

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

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FILER

NATIONAL SERVICE INDUSTRIES INC

CIK: **70538** | IRS No.: **580364900** | State of Incorporation: **DE** | Fiscal Year End: **0831**
Type: **10-Q/A** | Act: **34** | File No.: **001-03208** | Film No.: **94529182**
SIC: **3640** Electric lighting & wiring equipment

Mailing Address
1420 PEACHTREE ST NE
ATLANTA GA 30309

Business Address
1420 PEACHTREE ST NE
ATLANTA GA 30309
4048531000

Yes X

No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date (applicable only to corporate issuers).

Common Stock - \$1.00 Par Value - 49,577,654 shares as of April 1, 1994

2

Page 2

NATIONAL SERVICE INDUSTRIES, INC. AND SUBSIDIARIES

INDEX

Page No.

PART I. FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEETS - FEBRUARY 28, 1994 AND AUGUST 31, 1993	3
CONSOLIDATED STATEMENTS OF INCOME - THREE MONTHS AND SIX MONTHS ENDED FEBRUARY 1994 AND 1993	4
CONSOLIDATED STATEMENTS OF CASH FLOWS - SIX MONTHS ENDED FEBRUARY 28, 1994 AND 1993	5
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	6
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATI	7-8

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K	9
SIGNATURES	10

3

Page 3

PART I. FINANCIAL INFORMATION

NATIONAL SERVICE INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Dollar amounts in thousands)

ASSETS	February 28, 1994 (Unaudited)	August 31, 1993
Current Assets:		
Cash and cash equivalents	\$ 20,842	\$ 15,853
Short-term investments	2,923	4,776
Receivables, less reserves for doubtful accounts of \$8,594 at February 28, 1994 and \$7,170 at August 31, 1993	228,401	249,958
Inventories, at the lower of cost (on a first-in, first-out basis) or market	178,319	171,545
Linens in service, net of amortization	85,831	77,931
Prepaid income taxes	23,076	25,340
Prepayments	13,589	11,513
Total Current Assets	552,981	556,916
Property, Plant, and Equipment, at cost:		
Land	32,916	33,303
Buildings and leasehold improvements	190,679	190,276
Machinery and equipment	510,644	500,459
Total Property, Plant, and Equipment	734,239	724,038
Less - Accumulated depreciation and amortization	373,601	358,853
Property, Plant, and Equipment - net	360,638	365,185
Other Assets:		
Goodwill and other intangibles	121,835	127,387
Other	37,443	38,025
Total Other Assets	159,278	165,412

Total Assets	\$1,072,897	\$1,087,513
	February 28,	August 31,
LIABILITIES AND STOCKHOLDERS' EQUITY	1994	1993
	(Unaudited)	
Current Liabilities:		
Current maturities of long-term debt	\$ 1,312	\$ 1,792
Notes payable	4,059	4,404
Accounts payable	69,892	85,505
Accrued salaries, commissions, and bonuses	26,830	37,103
Self insurance reserves	72,990	71,888
Other accrued liabilities	46,934	42,981
Total Current Liabilities	222,017	243,673
Long-Term Debt, less current maturities	28,074	28,418
Deferred Income Taxes	80,234	84,289
Other Long-Term Liabilities	27,950	27,110
Convertible Preferred Stock:		
Series A participating preferred stock, \$.05 stated value, 500,000 shares authorized, none issued		
Preferred stock, no par value, 500,000 shares authorized, none issued		
Common Stockholders' Equity:		
Common stock, \$1 par value, 80,000,000 shares authorized, 57,918,978 shares issued at February 28, 1994 and August 31, 1993	57,919	57,919
Paid-in capital	7,604	7,299
Retained earnings	683,649	673,399
	749,172	738,617
Less - Treasury stock, at cost (8,341,324 shares at February 28, 1994 and 8,357,539 shares at August 31, 1993)	34,550	34,594
Total Stockholders' Equity	714,622	704,023
Total Liabilities and Stockholders' Equity	\$1,072,897	\$1,087,513

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

NATIONAL SERVICE INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(Dollar amounts in thousands, except per-share data)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	FEBRUARY 28		FEBRUARY 28	
	1994	1993	1994	1993
Sales and Service Revenues:				
Net sales of products	\$308,404	\$294,663	\$633,617	\$592,554
Service revenues	130,933	132,330	265,620	268,780
Total Revenues	439,337	426,993	899,237	861,334
Costs and Expenses:				
Cost of products sold	204,533	196,936	418,112	391,847
Cost of services	68,722	68,160	139,459	138,644
Selling and administrative expenses	137,842	134,386	279,425	270,324
Interest expense	1,024	1,137	2,170	2,308
Other expense, net	1,067	3,193	3,119	5,672
Total Costs and Expenses	413,188	403,812	842,285	808,795
Income before Provision for Income				
Taxes	26,149	23,181	56,952	52,539
Provision for (Benefit from) Income				
Taxes:				
Current	10,894	7,202	23,485	16,896
Deferred	(1,018)	1,345	(1,978)	2,423
	9,876	8,547	21,507	19,319
Net Income	\$ 16,273	\$ 14,634	\$ 35,445	\$ 33,220
Per Share:				
Net income	\$.33	\$.30	\$.72	\$.67
Cash dividends	\$.27	\$.26	\$.53	\$.51
Weighted Average Number of Shares				
Outstanding (thousands)	49,572	49,558	49,568	49,552

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

5

Page 5

NATIONAL SERVICE INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(Dollar amounts in thousands)

	SIX MONTHS ENDED	
	FEBRUARY 28	
	1994	1993
Cash Provided by (Used for) Operations:		
Net income	\$ 35,445	\$ 33,220
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	30,550	29,887
Provision for losses on accounts receivable	2,427	1,980
Gain on sale of property, plant, and equipment	(617)	(271)
Gain on the sale of business	(467)	-
Provision for deferred income taxes	(1,978)	2,423
Change in assets and liabilities net of effect of acquisitions-		
Receivables, net	19,411	11,958
Inventories and linens in service, net	(14,744)	(9,427)
Prepaid income taxes	2,264	(4,961)
Prepayments and other	(2,127)	(3,608)
Accounts payable and accrued liabilities	(21,255)	(25,202)
Net Cash Provided by Operations	48,909	35,999
Cash Provided by (Used for) Investing Activities:		
Change in short-term investments	1,853	(668)
Purchase of property, plant, and equipment	(21,865)	(13,178)
Sale of property, plant, and equipment	2,253	656
Sale of business	682	-
Acquisitions	(375)	(95,308)
Change in other assets	(339)	(7,192)
Net Cash Used for Investing Activities	(17,791)	(115,690)
Cash Provided by (Used for) Financing Activities:		
Change in notes payable	(345)	24,305

	-	-
Repayment of long-term debt	(824)	(1,465)
Recovery of investment in tax benefits	1,123	993
Deferred income taxes from investment in tax benefits	(2,077)	(1,675)
Issuance of treasury stock	349	332
Change in other long-term liabilities	841	(2,005)
Cash dividends paid	(26,270)	(25,269)
Net Cash Used for Financing Activities	(27,203)	(4,784)
Effect of Exchange Rate Changes on Cash	1,074	(848)
Net Change in Cash and Cash Equivalents	4,989	(85,323)
Cash and Cash Equivalents at Beginning of Year	15,853	101,137
Cash and Cash Equivalents at End of Period	\$ 20,842	\$ 15,814
Supplemental Cash Flow Information:		
Income taxes paid during the period	\$ 21,815	\$ 17,354
Interest paid during the period	2,440	3,089
Noncash Investing and Financing Activities:		
Noncash aspects of sale of business - Receivables incurred	\$ (336)	\$ -
Noncash aspects of acquisitions- Liabilities assumed	\$ -	\$ 32,750

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

NATIONAL SERVICE INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. BASIS OF PRESENTATION:

The interim consolidated financial statements included herein have been prepared by the company without audit and the condensed consolidated balance sheet as of August 31, 1993 has been derived from audited statements. These statements reflect all adjustments, all of which are of a normal, recurring nature, which are, in the opinion of management, necessary to present

fairly the consolidated financial position as of February 28, 1994, the consolidated results of operations for the three months and six months ended February 28, 1994 and 1993, and the consolidated cash flows for the six months ended February 28, 1994 and 1993. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the company's Annual Report on Form 10-K for the fiscal year ended August 31, 1993.

The results of operations for the three months and six months ended February 28, 1994 are not necessarily indicative of the results to be expected for the full fiscal year because the company's revenues and income are generally higher in the second half of its fiscal year and because of the uncertainty of general business conditions.

2. BUSINESS SEGMENT INFORMATION:

	Three Months Ended February 28			
	Sales and Service		Operating Profit	
	Revenues			
	1994	1993	1994	1993
	(In thousands)			
Lighting Equipment	\$ 173,799	\$ 158,764	\$ 9,460	\$ 6,801
Textile Rental	130,933	132,330	11,046	10,663
Chemical	75,599	73,315	6,616	5,795
Other	59,006	62,584	1,772	2,583
	\$ 439,337	\$ 426,993	28,894	25,842
Corporate			(1,721)	(1,524)
Interest Expense			(1,024)	(1,137)
Total			\$ 26,149	\$ 23,181

	Six Months Ended February 28			
	Sales and Service		Operating Profit	
	Revenues			
	1994	1993	1994	1993
	(In thousands)			
Lighting Equipment	\$ 355,904	\$ 321,803	\$ 21,359	\$ 16,625
Textile Rental	265,620	268,780	22,284	21,657
Chemical	157,881	149,693	15,642	14,925
Other	119,832	121,058	3,285	5,037
	\$ 899,237	\$ 861,334	62,570	58,244
Corporate			(3,448)	(3,397)
Interest Expense			(2,170)	(2,308)
Total			\$ 56,952	\$ 52,539

3. INVENTORIES:

Major classes of inventory as of February 28, 1994 and August 31, 1993 were as follows:

	February 28, 1994	August 31, 1993
	(In thousands)	
Raw Materials and Supplies	\$ 74,416	\$ 77,911
Work-in-Process	11,827	11,269
Finished Goods	92,076	82,365
Total	\$ 178,319	\$171,545

7

Page 7

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and related notes.

Financial Condition

National Service Industries' balance sheet remained strong as of February 28, 1994. Net working capital was \$331.0 million, compared with \$313.2 million at August 31, 1993, and the current ratio was 2.5, compared with 2.3 at year end. Cash and short-term investments were \$23.8 million, up from \$20.6 million at August 31. For the six months ended February 28, 1994, the company invested \$22.2 million in capital expenditures and acquisitions. Long-term debt and other long-term liabilities continued at 7.3 percent of total capitalization, unchanged from year end. Cash provided by operations was \$48.9 million, compared with \$35.2 million for the first half last year.

Capital expenditures, exclusive of acquisition spending, were \$21.9 million for the six months this year and \$13.2 million for the same period last year. Current-year spending was primarily the result of facilities and manufacturing process improvements in the lighting equipment division, facilities additions and information systems improvements in the chemical division, and wastewater compliance projects and fleet upgrades in the textile rental division. Prior-year spending was attributable to information systems enhancements in the lighting equipment division, capacity expansion in the chemical division, and cost reduction expenditures in each of these and the textile rental division.

Acquisition spending of \$95.3 million in the first half last year resulted from the chemical division's acquisitions of Kleen Canada, Inc., a Canadian manufacturer of specialty chemicals, and Graham International, a privately

held, European specialty chemical business, and the textile rental division's acquisition of Initial Services Investments, Inc., an industrial uniform and dust control business.

Dividend payments totaled \$26.3 million, or 53 cents per share, during the first six months this year, compared with \$25.3 million, or 51 cents per share, for the same period last year. The quarterly dividend rate was increased 3.8 percent to 27 cents per share effective January, 1994.

For the periods presented, capital expenditures, working capital needs, dividends, and acquisitions were financed primarily with internally generated funds, supplemented by short-term borrowings in the European market. The Initial acquisition was a cash transaction. The Graham acquisition in Europe was funded primarily through short-term debt financing, which was repaid during the remainder of the 1993 fiscal year. Contractual commitments for capital spending during the coming twelve months total \$9 million. For the current fiscal year, the company expects actual capital expenditures to be consistent with levels of recent years, which were \$36 million in 1993, \$43 million in 1992, and \$58 million in 1991. Current liquid assets and internally generated funds are expected to be more than adequate to meet anticipated cash requirements for the next twelve months, although some interim borrowings might be incurred to meet short-term needs. The company has complimentary lines of credit totaling \$124 million, of which \$82 million has been provided domestically and \$42 million is available on a multi-currency basis primarily from a European bank.

Results of Operations

National Service Industries' net income for the second fiscal quarter ended February 28, 1994, increased 11.2 percent to \$16.3 million on a 2.9 percent sales increase. Sales for the quarter were \$439.3 million, \$12.3 million higher than in last year's second quarter. Earnings per share of 33 cents were also 11.2 percent higher than last year's 30 cents per share.

For the fiscal first half, sales increased 4.4 percent to \$899.2 million from the \$861.3 million reported last year. Net income increased 6.7 percent to \$35.4 million, and earnings per share of 72 cents were also 6.7 percent ahead of last year's 67 cents.

The lighting equipment division had the strongest operating results as sales increased 9.5 percent to \$173.8 million for the second quarter and

10.6 percent to \$355.9 million on a year-to-date basis. Despite weak commercial and industrial construction activity, lighting fixture unit sales expanded as market share gains continued. Operating profit grew 39.1 percent for the quarter to 5.4 percent of revenues, up from 4.3 percent last year, and rose 28.5 percent for the six months to 6.0 percent of revenues, from 5.2 percent the prior year to date. Profit improvements largely resulted from the higher unit volumes and also benefited from divisional cost containment measures.

The textile rental division continued to be impacted by sluggish markets and competitive pressures. Second quarter revenues were down 1.1 percent to \$130.9 million, and first half revenues declined 1.2 percent to \$265.6 million. Operating profit, however, increased to 8.4 percent of revenues for both the quarter and year to date, up from 8.1 percent for both prior-year periods. The division's cost control efforts have positioned it to benefit as volume expands.

Chemical segment sales rose 3.1 percent to \$75.6 million for the second quarter and 5.5 percent to \$157.9 million for the first half due primarily to domestic volume gains. Operating profit grew a solid 14.2 percent to 8.8 percent of revenues for the quarter and was 9.9 percent of revenues for the first half, up 4.8 percent from last year. Domestic results were very satisfactory, and European profit performance improved due to cost reduction programs even though sales were somewhat less than anticipated. Canadian results continued to be disappointing, particularly in the western provinces.

Of the three businesses reported in NSI's other sector, only the envelope division did well as volume gains contributed sales increases of 1.8 percent for the quarter and 7.1 percent year to date, and operating profits increased over 50 percent for both periods due to reduced operating costs.

Corporate income was slightly ahead of last year's second quarter and six months due mainly to a moderation of foreign currency exchange rate fluctuations. Interest expense was somewhat less than both prior-year periods due to reductions in acquisition-related debt.

Consolidated income before taxes improved 12.8 percent. The higher 1994 tax rate, however, created an increased effective tax rate which limited the net income gain to 11.2 percent. The provision for income taxes was 37.8 percent of pretax income for both the second quarter and the first half, compared with 36.9 percent and 36.8 percent for the respective prior-year periods. The 1994 rate was increased as a result of the Omnibus Budget Act of 1993. Changes in the year-to-year effective rates also result from variation in the relative amount of tax exempt income.

Page 11

INDEX TO EXHIBITS

	Page No.
EXHIBIT 10(iii)A	
Management Contracts and Compensatory Arrangements:	12
(a)-Amendment to Restated and Amended Supplemental Retirement Plan for Executives of National Service Industries, Inc. (Supplemental Pension Plan)	
EXHIBIT 11	
Computations of Net Income per Share of Common Stock	14

FIRST AMENDMENT
TO
SUPPLEMENTAL RETIREMENT PLAN FOR
EXECUTIVES OF NATIONAL SERVICE INDUSTRIES, INC.
(As Amended and Restated Effective as of January 1, 1994)

THIS AMENDMENT made this 16th day of March, 1994, by
NATIONAL SERVICE INDUSTRIES, INC. (the "Company");

WHEREAS, the Company maintains the Supplemental
Retirement Plan for Executives of National Service
Industries, Inc. (the "Plan") for the benefit of certain
eligible executives of the Company; and

WHEREAS, the Plan was amended and restated effective as
of January 1, 1994; and

WHEREAS, the Company now desires to clarify certain
provisions of the Plan in the manner hereinafter provided;

NOW, THEREFORE, the Plan is hereby amended as follows:

1.

Section 1.1(a) (i) is hereby amended by adding the
following after the parenthetical in the seventh line of the
present section:

", increased for purposes of this offset for any
Participant who would not have been eligible for
Early Retirement under Pension Plan C as in effect
prior to February 15, 1989, but who elects Early

Retirement hereunder, by recalculating his
February 14, 1989 accrued benefit as if he were
eligible for an Early Retirement benefit".

Page 13

2.

Section 1.1(gg) (2) is hereby amended by deleting the
language after the word "assuming" in the fourth line of the
present section and substituting the following therefor:

"that he had no Compensation or other earnings
after his date of termination of employment; and"

3.

The amendment in Paragraph 1 shall be effective as of
January 1, 1994 and the amendment in Paragraph 2 shall be
effective as of July 1, 1983. Except as hereby amended, the
Plan shall remain in full force and effect.

IN WITNESS WHEREOF, the Company has caused this First
Amendment to be executed by its duly authorized officers the
day and year first above written.

ATTEST:

NATIONAL SERVICE INDUSTRIES, INC.

/S/ Kenyon W. Murphy

By: /S/ David Levy

David Levy

Executive Vice President,

Administration and Counsel

(CORPORATE SEAL)

NATIONAL SERVICE INDUSTRIES, INC. AND SUBSIDIARIES

COMPUTATIONS OF NET INCOME PER SHARE OF COMMON STOCK
(In thousands, except per-share data)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	FEBRUARY 28		FEBRUARY 28	
	1994	1993	1994	1993
Primary:				
Weighted Average Number of Shares (determined on a monthly basis)	49,572	49,558	49,568	49,552
Net Income	\$16,273	\$14,634	\$35,445	\$33,220
Primary Earnings per Share	\$.33	\$.30	\$.72	\$.67
Fully Diluted:				
Weighted Average Number of Shares Outstanding	49,572	49,558	49,568	49,552
Additional Shares Assuming Exercise of Options:				
Options exercised	745	567	745	567
Treasury stock purchased with proceeds	(637)	(478)	(637)	(478)
Average Common Shares Outstanding (as adjusted)	49,680	49,647	49,676	49,641
Net Income	\$16,273	\$14,634	\$35,445	\$33,220
Fully Diluted Earnings per Share	\$.33	\$.29	\$.71	\$.67