Forecasting the industry squeeze, General Electric exited the small appliance industry in the 1980s leaving a little more breathing room for the companies that remained. Large retailers like WalMart, K-Mart and Sears had become the major purchasers of small appliances. Their market share wielded enough power to effectively control supplier pricing and margins. The only alternative to remaining competitive was to find new growth by both penetrating new markets and developing new products. Black and Decker had one of the best timelines for new product launches at 16-18 months. Sunbeam traditionally took about 2 years to bring new products to market.[3] Searching for growth, several U.S. companies had tried penetrating European markets only to find that European companies had a strong hold on the market and styles. Furthermore, tastes were vastly different than those in the U.S.

SUNBEAM'S FINANCIALS 1996-1998

In three short months, the restructuring plan was released in Sunbeam's 8-K filing with the SEC on November 12, 1996, and a summarized plan was also released in Dunlap's letter to the shareholders in Sunbeam Corporation's 1996 annual report (The letter is shown in "Exhibit 1"). Al Dunlap had been very vocal about the fact that there was nothing he could do to save Sunbeam in 1996; it was a lost year. However, 1997 could be a turnaround year. In order to position the company so that he could implement his strategies in 1997, Dunlap took a one time pretax charge of $300 million, of which $75 million would be paid in cash as severance due to job cuts and costs associated with plant closings. The remainder would be recorded as write-downs as a result of plant closings and divestitures. He carefully disclosed the breakdown of the pretax charge in the financial notes of the 1996 annual report (This financial footnote as well as some other selected disclosures are given in "Exhibit 2").

1996

Al Dunlap had been very vocal about the fact that there was nothing he could do to save Sunbeam in 1996. He accused Roger Schipke of nearly destroying Sunbeam and, according to Dunlap, the 1996 results were a reflection of Schipke's inept management (The financial results for Sunbeam from 1993 – 1997 can be found in "Exhibit 3"). Dunlap explained that 1996 was a lost year, and the implementation of his restructuring plan would yield favorable results beginning in first quarter 1997. Dunlap was counting on 1997 to be the year to fully implement his restructuring plan and turn Sunbeam around.

1997

As Dunlap had promised, 1997 proved to be a great year for Sunbeam. The stock price climbed as high as nearly $50 per share. Sales and net income had reached record levels by the fourth quarter. The stock price was the highest in the industry, selling at 2-3 times its competitors. Sunbeam realized an overall sales increase for the year of 22% with earnings higher than analyst expectations. In a press release, Dunlap explained that the increase in earnings was partially due to the introduction of 35 new U.S. products and 54 new international products. International sales were up 34% for the year and domestic sales benefitted from the opening of 22 factory outlet stores. Dunlap was also pleased to announce that in the 4th quarter, they had achieved 20% operating margins with a 17% overall operating margin for the year.[9] Dunlap was even more optimistic in his 1998 forecasts. He expected Sunbeam to have another record year achieved by continuing with their global expansion and introduction of new and innovative product lines.

1998

At the end of the first quarter 1998, Al Dunlap had just completed the acquisition of Coleman, First Alert and Mr. Coffee and found that Sunbeam's earnings results fell short of expectations. In fact, that quarter's earnings were actually a little below the first quarter of 1997. Al Dunlap publicly expressed his disappointment. He explained that his attention had been temporarily diverted from Sunbeam as he completed the transactions required for the three acquisitions. He explained that with the acquisitions in place, the product lines and the synergies that Sunbeam would enjoy with its newly acquired companies would guarantee that Sunbeam was well poised for the future. He stated that 1998 would be a transition year that would allow them to implement their remaining strategies so that 1999 would be Sunbeam's best year yet.

BACK TO SUNBEAM'S BOARDROOM

Al Dunlap was threatening to resign if he did not get the full support of the board. There had been some unfavorable media coverage regarding the quality of his earnings figures. It was not uncommon for Dunlap to be under fire by the media, and the board was very familiar with Dunlap's inability to gracefully accept or ignore criticism. He frequently received personal threats. He had always felt it necessary to travel with bodyguards and he wore a bullet proof vest much of the time.

The board had been aware of the coverage and had no reason to suspect that any of the allegations were true. They had always trusted his judgment and his strategies had taken Sunbeam from a $12 stock just before he joined Sunbeam in 1996 to values as high as $54 per share in March 1998. To address the earnings quality concerns, the Board consulted with the firm's accounting auditors to inquire whether Sunbeam's financials were in compliance with accounting standards. The board received the assurance they had expected from the auditors; Sunbeam was in full compliance. Now the board had to figure out what was going on. They began to wonder if Al Dunlap was correct in accusing Ronald Perelman of conspiring against him to bring down the stock price. Why would he do such a thing? Perelman was already one of the largest shareholders of Sunbeam. Could he be out to get more? Could he be conspiring to have Dunlap removed? Dunlap and Perelman had always had a contentious relationship at best. Nevertheless, Al Dunlap had given his ultimatum, and the board had to act quickly. They could back Al Dunlap 100% or let him go.

ENDNOTES

[1] Byrne, John A., (July 6, 1998). "How Al Dunlap Self-Destructed," *Business Week*, Issue 3585, pp.58-65.
[2] Gail DeGeorge, (August 29th 1994). "Why Sunbeam is Shining Brighter," *Business Week,* Issue 3387, pp. 74.
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[4]Byrnes, Nanette, (October 26, 1993). *Financial World*, "Stalking Horse," Volume 162 Number 21, pp. 28.
[5] Ibid pp.28.
[6] Dunlap, Albert J. with Bob Andelman, (1996). *Mean Business: How I Save Bad Companies and Make Good Companies Great*, (New York: Simon & Schuster), pp. xii.
[7] Ibid pp.
[8] Ibid. pp.21
[9] Business Wire Jan. 28, 1998

EXHIBIT 1. AL DUNLAP'S LETTER TO THE SHAREHOLDERS FROM THE 1996 ANNUAL REPORT

Sunbeam

2381 Executive Center Drive, Boca Raton, FL 33431

To Our Shareholders

A new Sunbeam ® is shining - and with it a major American company is being rescued.

Your new management team has laid out a rescue plan, we are implementing that plan and it is working - all in record time.

In July 1996, Sunbeam ® was flat on its back. Earnings had plunged 83 percent since July of 1994. Excluding acquisitions, sales were down four percent. The operating margin had shrunk to an almost invisible two percent. The stock price had plummeted 52 percent since its high in 1994. And even as this once great company headed towards possible bankruptcy, Sunbeam ® had no strategic plan.

That is why, when your Board asked me to rescue Sunbeam ®, we had to move fast. I made it clear that creating the levels of return our shareholders have the right to expect was our top priority. I have always believed that if you focus on maximizing shareholder value, you will have the very best people, the very best products and the very best facilities.

The rescue plan for Sunbeam ® was simple:

1. recruit a top management team; 2. eliminate waste and make Sunbeam ® cost-competitive again; 3. focus on core businesses, divesting everything else; 4. implementing an aggressive strategy for global growth. With rapid action, the first three steps are complete:

Step 1. An outstanding new management team is in place.
Call it the Sunbeam ® Dream Team. The recipe was simple. We started with talented outsiders who have helped me rescue companies before; experts in areas like finance, international expansion, purchasing and logistics. We added newcomers with great track records, experts in manufacturing, marketing and product development. And we retained the best people from the old Sunbeam ®.

This is a powerful combination: the best insiders, the best outsiders, and the best leaders from my past teamed together to give Sunbeam ® great leadership for a great future. Everyone in your Company is committed to building that future. As part of its commitment, your Board of Directors has agreed to be compensated solely in Sunbeam ® stock. Meanwhile, senior executives have invested substantially in Sunbeam ® stock as well. On my first day on the job, I set the pace with a $3 million purchase and I followed that up with a $2 million open market purchase in February of 1997.

And because membership in this - or any - corporate rescue team must include everyone in the company, we have instituted a highly innovative employee stock option plan, giving all domestic Sunbeam ® employees a stake in their Company's growth.

From this day forward, everyone on the Sunbeam ® team - the shareholders, your Board, your senior management and all your Company's workers - are joined together in a common mission: to restore Sunbeam ®'s profitability and deliver the maximum return to the shareholder.

Step 2: We've attacked excessive costs. Our cost saving measures are projected to save Sunbeam ® $225 million a year. For example: six separate headquarters are now one; a 12,000 employee workforce is now 6,000; 26 production facilities - some operating at 30-50 percent of capacity - are down to nine (soon to be eight); 61 warehouses have been reduced to 18.

Step 3: We have focused on our core businesses. Companies succeed by achieving excellence in a core business, not mediocrity everywhere. We have redefined Sunbeam ®'s core product categories: Kitchen Appliances, Health Care Products, Personal Care and Comfort, Outdoor Cooking, and Away From Home.

We are eliminating product lines that do not fit these categories. For example, since December we have sold our outdoor furniture division, our time and temperature product line and our decorative bedding line. We have also signed an agreement to sell our Biddeford textile factory to an investment group which includes the employees of that facility.

All this has been substantially completed in just six months. But the final step is the most important of all, and it's just getting started:

Step 4: Execute an aggressive growth plan, making Sunbeam ® a global leader once again. Our goals for the next three years are: double annual revenues to $2 billion; raise operating margins to 20 percent of sales; triple international sales to $600 million; realize a 25 percent return on equity; and generate approximately $600 million of free cash flow.

How?

1. Strong advertising support. We will rebuild consumer awareness of our powerful Sunbeam ®/R/ and Oster/R/ brands behind unprecedented levels of media advertising. The advertising program started in the fourth quarter of 1996 with a $12 million campaign that has already increased Sunbeam ®'s brand relevance by 25 percent. In connection with our new advertising campaign, we are introducing new packaging to make our brands more attractive, distinctive and appealing.

2. Fast product development. We are committed to becoming the industry leader in new product development. To introduce 30 new domestic products a year, we have cut new product development time from two-and-a-half years to six months. We are bringing out innovative products that will satisfy the wants and needs of our consumers and that are truly differentiated from any products in the marketplace today.

3. Go global. Soon, Sunbeam ® products will be reaching consumers throughout the world. In December 1996, we completed the successful launch of 42 new 220-volt products into 10 international regions. Additionally, in late 1996, we set a goal of signing 15 new international distribution and licensing agreements by April 15th of this year and many more throughout the year. Through mid-March, 13 such agreements were in place giving Sunbeam ® access to fast-growing markets in Asia, Latin America and Africa.

4. New Channels of Distribution. We are expanding our distribution into new channels that offer tremendous new opportunities for Sunbeam ®. We have a focused "Away From Home" team dedicated to broadening Sunbeam ®'s presence with commercial customers such as hotels, motels, restaurants and universities. We also have a team dedicated to exploring new opportunities in other non- traditional channels of distribution such as catalogs, the Internet and our own Sunbeam ® factory outlet stores. We have already opened six factory outlet stores since November and plan to open 18 more this year.

This is the Sunbeam ® growth plan. It is simple It is powerful. And it is working, after just six months. A talented, innovative new management team transforming a leaner, more competitive, more focused Sunbeam ® into the dominant global leader in the industry.

Yes, a new Sunbeam ® is shining - and the best is yet to come.

Albert J. Dunlap
Chairman and Chief Executive Officer

EXHIBIT 2. SELECTED FINANCIAL FOOTNOTES

From 1996 Annual Report

1. Footnote with regard to the 1996 restructuring write-off:

In conjunction with the implementation of the restructuring and growth plan, the Company recorded a pre-tax special charge to earnings of approximately $337.6 million in the fourth quarter of 1996. The special charge to earnings in 1996 is included in the following categories on the consolidated statement of operations (in millions):

	Pre-Tax Dollar Amount	After-Tax Per Share Amount
Restructuring, Impairment and other costs…………..	$154.9	$ (1.21)
Cost of sales, related principally to inventory write-downs and liquidations……………………….	92.3	(0.72)
Selling, general and administrative, related principally to increases in reserves…………………	42.5	(0.33)
Estimated loss from divestiture of furniture business…	47.9	(0.39)
Total…………………………………………………	$ 337.6	$ (2.85)

From 1997 Annual Report

1. Footnote with regard to advertising costs:

Media advertising costs included in "Selling, General and Administrative Expense," are expensed as incurred (in thousands):

	1997	1996	1995
Advertising and sales promotion….…	$56,448	$71,524	$57,274

2. Footnote with regard to securitization of receivables:

In December 1997, the Company entered into a revolving trade accounts receivable securitization program to sell without recourse, through a wholly-owned subsidiary, certain trade accounts receivable. The maximum amount of receivables that can be sold through this program is $70 million. At December 28, 1997, the Company had received approximately $59 million from the sale of trade accounts receivable. The proceeds from the sale were used to reduce borrowings under the Company's revolving credit facility. Costs of the program, which primarily consist of the purchaser's financing cost of issuing commercial paper backed by the receivables, totaled $.2 million during 1997, and have been classified as interest expense in the accompanying Consolidated Statements of Operations. The Company, as agent for the purchaser of receivables, retains collection and administrative responsibilities for the purchased receivables.

EXHIBIT 3 SUNBEAM CORPORATION AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (DOLLARS IN THOUSANDS)

	1993	1994	1995	1996	1997
ASSETS					
Current assets:					
Cash and cash equivalent	$74,581	$26,330	$28,273	$11,526	$52,378
Receivables, net	170,692	214,222	216,195	213,438	295,550
Inventories	226,745	271,406	209,106	162,252	256,180
Net assets of disccontinued operations 0	0	0	0		
and other assets					
Held for sale	0	0	101,632	102,847	-
Deferred income taxes	59,751	45,705	26,333	93,689	36,706
Prepaid expenses and	15,984	6,248	19,543	40,411	17,191
other current assets					
Total current assets	547,753	563,911	601,082	624,153	658,005
Property, plant and equipment, net	163,157	233,687	287,080	220,088	240,897
Trademarks and trade names, net	226,147	220,005	214,006	200,262	194,372
Other Assets	69,069	95,326	56,516	28,196	27,010
Total Assets	$1,006,126	$1,112,929	$1,158,684	$1,072,709	$1,120,284
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Short-term debt and current	$ 42,367	$6,457	$1,166	$921	668
portion of long-term debt					
Accounts payable	81,132	86,819	94,191	107,319	105,580
Restructuring accrual	0	0	13,770	63,834	10,938
Other current liabilities	119,261	121,377	80,204	99,509	80,913
Total Current liabilities	242,760	214,653	189,331	271,583	198,099
Long-term debt	93,757	123,082	161,133	201,115	194,580
Other Long-term liabilities	71,351	58,602	50,088	64,376	59,587
Non-operating liabilities	100,558	92,534	80,167	88,075	81,522
Deferred income taxes	60,409	59,448	76,932	52,308	54,559
Total Liabilities	568,835	558,319	557,651	677,457	588,347
Shareholders' equity:					
Common stock	876	932	878	884	900
Paid in Capital	442,380	461,876	441,786	447,948	483,384
Retained Earnings	182,148	285,990	266,698	35,118	141,134
Other	(14,043)	(20,118)	(24,880)	(25,310)	(30,436)
Total	611,361	728,680	684,482	458,640	594,982
Treasury Stock, at cost	(174,070)	(174,070)	(83,449)	(63,388)	(63,045)
(5,905,600 and 4,478,814 shares)					
Total Shareholders' equity	437,291	554,610	601,033	395,252	531,937
Total Liabilities&Shareholders' Equity	1,006,126	1,112,929	1,158,684	1,072,709	1,120,284

SUNBEAM CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS (DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
FISCAL YEARS ENDED

	1993	1994	1995	1996	1997
Net Sales	$1,065,923	$1,044,247	$1,016,883	$984,236	1,168,182
Cost of goods sold...	777,564	764,355	809,130	900,573	837,683
Selling, general .... and administrative expenses	138,886	128,836	137,508	216,129	131,056
Restructuring, impairment and other costs	-	-	-	154,869	-
Operating earnings (loss)	149,473	151,056	70,245	(287,335)	199,443
Interest expenses	6,310	6,974	9,437	13,588	11,381
Other (income) expense, net...	(4,493)	(712)	173	1,638	(1,218)
Earnings (loss) from continuing operations before Income taxes	$147,656	144,794	60,635	(302,561)	189,280
Income taxes (benefit)..					
Current	32,497	33,227	(2,105)	(28,062)	8,369
Deferred	22,727	26,283	25,146	(77,828)	57,783
	55,224	59,510	23,041	(105,890)	66,152
Earnings (loss) from continuing operations	92,432	85,284	37,594	(196,671)	123,128
Earnings from discontinued operations net of taxes (3,634)	21,727	12,917	839	-	
Estimated loss on sale of discontinued operations net of taxes	-	-	-	(32,430)	(13,713)
Net earnings (loss)	$ 88,798	$107,011	$50,511	($228,262)	109,415
Net earnings (loss) per share of common stock	$1.01	$1.30	$0.61	($2.75)	$1.29
Weighted average common shares outstanding	87,888	82,553	82,819	82,925	84,945

AUTHOR INFORMATION

Dr. Patty Hatfield joined the faculty at Bradley University, Foster College of Business, in 1990 and holds the Stephens Professorship of Risk and Insurance. Her research focus is in the area of capital budgeting, behavioral finance and business case writing. She teaches at the undergraduate and graduate level and conducts executive development courses in finance in domestic and international locations.

Dr. Shelly Webb has been a faculty member in Xavier University's Department of Finance since 1992. She received her Ph.D. from the University of Kentucky. Her research interests include managerial finance, international finance, and business case writing, and she teaches both MBA and undergraduate courses in these areas. Professor Webb has received the Williams College of Business Delta Sigma Pi Teacher of the Year Award and the Williams College of Business Dean's Award in Scholarship.

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