

STANDARD REGISTER CO
Form 10-Q
November 12, 2003

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 28, 2003

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 0-01097

THE STANDARD REGISTER COMPANY

(Exact name of Registrant as specified in its charter)

OHIO

31-0455440

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(State or other jurisdiction of
Incorporation or organization)

(I.R.S. Employer
Identification No.)

600 ALBANY STREET, DAYTON OHIO

45408

(Address of principal executive offices)

(Zip Code)

(937) 221-1000

(Registrant's telephone number, including area code)

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of September 28, 2003
Common stock, \$1.00 par value	23,733,493 shares
Class A stock, \$1.00 par value	4,725,000 shares

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THE STANDARD REGISTER COMPANY

FORM 10-Q

For the Quarter Ended September 28, 2003

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PART I - FINANCIAL INFORMATION

THE STANDARD REGISTER COMPANY

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

(Dollars in thousands, except per share amounts)

13 Weeks Ended

13 Weeks Ended

39 Weeks Ended

39 Weeks Ended

September 28

September 29

September 28

September 29

2003

2002

2003

2002

REVENUE

Products

\$ 184,003

\$ 207,089

\$ 570,255

	\$ 630,133
Services	
	38,105
	45,609
	120,946
	140,129
Total revenue	
	222,108
	252,698
	691,201
	770,262
COST OF SALES	
Products	
	112,124
	124,574
	346,556

	374,932
Services	
	25,439
	29,403
	82,491
	90,054
Total cost of sales	
	137,563
	153,977
	429,047
	464,986
GROSS MARGIN	
	84,545
	98,721
	262,154

305,276

OPERATING EXPENSES

Research and development

3,887

4,769

13,670

13,090

Selling, general and administrative

67,878

68,563

208,843

204,965

Depreciation and amortization

10,406

12,311

35,292

	34,180
Asset impairments	
	1,306
	-
	10,851
	-
Restructuring charges	
	3,234
	-
	16,206
	-
Total operating expenses	
	86,711
	85,643
	284,862
	252,235

(LOSS) INCOME FROM OPERATIONS

(2,166)

13,078

(22,708)

53,041

OTHER INCOME (EXPENSE)

Interest expense

(642)

(3,429)

(3,276)

(9,941)

Investment income and other

118

721

895

10

	2,436
Total other expense	(524)
	(2,708)
	(2,381)
	(7,505)
(LOSS) INCOME BEFORE INCOME TAXES	(2,690)
	10,370
	(25,089)
	45,536

INCOME TAX (BENEFIT) EXPENSE

(1,136)

4,120

(10,407)

17,427

NET (LOSS) INCOME

\$ (1,554)

\$ 6,250

\$ (14,682)

\$ 28,109

(LOSS) EARNINGS PER SHARE

Basic

\$ (0.05)

\$ 0.22

\$ (0.52)

\$ 1.01

Diluted

\$ (0.05)

\$ 0.22

\$ (0.52)

\$ 0.99

Dividends Paid Per Share

\$ 0.23

\$ 0.23

\$ 0.69

\$ 0.69

NET (LOSS) INCOME

\$ (1,554)

\$ 6,250

\$ (14,682)

\$ 28,109

Deferred cost on interest rate swap, net of \$672, \$815,

and \$1,740 deferred income tax expense

-

1,008

1,210

14

	2,609
Unrealized gain on available-for-sale securities	
net of \$722 and \$1,736 deferred income tax benefit	
in third quarter 2002 and year-to-date 2002	15
	(1,083)
	675
	(2,604)
Deferred cost on forward contract	
	(225)
	-
	(46)
	-
Minimum pension liability, net of \$75,426 deferred	
tax benefit	
	-
	15

	(113,138)
	-
	(113,138)
Foreign currency translation adjustment	
	232
	24
	1,272
	24
COMPREHENSIVE LOSS	
	\$ (1,532)
	\$ (106,939)
	\$ (11,571)
	\$ (85,000)

See accompanying notes.

THE STANDARD REGISTER COMPANY

CONSOLIDATED BALANCE SHEET

(Dollars in thousands)

A S S E T S	<i>September 28</i> 2003	<i>December 29</i> 2002
CURRENT ASSETS		
Cash and cash equivalents	\$ 62,796	\$ 122,579
Trading securities	210	255
Accounts and notes receivable, less allowance for doubtful accounts of \$5,059 and \$6,312, respectively	131,995	155,930
Inventories	52,102	60,179
Prepaid income taxes	15,133	19,029
Deferred income taxes	21,234	21,292
Prepaid expense	13,704	12,793
Total current assets	297,174	392,057
PLANT AND EQUIPMENT		
Buildings and improvements	69,398	83,324
Machinery and equipment	221,870	248,093
Office equipment	166,410	162,505
Total	457,678	493,922
Less accumulated depreciation	296,038	300,801
Depreciated cost	161,640	193,121
Plant and equipment under construction	4,486	8,606
Land	3,798	4,495
Net assets held for sale	5,179	-
Total plant and equipment	175,103	206,222
OTHER ASSETS		
Goodwill	53,616	53,613
Intangible assets, net	15,644	17,199
Deferred tax asset	41,266	40,865
Software development costs, net	17,370	20,987

Restricted cash	4,140	2,401
Available-for-sale securities	1,295	620
Other	22,277	20,900
Total other assets	155,608	156,585
Total assets	\$ 627,885	\$ 754,864

See accompanying notes.

THE STANDARD REGISTER COMPANY

CONSOLIDATED BALANCE SHEET

(Dollars in thousands)

	<i>September 28</i>	<i>December 29</i>
LIABILITIES AND SHAREHOLDERS' EQUITY	2003	2002
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 23	\$ 2,572
Accounts payable	26,292	30,853
Accrued compensation	29,232	26,184
Deferred revenue	8,881	8,591
Accrued restructuring	4,008	2,437
Other current liabilities	24,604	31,803
Total current liabilities	93,040	102,440
LONG-TERM LIABILITIES		
Long-term debt	125,000	200,010
Pension benefit obligation	55,642	68,803
Retiree health care obligation	48,910	49,374
Deferred compensation	13,610	12,275
Deferred cost of interest rate swap	-	2,025
Other long-term liabilities	620	936
Total long-term liabilities	243,782	333,423
SHAREHOLDERS' EQUITY		
Common stock, \$1.00 par value:		
Authorized 101,000,000 shares		
Issued 2003 -25,657,255; 2002 - 25,340,543	25,657	25,340

Class A stock, \$1.00 par value:		
Authorized 9,450,000 shares		
Issued - 4,725,000	4,725	4,725
Capital in excess of par value	56,551	51,541
Accumulated other comprehensive losses	(115,564)	(118,677)
Retained earnings	375,642	409,834
Treasury stock at cost:		
2003 - 1,923,762 shares; 2002 - 1,797,150	(49,351)	(46,124)
Unearned compensation - restricted stock	(6,597)	(4,468)
Common stock held in grantor trust, at cost:		
2003 - 0 shares; 2002 - 123,121 shares	-	(3,170)
Total shareholders' equity	291,063	319,001
Total liabilities and shareholders' equity	\$ 627,885	\$ 754,864

See accompanying notes.

THE STANDARD REGISTER COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in thousands)

39 Weeks Ended

39 Weeks Ended

September 28

September 29

2003

2002

CASH FLOWS FROM OPERATING ACTIVITIES

Net (loss) income		\$	(14,682)
		\$	28,109
Adjustments to reconcile net (loss) income to net			
cash provided by operating activities:			
Depreciation and amortization			35,292
			33,846
Asset impairments			10,851
			-
Restructuring charges			16,206
			&nbs