

BOWNE & CO INC  
Form 10-Q  
May 09, 2007

**Table of Contents**

**UNITED STATES 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 March 31, 2007**

**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)*

**55 Water Street**

**New York, New York**

*(Address of principal executive offices)*

**10041**

*(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 (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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

The Registrant had 27,586,425 shares of Common Stock outstanding as of May 1, 2007.

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**TABLE OF CONTENTS**

<b>Form 10-Q Item No.</b>	<b>Name of Item</b>	<b>Page</b>
<b>Part I</b>		
<u>Item 1.</u>	<u>Financial Statements</u>	3
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	28
<u>Item 4.</u>	<u>Controls and Procedures</u>	29
<b>Part II</b>		
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	30
<u>Item 6.</u>	<u>Exhibits</u>	30
<u>EX-31.1: CERTIFICATION</u>		
<u>EX-31.2: CERTIFICATION</u>		
<u>EX-32.1: CERTIFICATION</u>		
<u>EX-32.2: CERTIFICATION</u>		

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

	<b>Three Months Ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
	<b>(Unaudited)</b>	
	<b>(In thousands except per share data)</b>	
Revenue	\$ 211,650	\$ 205,776
Expenses:		
Cost of revenue	(129,700)	(135,268)
Selling and administrative	(60,138)	(56,030)
Depreciation	(7,004)	(6,866)
Amortization	(333)	(136)
Restructuring charges, integration costs and asset impairment charges	(2,110)	(4,051)
	(199,285)	(202,351)
Operating income	12,365	3,425
Interest expense	(1,322)	(1,294)
Other income, net	279	1,357
Income from continuing operations before income taxes	11,322	3,488
Income tax expense	(1,209)	(2,023)
Income from continuing operations	10,113	1,465
Income from discontinued operations, net of tax	566	72
Net income	\$ 10,679	\$ 1,537
Earnings per share from continuing operations:		
Basic	\$ 0.35	\$ 0.05
Diluted	\$ 0.32	\$ 0.05
Earnings per share from discontinued operations:		
Basic	\$ 0.02	\$ 0.00
Diluted	\$ 0.02	\$ 0.00
Total earnings per share:		
Basic	\$ 0.37	\$ 0.05
Diluted	\$ 0.34	\$ 0.05

Dividends per share	\$	0.055	\$	0.055
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See Notes to Condensed Consolidated Financial Statements.

Table of Contents

**BOWNE & CO., INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Three Months Ended March 31, 2007          2006 (Unaudited) (In thousands)</b>	
Net income	\$ 10,679	\$ 1,537
Amortization of unrecognized pension adjustments, net of taxes of \$304 for 2007	486	
Foreign currency translation adjustment	548	(1)
Net unrealized (loss) gain from marketable securities during the period, net of taxes of \$1 and \$4 for 2007 and 2006, respectively	(1)	6
Comprehensive income	\$ 11,712	\$ 1,542

See Notes to Condensed Consolidated Financial Statements.

**Table of Contents**

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

	<b>March 31, 2007 (Unaudited)</b>	<b>December 31, 2006</b>
	<b>(In thousands, except share information)</b>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 28,163	\$ 42,986
Marketable securities	17,231	42,628
Accounts receivable, less allowances of \$7,290 (2007) and \$6,392 (2006)	178,132	153,016
Inventories	41,853	25,591
Prepaid expenses and other current assets	42,804	33,901
Assets held for sale	2,815	2,796
Total current assets	310,998	300,918
Property, plant and equipment at cost, less accumulated depreciation of \$231,499 (2007) and \$231,137 (2006)	130,070	132,767
Other noncurrent assets:		
Goodwill	34,395	30,521
Intangible assets, less accumulated amortization of \$893 (2007) and \$552 (2006)	10,856	4,494
Deferred income taxes	33,783	36,588
Other	9,922	10,113
Total assets	\$ 530,024	\$ 515,401
 <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Current portion of long-term debt and other short-term borrowings	\$ 848	\$ 1,017
Accounts payable	59,561	43,333
Employee compensation and benefits	32,771	38,166
Accrued expenses and other obligations	51,451	45,328
Liabilities held for sale	466	683
Total current liabilities	145,097	128,527
Other liabilities:		
Long-term debt net of current portion	76,406	76,492
Deferred employee compensation	49,838	50,154
Deferred rent	21,219	22,199
Other	1,022	1,281
Total liabilities	293,582	278,653



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

42,576,417 shares (2007) and 42,537,617 shares (2006)	426	425
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Additional paid-in capital	99,672	98,113
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Retained earnings	342,973	333,312
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Treasury stock, at cost, 14,832,804 shares (2007) and 14,030,907 shares (2006)	(190,461)	(177,901)
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Accumulated other comprehensive loss, net	(16,168)	(17,201)
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Total stockholders' equity	236,442	236,748
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Total liabilities and stockholders' equity	\$ 530,024	\$ 515,401
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See Notes to Condensed Consolidated Financial Statements.

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

	<b>Three Months Ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
	<b>(Unaudited)</b>	
	<b>(In thousands)</b>	
<b>Cash flows from operating activities:</b>		
Net income	\$ 10,679	\$ 1,537
Adjustments to reconcile net income to net cash used in operating activities:		
Net income from discontinued operations	(566)	(72)
Depreciation	7,004	6,866
Amortization	333	136
Asset impairment charges	130	2,300
Changes in other assets and liabilities, net of acquisitions, discontinued operations and certain non-cash transactions	(26,510)	(50,498)
Net cash used in operating activities of discontinued operations	(1,602)	(2,606)
Net cash used in operating activities	(10,532)	(42,337)
<b>Cash flows from investing activities:</b>		
Purchases of property, plant, and equipment	(3,165)	(5,087)
Purchases of marketable securities		(45,100)
Proceeds from the sale of marketable securities and other	25,471	87,962
Acquisition of businesses, net of cash acquired	(12,414)	(30,878)
Net cash used in investing activities of discontinued operations		(77)
Net cash provided by investing activities	9,892	6,820
<b>Cash flows from financing activities:</b>		
Payment of debt	(260)	(239)
Proceeds from stock options exercised	666	7,773
Payment of dividends	(1,608)	(1,751)
Purchases of treasury stock	(12,981)	(11,432)
Other		(113)
Net cash used in financing activities of discontinued operations		(50)
Net cash used in financing activities	(14,183)	(5,812)
Net decrease in cash and cash equivalents	(14,823)	(41,329)
Cash and cash equivalents, beginning of period	42,986	96,839
Cash and cash equivalents, end of period	\$ 28,163	\$ 55,510

Cash and cash equivalents for 2006 includes \$155 as of the beginning of the period and \$117 as of the end of the period related to discontinued operations.

Supplemental Cash Flow Information:

Cash paid for interest	\$ 209	\$ 67
Net cash (refunded) paid for income taxes	\$ (6,067)	\$ 3,376
Non-cash investing activities:		
Leasehold improvements for New York City office paid by landlord	\$	\$ 9,382

See Notes to Condensed Consolidated Financial Statements.

**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 March 31, 2007 and for the three month periods ended March 31, 2007 and 2006 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 for the year ended December 31, 2006. The Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements have been reclassified to present discontinued operations as described in more detail in Note 3. Operating results for the three months ended March 31, 2007 may not be indicative of the results that may be expected for the full year.

**Note 2. Acquisition**

***St Ives Financial***

In January 2007, the Company completed its acquisition of St Ives Financial, the financial print division of St Ives plc, for \$8,208 in cash. In February 2007, the Company paid an additional \$1,415 to St Ives plc which represented a working capital adjustment as defined in the Purchase and Sale Agreement. The net cash outlay for the acquisition was \$9,414, which included acquisition costs of \$147 and was net of cash acquired of \$356. Based upon preliminary estimates, the excess purchase price over identifiable net tangible assets of \$10,546 is reflected as part of goodwill and intangible assets in the Condensed Consolidated Balance Sheet as of March 31, 2007. A total of \$3,846 has been allocated to goodwill and a total of \$6,700 has been allocated to the value of customer relationships and is being amortized over the estimated useful life of six years. Further refinements to the purchase price allocation are possible. The final purchase price allocation is not expected to have a material effect on the Company's financial statements.

In accordance with Emerging Issues Task Force (EITF) Issue No. 95-03, Recognition of Liabilities in Connection with a Purchase Business Combination (EITF 95-03), the Company accrued \$2,674 as of the acquisition date related to integration costs associated with the acquisition of this business. These costs include estimated severance and lease termination costs related to the elimination of redundant functions and excess facilities and equipment related to St Ives Financial operations. This amount is included in the goodwill balance related to this acquisition. As of March 31, 2007, the remaining balance accrued was \$1,025.

Pro forma financial information related to this acquisition has not been provided, as it is not material to the Company's results of operations.

**Table of Contents****BOWNE & CO., INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes the estimated preliminary fair values of the assets acquired and liabilities assumed as of the date of acquisition:

Cash and cash equivalents	\$ 356
Accounts receivable, net	2,548
Inventory	510
Other current assets	1,061
 Total current assets	 4,475
Property, plant and equipment, net	1,368
Goodwill	3,846
Intangible assets	6,700
Other noncurrent assets	124
 Total assets acquired	 16,513
 Current liabilities	 (4,483)
Noncurrent liabilities	(2,260)
 Total liabilities assumed	 (6,743)
 Net assets acquired	 \$ 9,770

**Note 3. Discontinued Operations and Assets Held For Sale**

During the second quarter of 2006, the Company determined that it intended to sell its DecisionQuest® and its JFS Litigators Notebook® ( JFS ) businesses. These businesses along with DecisionQuest Discovery Services, the Company's document scanning and coding business, which was sold in January 2006, were the components of the Company's litigation solutions business. As a result of these actions, effective with the second quarter of 2006, the litigation solutions business was no longer presented as a separate reportable segment of the Company and the results of operations for these businesses were classified as discontinued operations in the Condensed Consolidated Statement of Operations. The results for the three months ended March 31, 2006 have been reclassified to reflect this presentation.

As discussed in more detail in Note 3 of the Notes to Consolidated Financial Statements in the Company's annual report on Form 10-K for the year ended December 31, 2006, the Company sold its DecisionQuest business in September 2006, its joint venture investment in CaseSoft, Ltd., ( CaseSoft ) in May 2006, and its DecisionQuest Discovery Services business in January 2006. As of March 31, 2007, the JFS business remains classified as held for sale.