

American Reprographics CO
Form 10-Q
May 09, 2012
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2012

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-32407

AMERICAN REPROGRAPHICS COMPANY

(Exact name of Registrant as specified in its Charter)

Edgar Filing: American Reprographics CO - Form 10-Q

Delaware
(State or other jurisdiction of
incorporation or organization)

20-1700361
(I.R.S. Employer
Identification No.)

1981 N. Broadway, Suite 385

Walnut Creek, California 94596

(925) 949-5100

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of May 1, 2012, there were 46,245,433 shares of the issuer's common stock outstanding.

Table of Contents

AMERICAN REPROGRAPHICS COMPANY

Form 10-Q

For the Quarter Ended March 31, 2012

Table of Contents

PART I FINANCIAL INFORMATION

<u>Item 1. Condensed Consolidated Financial Statements</u>	4
<u>Condensed Consolidated Balance Sheets as of March 31, 2012 and December 31, 2011</u>	4
<u>Condensed Consolidated Statements of Operations for the three months ended March 31, 2012 and 2011</u>	5
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2012 and 2011</u>	6
<u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2011</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	8
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	35
<u>Item 4. Controls and Procedures</u>	35

PART II OTHER INFORMATION

<u>Item 1. Legal Proceedings</u>	35
<u>Item 1A. Risk Factors</u>	35
<u>Item 6. Exhibits</u>	36
<u>Signatures</u>	37
<u>Exhibit Index</u>	38
<u>Exhibit 31.1</u>	
<u>Exhibit 31.2</u>	
<u>Exhibit 32.1</u>	
<u>Exhibit 32.2</u>	
EX-101 INSTANCE DOCUMENT	
EX-101 SCHEMA DOCUMENT	
EX-101 CALCULATION LINKBASE DOCUMENT	
EX-101 LABELS LINKBASE DOCUMENT	
EX-101 PRESENTATION LINKBASE DOCUMENT	

Table of Contents

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains statements that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this Form 10-Q, the words believe, expect, anticipate, estimate, intend, plan, project, target, likely, will, variations of such words and similar expressions as they relate to our management or to American Reprographics Company (the Company) are intended to identify forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated herein. We have described in Part II, Item 1A- Risk Factors a number of factors that could cause our actual results to differ from our projections or estimates. These factors and other risk factors described in this Form 10-Q are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. Consequently, there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us. Given these uncertainties, you are cautioned not to place undue reliance on such forward-looking statements.

Except where otherwise indicated, the statements made in this Form 10-Q are made as of the date we filed this report with the United States Securities and Exchange Commission (SEC) and should not be relied upon as of any subsequent date. All future written and verbal forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We undertake no obligation, and specifically disclaim any obligation, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should, however, consult further disclosures we make in future filings of our Forms 10-K, Forms 10-Q, and Forms 8-K, and any amendments thereto, as well as our proxy statements.

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements**
AMERICAN REPROGRAPHICS COMPANY**CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In thousands, except per share amounts)	March 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 29,814	\$ 25,437
Accounts receivable, net of allowances for accounts receivable of \$3,412 and \$3,309	60,216	54,713
Inventories, net	12,542	12,107
Prepaid expenses	4,922	3,999
Other current assets	6,909	7,541
Total current assets	114,403	103,797
Property and equipment, net of accumulated depreciation of \$196,140 and \$191,598	55,775	55,084
Goodwill	229,315	229,315
Other intangible assets, net	40,644	45,127
Deferred financing costs, net	4,936	4,574
Deferred income taxes	1,320	1,368
Other assets	2,059	2,092
Total assets	\$ 448,452	\$ 441,357
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 21,254	\$ 21,787
Accrued payroll and payroll-related expenses	9,461	7,292
Accrued expenses	26,208	19,308
Current portion of long-term debt and capital leases	14,602	15,005
Total current liabilities	71,525	63,392
Long-term debt and capital leases	211,862	211,259
Deferred income taxes	27,336	26,447
Other long-term liabilities	3,306	3,194
Total liabilities	314,029	304,292
Commitments and contingencies (Note 6)		
Stockholders' equity:		
American Reprographics Company stockholders' equity:		
Preferred stock, \$0.001 par value, 25,000 shares authorized; 0 shares issued and outstanding		
Common stock, \$0.001 par value, 150,000 shares authorized; 46,230 and 46,235 shares issued, and 46,230 and 46,235 shares outstanding	46	46
Additional paid-in capital	100,870	99,728
Retained earnings	27,756	32,663

Edgar Filing: American Reprographics CO - Form 10-Q

Accumulated other comprehensive loss	(696)	(1,760)
Total American Reprographics Company stockholders' equity	127,976	130,677
Noncontrolling interest	6,447	6,388
Total equity	134,423	137,065
Total liabilities and equity	\$ 448,452	\$ 441,357

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

AMERICAN REPROGRAPHICS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share amounts)	Three Months Ended March 31,	
	2012	2011
Reprographics services	\$ 63,016	\$ 70,022
Facilities management	26,656	24,203
Equipment and supplies sales	13,901	12,279
Total net sales	103,573	106,504
Cost of sales	71,695	73,118
Gross profit	31,878	33,386
Selling, general and administrative expenses	23,457	27,832
Amortization of intangible assets	4,593	4,744
Income from operations	3,828	810
Other income	(30)	(26)
Interest expense, net	7,438	8,167
Loss before income tax provision (benefit)	(3,580)	(7,331)
Income tax provision (benefit)	1,310	(3,649)
Net loss	(4,890)	(3,682)
(Income) loss attributable to noncontrolling interest	(17)	39
Net loss attributable to American Reprographics Company	\$ (4,907)	\$ (3,643)
Loss per share attributable to American Reprographics Company shareholders:		
Basic	\$ (0.11)	\$ (0.08)
Diluted	\$ (0.11)	\$ (0.08)
Weighted average common shares outstanding:		
Basic	45,541	45,322
Diluted	45,541	45,322

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

AMERICAN REPROGRAPHICS COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(In thousands)	Three Months Ended March 31,	
	2012	2011
Net loss	\$ (4,890)	\$ (3,682)
Other comprehensive income, net of tax:		
Foreign currency translation adjustments, net of tax effect of \$31 and \$54	320	289
Amortization of derivative, net of tax effect of \$469 and \$569	786	954
Other comprehensive income, net of tax	1,106	1,243
Comprehensive loss	(3,784)	(2,439)
Comprehensive income (loss) attributable to noncontrolling interest	59	(7)
Comprehensive loss attributable to American Reprographics Company	\$ (3,843)	\$ (2,432)

The accompanying notes are an integral part of these condensed consolidated financial statements

Table of Contents**AMERICAN REPROGRAPHICS COMPANY****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

(In thousands)	Three Months Ended March 31,	
	2012	2011
Cash flows from operating activities		
Net loss	\$ (4,890)	\$ (3,682)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Allowance for accounts receivable	240	180
Depreciation	7,062	7,742
Amortization of intangible assets	4,593	4,744
Amortization of deferred financing costs	255	216
Amortization of bond discount	147	132
Stock-based compensation	444	1,489
Excess tax benefit related to stock-based compensation		(8)
Deferred income taxes	(325)	2,318
Deferred tax valuation allowance	1,968	
Amortization of derivative, net of tax effect	786	954
Other non-cash items, net	(30)	(130)
Changes in operating assets and liabilities, net of effect of business acquisitions:		
Accounts receivable	(5,634)	(8,268)
Inventory	(521)	(1,191)
Prepaid expenses and other assets	(266)	(3,228)
Accounts payable and accrued expenses	8,566	3,321
Net cash provided by operating activities	12,395	4,589
Cash flows from investing activities		
Capital expenditures	(3,805)	(4,136)
Payment for swap transaction		(9,729)
Other	191	378
Net cash used in investing activities	(3,614)	(13,487)