

BOWNE & CO INC
Form 10-Q
August 06, 2004

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 2004

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 1-5842

Bowne & Co., Inc.

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

13-2618477
*(I.R.S. Employer
Identification Number)*

345 Hudson Street
New York, New York
(Address of principal executive offices)

10014
(Zip Code)

(212) 924-5500

(Registrant's telephone number, including area code)

Not Applicable

*(Former name, former address and former fiscal year,
if changed since last report)*

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, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes No

The Registrant had 35,270,347 shares of Common Stock outstanding as of July 30, 2004.

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Table of Contents**PART I****FINANCIAL INFORMATION****Item 1. Financial Statements****BOWNE & CO., INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three Months Ended June 30,	
	2004	Restated 2003 (See Note 3)
	(Unaudited) (In thousands, except per share amounts)	
Revenue	\$ 319,102	\$ 307,741
Expenses:		
Cost of revenue	(207,678)	(207,307)
Selling and administrative	(78,137)	(74,998)
Depreciation	(9,092)	(9,923)
Amortization	(889)	(891)
Gain on sale of building	896	
Restructuring charges, integration costs and asset impairment charges	(3,044)	(9,617)
	<u>(297,944)</u>	<u>(302,736)</u>
Operating income	21,158	5,005
Interest expense	(2,758)	(2,639)
Other income (expense), net	724	(1,716)
	<u>19,124</u>	<u>650</u>
Income before income taxes	19,124	650
Income tax expense	(8,363)	(528)
	<u>10,761</u>	<u>122</u>
Net income	\$ 10,761	\$ 122
Earnings per share:		
Basic	\$.30	\$.00
Diluted	\$.29	\$.00
Dividends per share	\$.055	\$.055

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**BOWNE & CO., INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	Six Months Ended June 30,	
	2004	Restated 2003 (See Note 3)
	(Unaudited) (In thousands, except per share amounts)	
Revenue	\$ 608,648	\$ 563,464
Expenses:		
Cost of revenue	(396,131)	(380,399)
Selling and administrative	(153,580)	(145,743)
Depreciation	(18,428)	(20,114)
Amortization	(1,794)	(1,837)
Gain on sale of building	896	
Restructuring charges, integration costs and asset impairment charges	(9,127)	(14,809)
	<u>(578,164)</u>	<u>(562,902)</u>
Operating income	30,484	562
Interest expense	(5,559)	(4,972)
Other income (expense), net	1,144	(1,046)
Income (loss) before income taxes	26,069	(5,456)
Income tax (expense) benefit	(12,048)	1,161
Net income (loss)	<u>\$ 14,021</u>	<u>\$ (4,295)</u>
Earnings (loss) per share:		
Basic	<u>\$.39</u>	<u>\$ (.13)</u>
Diluted	<u>\$.38</u>	<u>\$ (.13)</u>
Dividends per share	<u>\$.11</u>	<u>\$.11</u>

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**BOWNE & CO., INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Three Months Ended June 30,	
	2004	Restated 2003 (See Note 3)
	(Unaudited) (In thousands)	
Net income	\$ 10,761	\$ 122
Foreign currency translation adjustment	(2,050)	7,605
Net unrealized (losses) gains arising from marketable securities during the period, after (crediting) deducting taxes of \$0 and \$81 for 2004 and 2003, respectively	(1)	121
	<u> </u>	<u> </u>
Comprehensive income	<u>\$ 8,710</u>	<u>\$ 7,848</u>

	Six Months Ended June 30,	
	2004	Restated 2003 (See Note 3)
	(Unaudited) (In thousands)	
Net income (loss)	\$ 14,021	\$ (4,295)
Foreign currency translation adjustment	(5,680)	11,125
Net unrealized gains (losses) arising from marketable securities during the period, after deducting (crediting) taxes of \$6 and \$(268) for 2004 and 2003, respectively	9	(403)
	<u> </u>	<u> </u>
Comprehensive income	<u>\$ 8,350</u>	<u>\$ 6,427</u>

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**BOWNE & CO., INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 30, 2004	December 31, 2003
	(Unaudited)	
	(In thousands, except share information)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,858	\$ 17,010
Marketable securities	103	77
Accounts receivable, less allowance for doubtful accounts of \$16,767 (2004) and \$16,328 (2003)	245,102	197,903
Inventories	24,474	20,290
Prepaid expenses and other current assets	36,266	34,509
	<hr/>	<hr/>
Total current assets	320,803	269,789
Property, plant and equipment at cost, less accumulated depreciation of \$308,097 (2004) and \$295,574 (2003)	120,598	134,862
Other noncurrent assets:		
Goodwill, less accumulated amortization of \$33,122 (2004) and \$33,293 (2003)	246,891	250,260
Intangible assets, less accumulated amortization of \$10,469 (2004) and \$8,694 (2003)	40,459	42,572
Deferred income taxes	8,607	9,457
Other	17,643	18,502
	<hr/>	<hr/>
Total assets	\$755,001	\$725,442
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt and other short-term borrowings	\$ 681	\$ 770
Accounts payable	45,330	46,888
Employee compensation and benefits	72,922	69,385
Accrued expenses and other obligations	55,303	61,901
	<hr/>	<hr/>
Total current liabilities	174,236	178,944
Other liabilities:		
Long-term debt net of current portion	149,351	139,828
Deferred employee compensation and other	60,317	57,935
	<hr/>	<hr/>
Total liabilities	383,904	376,707
Commitments and contingencies		
Stockholders equity:		
Preferred stock:		
Authorized 1,000,000 shares, par value \$.01		
Issuable in series none issued		
Common stock:		
Authorized 60,000,000 shares, par value \$.01		
Issued and outstanding, including treasury stock, 40,874,117 shares (2004) and 40,334,233 shares (2003)	409	403

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Additional paid-in capital	69,262	56,882
Retained earnings	333,593	323,370
Treasury stock, at cost, 5,681,729 shares (2004) and 6,296,750 shares (2003)	(50,110)	(55,534)
Accumulated other comprehensive income, net	17,943	23,614
	<u> </u>	<u> </u>
Total stockholders' equity	371,097	348,735
	<u> </u>	<u> </u>
Total liabilities and stockholders' equity	\$755,001	\$725,442
	<u> </u>	<u> </u>

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**BOWNE & CO., INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Six Months Ended June 30,	
	2004	Restated 2003 (See Note 3)
	(Unaudited) (In thousands)	
Cash flows from operating activities:		
Net income (loss)	\$ 14,021	\$ (4,295)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	18,428	20,114
Amortization	1,794	1,837
Asset impairment charges	201	249
Gain on sale of building	(896)	
Changes in other assets and liabilities, net of discontinued operations and certain non-cash transactions	(49,812)	(66,380)
Net cash used in operating activities continuing operations	(16,264)	(48,475)
Cash used in discontinued operations	(493)	(977)
Net cash used in operating activities	(16,757)	(49,452)
Cash flows from investing activities:		
Proceeds from the sale of marketable securities and fixed assets	499	993
Proceeds from the sale of building, net	6,731	
Purchase of property, plant, and equipment	(11,079)	(13,248)
Net cash used in investing activities	(3,849)	(12,255)
Cash flows from financing activities:		
Proceeds from borrowings, net of financing costs	101,571	144,078
Payment of debt	(91,801)	(94,289)
Proceeds from stock options exercised	12,481	759
Payment of dividends	(3,797)	(3,696)
Net cash provided by financing activities	18,454	46,852
Decrease in cash and cash equivalents	(2,152)	(14,855)
Cash and cash equivalents, beginning of period	17,010	32,881
Cash and cash equivalents, end of period	\$ 14,858	\$ 18,026
Supplemental cash flow information:		
Cash paid for interest	\$ 4,786	\$ 4,890
Net cash paid for income taxes	\$ 8,955	\$ 1,036

Table of Contents**BOWNE & CO., INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****(In thousands, except share information and where noted)****Note 1. Basis of Presentation**

The financial information as of June 30, 2004 and for the three and six month periods ended June 30, 2004 and 2003 has been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the consolidated financial position, results of operations and of cash flows for each period presented have been made on a consistent basis. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These financial statements should be read in conjunction with the Company's annual report on Form 10-K and consolidated financial statements. Operating results for the three and six months ended June 30, 2004 may not be indicative of the results that may be expected for the full year.

Note 2. Reclassifications

Certain prior year amounts have been reclassified to conform to the 2004 presentation.

Note 3. Restatement of 2003 Financial Results

The Company's results for the three and six month periods ended June 30, 2003 have been restated to reflect the reduction in other income from the CaseSoft joint venture (acquired in December 2002) due to a misinterpretation of a preferential profit allocation provision in the joint venture agreement. A summary of the restated quarterly financial information for the quarters ended March 31, 2003, June 30, 2003 and September 30, 2003 is included in the Company's annual report on Form 10-K for the year ended December 31, 2003.

The impact on income before income taxes for the three months ended June 30, 2003 was \$221 and the impact on net income was \$136, or \$.004 per share. The impact on loss before income taxes for the six months ended June 30, 2003 was \$488 and the impact on net loss was \$300, or \$.009 per share. A summary of the restated financial information for the three and six months ended June 30, 2003 is as follows:

	As Previously Reported	As Restated
	<hr/>	<hr/>
Three Months Ended June 30, 2003		
Other expense, net	\$(1,495)	\$(1,716)
	<hr/>	<hr/>
Income before income taxes	\$ 871	\$ 650
Income tax expense	(613)	(528)
	<hr/>	<hr/>
Net income	\$ 258	\$ 122
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Net income per share:		
Basic	\$.01	\$.00
	<hr/>	<hr/>