

PACKARD MOTOR CAR COMPANY

*Thirty-Fourth
Annual Report*

YEAR ENDING
DECEMBER 31, 1937



To be submitted to Stockholders at the Annual Meeting
in Detroit, Michigan, Monday, April 18, 1938

To the Stockholders of the
Packard Motor Car Company:

More Packard cars were produced and sold during 1937 than in any previous year in our history. They were better cars than we have ever made and, on the average, sold at lower prices. They had cordial public acceptance and approval.

Factory sales at wholesale prices totaled \$94,422,477.77, a substantial increase over 1936 during which sales amounted to \$73,052,859.28. Earnings, after all charges, were \$3,052,212.05 as compared with \$7,053,219.81 for the year 1936. During the last half of the year, the trends of labor costs, rising material prices and the existing depression resulted in reducing our earnings. They were affected, too, by the necessity for bringing out completely new models of our junior lines of cars, and new models also of our senior cars.

The depression will pass. Material prices have already declined and the expense and delay incidental to radically new models is a non-recurring item that ordinarily is not met with oftener than once in several years—three or four, perhaps.

We entered the lower priced market in 1935 with the Packard One Twenty, also now known as the Packard Eight, and in the fall of 1936 we added the lower priced Packard Six.

The success of our expansion plans is clearly shown by the following summary of Packard cars produced in 1934 and subsequently:

		Percentage Increase over previous year
1934	6,071	—
1935	52,256	760.75
1936	80,699	54.43
1937	109,518	35.71

Comparing total passenger cars of all makes produced in the United States and Canada during 1937 with the number produced in 1934, the increase for the industry as a whole was about 80%. The number produced by Packard, comparing these same years, increased more than seventeen times.

In order to accomplish this impressive expansion in the company's business it has of course been necessary to make large expenditures for developing lower priced cars of outstanding excellence, for machinery, tools, dies and fixtures for their production, for inventory, and for increasing the capacity of our manufacturing facilities.

During the first half of 1937 production and sales increased to record volume. In that period we earned \$3,819,056.81 compared with \$3,520,127.69 for the first six months of 1936. During the last half of the year the depression set in and curtailed expected volume and profits, as did our new-model preparations. Costs, too, increased. The last half of 1937 showed a loss of \$766,844.76.

The most notable of the company's achievements during the year, aside from the greatly increased volume of business previously referred to, were the accomplishment of the engineering work involved in the new models, the expansion of the distributing organization, and the increase of factory facilities to enable us to take care of the greater number of sales forecast by the growth of our business.

Our new model cars announced in September are much improved in features that appeal to the public. Numerous refinements were made in our Packard Super Eight and Packard Twelve senior car lines. Our junior cars—the Packard Six and Packard Eight—were completely re-designed in many respects. Their newly-styled all-steel bodies are much roomier and more beautiful. Roofs are of one-piece steel construction. Wheelbases are longer without adding materially to overall length of the chassis. A revolutionary advance in riding smoothness is obtained through new developments in rear springing, stabilizing and shock absorbing systems in combination with our superior "Safe-T-Flex" independent front suspension.

Retail deliveries to customers of all new Packard cars totaled 104,959 compared with 79,402 during 1936, an increase of 32.2%. This compared with an increase in the combined retail sales of all automobile companies, of 4.2%, so that our comparative growth was very considerable.

In 1937 we exported 7151 cars compared with 5063 in 1936, an increase of 41.2%.

STATEMENT OF INCOME

Earnings, while substantial, were considerably reduced from last year, for reasons previously stated.

"Other income," reported in detail as to source, was approximately 20% greater than for 1936.

Selling, general and administrative expense amounted to \$4,262,718.04, which was an

increase of \$730,132.54 over the previous year's total, but as a per cent to sales, a reduction was shown of from 4.8% in 1936 to 4.5% in 1937.

Depreciation of factory properties charged to operations for the year amounted to \$1,910,967.86. The comparative figure for 1936 was \$1,882,762.79.

Branches and subsidiaries earned \$572,030.90 as compared with \$766,409.68 for the previous year. The 1937 branch and subsidiary profits represented a return of 2.9% to the factory on these investments.

Total net profit for the year was \$3,052,212.05, equivalent to approximately 20 cents a share on the common stock outstanding. Dividends declared and paid for the year amounted to \$3,747,835.00, equal to 25 cents a share.

BALANCE SHEET

Cash and marketable securities totaled \$5,902,370.88, the book value of securities being carried at the lower of cost or market value at the end of the year. This was a reduction of \$8,455,292.68 in our cash position, and was principally the result of an increase in inventories and a reduction in current liabilities paid off during the last half of the year as our volume of business declined. It was also due to increased plant investment and dividends paid.

Accounts and notes receivable totaled \$5,003,909.46 as compared with \$5,468,945.30 at the end of 1936.

Inventories increased \$3,022,278.18 chiefly on account of branches' and subsidiary companies' larger stocks of new cars. Of that amount \$832,592.95 represented increases in materials, work in progress, etc.

It has been the established practice of the company not to enter into speculative future commitments for the purchase and sale of commodities. The purchase commitments for future delivery outstanding at December 31, 1937, were for manufacturing materials and were not in excess of normal requirements. The purchase commitment prices did not exceed to any material extent the current purchase prices prevailing at the end of the year.

Total current assets were \$23,893,569.23; total current liabilities, \$7,429,512.94. At the end of 1936 current assets were \$29,791,619.57, and current liabilities \$11,542,837.91. The relatively greater reduction in current assets, as compared with current liabilities, is principally due to the increase of \$1,078,540.57 in the net property investment, and the fact

that dividend payments were \$695,622.95 more than earnings for the year. The ratio of current assets to current liabilities was 3.2 to 1, as compared with 2.6 to 1 at the previous year end.

Deferred charges to future operations amounted to \$373,615.68, as compared with \$355,208.81 at the end of 1936.

Capital and Surplus together totaled \$44,541,252.21, equivalent to a book value of \$2.97 per share. In comparison, the book value at the close of the previous year was \$3.02.

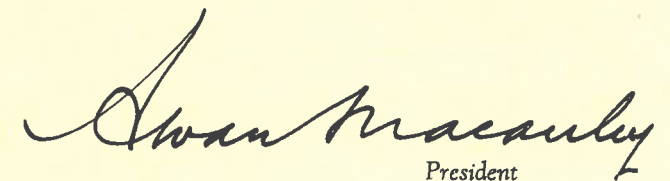
We have no preferred stock, bonded indebtedness or bank loans. The common stock of the company is held by 117,466 stockholders.

REMARKS

Total stocks of new cars in the field and at the factory, at this writing, are 30% less than a year ago. Used car stocks have been reduced materially since the first of the year. Final returns from the National Used Car Exchange Week are expected to show a further reduction not only in the number on hand but also in the aggregate value of used car inventories.

Early in February we reduced by \$100 the prices of our Packard Six cars. While sales of these cars have improved over the levels prevailing at the first of the year, our current production schedules, which are in line with customer demand, are substantially below capacity production. For the present we are operating the factory eight hours a day four days a week, with fewer employees.

Present indications are that the industry's sales of new cars in 1938 will be considerably less and our ability to further widen our market, as we have done successfully during the past three years, will be restricted. However, we look forward to more than holding our own in the keener competition that is developing for the available business. It is earnestly to be hoped that whatever factors are contributing to the present unsettled business conditions will soon be corrected and the confidence and prosperity of the country restored.


President

MARCH 21, 1938

PACKARD MOTOR CAR COMPANY

(A Michigan Corporation)

AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet as of December 31, 1937

Assets			Liabilities		
<u>CURRENT ASSETS:</u>			<u>CURRENT LIABILITIES:</u>		
Cash in Banks and on Hand	\$ 3,967,490.16		Current Accounts Payable and Pay Rolls		\$ 3,980,201.73
Investments, at lower of cost or quoted market value—			Miscellaneous Liabilities, Not Yet Due		1,035,682.16
United States Government Securities	999,926.67		Reserves for Miscellaneous Items		1,785,638.87
Municipal, State and Canadian Bonds	<u>934,954.05</u>	\$ 5,902,370.88	Provision for Federal Normal Income Tax		<u>627,990.18</u>
Accounts and Notes Receivable, less reserve—			Total Current Liabilities		\$ 7,429,512.94
Accounts Receivable	\$ 1,277,860.77				
Deferred Installment Notes	<u>3,726,048.69</u>	5,003,909.46			
Inventories, at or below cost—			<u>RESERVE FOR GENERAL PURPOSES:</u>		1,250,000.00
Raw Material, Work in Process, etc.	\$ 8,104,688.77				
Finished Motor Vehicles	<u>4,882,600.12</u>	12,987,288.89	<u>RESERVE FOR CLAIMS COVERING DEPOSITS IN BANKS AND</u>		
Total Current Assets		\$23,893,569.23	<u>TRUST COMPANIES CLOSED OR UNDER RESTRICTIONS:</u>		506,904.23
<u>MORTGAGES AND MISCELLANEOUS INVESTMENTS:</u>		500,131.38			
<u>CLAIMS FOR DEPOSITS IN BANKS AND TRUST COMPANIES</u>			<u>CAPITAL STOCK:</u>		
<u>CLOSED OR UNDER RESTRICTIONS:</u>		506,904.23	Common (Authorized 25,000,000 Shares)		
			No Par Value—Issued 15,000,000 Shares		30,000,000.00
			(Includes 8,660 shares issued to Trustee for account of company,		
			and not carried as an asset)		
<u>PROPERTY ACCOUNT:</u>			<u>SURPLUS:</u>		
Land, at cost—			Balance at December 31, 1936	\$15,236,875.16	
For Manufacturing Purposes	\$ 1,954,461.30		<u>Add—Net Profit for the Year Ended December 31, 1937.</u>	3,052,212.05	
For Distribution Purposes	<u>4,417,717.10</u>	\$ 6,372,178.40		\$18,289,087.21	
Buildings, Plant Equipment, etc., at cost—					
Manufacturing Properties	\$28,661,356.77		<u>Deduct—Dividends declared and paid</u>	3,747,835.00	14,541,252.21
Less—Reserve for Depreciation	<u>13,195,000.70</u>	15,466,356.07			
Distribution Properties	\$ 9,406,337.29				
Less—Reserve for Depreciation	<u>2,791,423.90</u>	6,614,913.39			
Rights, Privileges, Franchises and Inventions		<u>1.00</u>			
		28,453,448.86			
<u>DEFERRED CHARGES TO FUTURE OPERATIONS:</u>					
Prepaid Insurance and Other Expense		373,615.68			
Total Assets		<u>\$53,727,669.38</u>	Total Liabilities and Capital		<u>\$53,727,669.38</u>

PACKARD MOTOR CAR COMPANY

(A Michigan Corporation)

AND SUBSIDIARY COMPANIES

STATEMENT OF INCOME

For the Year Ended December 31, 1937

Particulars

<u>FACTORY SALES:</u>		
Motor Vehicles and Service Parts		\$94,422,477.77
<u>Deduct—Cost of Sales</u>		<u>85,707,356.79</u>
Gross Profit		\$ 8,715,120.98
<u>Add—Other Income:</u>		
Discount on Purchases	\$ 336,260.19	
Interest and Rentals	137,618.11	
Miscellaneous	9,700.15	\$ 483,578.45
<u>TOTAL GROSS PROFIT AND OTHER INCOME:</u>		<u>\$ 9,198,699.43</u>
<u>Deduct—Selling, General and Administrative Expense</u>		<u>4,262,718.04</u>
<u>PROFIT BEFORE APPLYING FACTORY DEPRECIATION AND SPECIAL ITEMS</u>		<u>\$ 4,935,981.39</u>
<u>Add</u>		
Profit on Sale of Investments	\$ 49,441.75	
Recoveries on Claims for Deposits in Closed Banks	48,762.99	98,204.74
		<u>\$ 5,034,186.13</u>
<u>Deduct</u>		
Depreciation of Factory Properties	\$ 1,910,967.86	
Provision to Reduce Carrying Value of Securities to Quoted Market Value	168,037.12	
Provision for Federal Normal Income Tax	475,000.00	2,554,004.98
<u>NET PROFIT FROM FACTORY OPERATIONS</u>		<u>\$ 2,480,181.15</u>
<u>NET PROFIT FROM OPERATIONS OF BRANCHES AND SUBSIDIARY COMPANIES, AFTER PROVISION FOR INCOME TAXES</u>		<u>572,030.90</u>
<u>NET PROFIT FOR THE YEAR ENDED DECEMBER 31, 1937</u>		<u>\$ 3,052,212.05</u>

PRICE, WATERHOUSE & Co.

RESIDENT PARTNER
A. J. BLOODSWORTH
CERTIFIED PUBLIC ACCOUNTANT

PENOBSCOT BUILDING

DETROIT

February 15, 1938

To the Board of Directors,
Packard Motor Car Company,
Detroit, Michigan.

We have made an examination of the consolidated balance sheet of Packard Motor Car Company and subsidiary companies as at December 31, 1937, and of the statement of income for the year 1937. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying consolidated balance sheet and related statement of income fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the year under review, the position of the combined companies as at December 31, 1937, and the results of operations for the year.

PRICE, WATERHOUSE & Co.

PACKARD MOTOR CAR COMPANY

DETROIT, MICHIGAN

Incorporated under the Laws of Michigan

Directors

TRUMAN H. NEWBERRY
HENRY E. BODMAN

ALVAN MACAULEY

JAMES T. McMILLAN
ROBERT B. PARKER

Officers

ALVAN MACAULEY
President

M. M. GILMAN
Vice-President and General Manager

J. G. VINCENT
Vice-President of Engineering

HENRY E. BODMAN
Vice-President and General Counsel

G. T. CHRISTOPHER
Vice-President of Manufacturing

HUGH J. FERRY
Secretary and Treasurer

LEE J. EASTMAN
Vice-President

MILTON TIBBETTS
Vice-President and Patent Counsel

EUGENE C. HOELZLE
Comptroller

A. C. BENNETT
Assistant Secretary and Assistant Treasurer

Active Subsidiary Companies

Packard Motor Car Company of New York Packard Motor Car Company of Chicago
Atlanta Packard Motors, Inc.
Packard Motor Car Company of Canada, Limited
Packard Motors Export Corporation • Packard Motor Sales Company
Packard Limited, London, England

Transfer Offices

Packard Motor Car Company
Detroit, Michigan

Guaranty Trust Company of New York
New York City

Registrars of Stock

Detroit Trust Company
Detroit, Michigan

City Bank Farmers Trust Company
New York City

Auditors

Price, Waterhouse & Co.

A S K T H E M A N W H O O W N S O N E

STOCKHOLDERS can help their own Packard interests by purchasing Packard cars for their personal transportation needs. Also, by giving us the name and address of any prospective motor car purchaser within their acquaintance. Those who respond to this mutually profitable plan can aid materially in increasing the sale of Packard cars, thus contributing to increased earnings for their company.

The Cars That Packard Builds

The PACKARD 12

10 Luxurious Body Types

Priced from \$4155 to \$5390

The PACKARD SUPER 8

11 Handsome Body Types

Priced from \$2790 to \$3970

The PACKARD EIGHT (also known as the Packard 120)

9 Beautiful Body Types

Priced from \$1225 to \$2110

The PACKARD SIX

5 Popular Body Types

Priced from \$975 to \$1135

All prices as quoted above, delivered at the factory in Detroit, with standard equipment; State taxes extra.

STOCKHOLDERS should find it easier than ever to enjoy Packard ownership. The recent \$100 price reduction on all body types of the new 1938 Packard Six—with no change whatsoever in the car itself—now places a Packard within the means of more thousands of motorists. Your old car, if of average value, will probably cover the reduced down payment and monthly payments on the balance can prove surprisingly low.