

BOWNE & CO INC  
Form 10-Q  
November 15, 2002

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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**Form 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the quarterly period ended September 30, 2002**

**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**

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**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)*

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**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

The number of shares outstanding of each of the issuer's classes of common stock was 33,554,308 shares of common stock, par value \$.01, outstanding as of November 8, 2002.

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

	Three Months Ended September 30,	
	2002	2001
	(Unaudited) (000 s omitted except per share amounts)	
Revenue	\$ 214,156	\$ 242,055
Expenses:		
Cost of revenue	151,041	173,534
Selling and administrative	58,079	58,082
Depreciation	10,033	9,617
Amortization	430	2,427
Restructuring and asset impairment charges	3,605	
Purchased in-process research and development		800
	<u>223,188</u>	<u>244,460</u>
Operating loss	(9,032)	(2,405)
Interest expense	(1,844)	(1,446)
Gain on sale of subsidiary	14,869	
Gain on sale of building	4,889	
Other (expense) income, net	(683)	387
	<u>8,199</u>	<u>(3,464)</u>
Income (loss) before income taxes	8,199	(3,464)
Income tax expense	(3,550)	(239)
	<u>4,649</u>	<u>(3,703)</u>
Net income (loss)	\$ 4,649	\$ (3,703)
Earnings (loss) per share:		
Basic	\$ .14	\$ (.11)
	<u>.13</u>	<u>(.11)</u>
Diluted	\$ .13	\$ (.11)
	<u>.055</u>	<u>.055</u>
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**

	Nine Months Ended September 30,	
	2002	2001
	(Unaudited) (000 s omitted except per share amounts)	
Revenue	\$ 767,107	\$ 823,149
Expenses:		
Cost of revenue	509,360	561,952
Selling and administrative	202,299	202,326
Depreciation	31,351	31,602
Amortization	1,290	6,133
Restructuring and asset impairment charges	3,605	8,228
Purchased in-process research and development		800
	<u>747,905</u>	<u>811,041</u>
Operating income	19,202	12,108
Interest expense	(4,951)	(4,741)
Gain (loss) on sale of subsidiary	14,869	(1,858)
Gain on sale of building	4,889	
Other (expense) income, net	(224)	1,014
	<u>33,785</u>	<u>6,523</u>
Income from continuing operations before income taxes	33,785	6,523
Income tax expense	(14,527)	(5,558)
	<u>19,258</u>	<u>965</u>
Income from continuing operations	19,258	965
Loss from discontinued operations (less applicable tax benefit of \$9,060)		(16,363)
	<u>\$ 19,258</u>	<u>\$ (15,398)</u>
Net income (loss)		
Earnings per share from continuing operations:		
Basic	\$ .58	\$ .03
	<u>          </u>	<u>          </u>
Diluted	\$ .54	\$ .03
	<u>          </u>	<u>          </u>
Loss per share from discontinued operations:		
Basic	\$	\$ (.50)
	<u>          </u>	<u>          </u>
Diluted	\$	\$ (.50)
	<u>          </u>	<u>          </u>
Total earnings (loss) per share:		
Basic	\$ .58	\$ (.47)
	<u>          </u>	<u>          </u>
Diluted	\$ .54	\$ (.47)
	<u>          </u>	<u>          </u>
Dividends per share	\$ .165	\$ .165



See Notes to Condensed Consolidated Financial Statements.



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

	<b>Three Months Ended September 30,</b>	
	<b>2002</b>	<b>2001</b>
	<b>(Unaudited) (000 s omitted)</b>	
Net income (loss)	\$ 4,649	\$ (3,703)
Foreign currency translation adjustment	(1,194)	1,338
Net unrealized losses arising from marketable securities during the period, after crediting taxes of \$129 and \$999 for 2002 and 2001, respectively	(195)	(1,497)
Comprehensive income (loss)	<u>\$ 3,260</u>	<u>\$ (3,862)</u>
	<b>■</b>	<b>■</b>
	<b>Nine Months Ended September 30,</b>	
	<b>2002</b>	<b>2001</b>
	<b>(Unaudited) (000 s omitted)</b>	
Net income (loss)	\$ 19,258	\$ (15,398)
Foreign currency translation adjustment, net of \$1,262 reclassification adjustment in 2001 for the recognized loss relating to the sale of subsidiary	7,083	(339)
Net unrealized losses arising from marketable securities during the period, after crediting taxes of \$576 and \$235 for 2002 and 2001, respectively	(865)	(211)
Comprehensive income (loss)	<u>\$ 25,476</u>	<u>\$ (15,948)</u>
	<b>■</b>	<b>■</b>

See Notes to Condensed Consolidated Financial Statements.

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

	September 30, 2002	December 31, 2001
	(Unaudited)	
	(000 s omitted except share amounts)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 47,791	\$ 27,769
Marketable securities	1,707	3,407
Trade accounts receivable, less allowance for doubtful accounts of \$18,469 (2002) and \$14,808 (2001)	200,695	174,598
Inventories	23,858	19,453
Prepaid expenses and other current assets	30,585	39,471
	<u>304,636</u>	<u>264,698</u>
Property, plant and equipment, less accumulated depreciation of \$270,191 (2002) and \$255,670 (2001)	155,452	163,838
Goodwill, less accumulated amortization of \$30,756 (2002) and \$30,337 (2001)	208,087	172,321
Intangible assets, less accumulated amortization of \$4,350 (2002) and \$3,050 (2001)	27,528	18,150
Deferred income taxes	5,272	3,052
Other assets	9,086	8,171
	<u>\$710,061</u>	<u>\$630,230</u>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Current portion of long-term debt and other short-term borrowings	\$ 604	\$ 38,079
Accounts payable	36,537	40,252
Employee compensation and benefits	52,597	47,011
Accrued expenses and other obligations	60,182	61,214
	<u>149,920</u>	<u>186,556</u>
Long-term debt net of current portion	165,660	76,941
Deferred employee compensation and other benefits	40,617	36,704
	<u>356,197</u>	<u>300,201</u>
Stockholders' equity:		
Preferred stock:		
Authorized 2,000,000 shares, par value \$.01, Issuable in series none issued		
Common stock:		
Authorized 60,000,000 shares, par value \$.01, Issued 40,118,933 shares (2002) and 39,855,734 shares (2001)	401	398
Additional paid-in capital	53,864	50,879
Retained earnings	360,661	346,920
	(58,020)	(58,908)



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Treasury stock, at cost, 6,578,546 shares (2002) and, 6,683,653 shares (2001)

Accumulated other comprehensive loss, net	(3,042)	(9,260)
Total stockholders' equity	353,864	330,029
Total liabilities and stockholders' equity	\$710,061	\$630,230

See Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2002	2001
	(Unaudited) (000 s omitted)	
Cash flows from operating activities:		
Net income (loss)	\$ 19,258	\$ (15,398)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	31,351	31,602
Amortization	1,290	6,133
Asset impairment charges	1,300	1,174
Purchased in-process research and development		800
Loss from discontinued operations, net of tax		16,363
(Gain) loss on sale of subsidiary	(14,869)	1,858
Gain on sale of building	(4,889)	
Cash used in discontinued operations	(1,959)	(12,499)
Changes in other assets and liabilities, net of acquisitions and discontinued operations and certain non-cash transactions	(2,498)	(21,975)
Net cash provided by operating activities	28,984	8,058
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	(56,750)	(63,145)
Proceeds from sale of subsidiary	14,500	4,876
Proceeds from sale of building	8,295	
Purchase of other investments		(1,000)
Proceeds from the sale of fixed assets	668	1,627
Purchase of property, plant and equipment	(23,541)	(26,409)
Net cash used in investing activities	(56,828)	(84,051)
Cash flows from financing activities:		
Proceeds from borrowings	307,527	275,872
Payment of debt	(256,885)	(197,495)
Proceeds from stock options exercised	2,741	1,088
Purchase of treasury stock		(90)
Payment of dividends	(5,517)	(5,454)
Net cash provided by financing activities	47,866	73,921
Increase (decrease) in cash and cash equivalents	\$ 20,022	\$ (2,072)
Cash and cash equivalents, beginning of period	27,769	30,302
Cash and cash equivalents, end of period	\$ 47,791	\$ 28,230
Supplemental cash flow information:		
Cash paid for interest	\$ 4,065	\$ 4,426

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Net cash paid (refunded) for income taxes	\$ 1,287	\$ (1,606)
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See Notes to Condensed Consolidated Financial Statements.

**Table of Contents****BOWNE & CO., INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****(000 s omitted, except share information and where noted)****Note 1. Basis of Presentation**

The financial information as of September 30, 2002 and for the three and nine month periods ended September 30, 2002 and 2001 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 nine months ended September 30, 2002 may not be indicative of the results that may be expected for the full-year.

**Note 2. Inventories**

Inventories of \$23,858 at September 30, 2002 included raw materials of \$7,021 and work-in-process of \$16,837. At December 31, 2001, inventories of \$19,453 included raw materials of \$6,489 and work-in-process of \$12,964.

**Note 3. Earnings (Loss) Per Share**

Shares used in the calculation of basic earnings per share are based on the weighted-average number of shares outstanding, and for diluted earnings per share after adjustment for the assumed conversion of all potentially dilutive securities. Basic and diluted loss per share is calculated by dividing the net loss by the weighted-average number of shares outstanding during each period. The incremental shares from assumed conversion of all potentially dilutive securities are not included in the calculation of diluted loss per share since their effect would have been antidilutive. The weighted average diluted shares outstanding for the three months ended September 30, 2002 and 2001 excludes the dilutive effect of approximately 3,523,126 and 2,178,306 options, respectively, since such options have an exercise price in excess of the average market value of the Company's common stock during the respective period. The weighted average diluted shares outstanding for the nine months ended September 30, 2002 and 2001 excludes the dilutive effect of approximately 1,090,636 and 2,420,047 options, respectively.

	<b>Three Months Ended September 30,</b>	
	<b>2002</b>	<b>2001</b>
Basic shares	33,530,908	33,113,280
Diluted shares	34,653,874	