

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

**IOS CAPITAL INC**

CIK: **922255** | IRS No.: **232493042** | State of Incorpor.: **DE** | Fiscal Year End: **0930**  
Type: **8-K** | Act: **34** | File No.: **000-20405** | Film No.: **1696707**  
SIC: **5110** Paper & paper products

Mailing Address  
1738 BASS RD  
MACON GA 31210

Business Address  
1738 BASS RD  
MACON GA 31210  
9124712300

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) July 26, 2001  
IOS Capital, Inc.  
(Exact name of registrant as specified in its charter)

DELAWARE

File No. 0-20405

23-2493042

-----  
(State or other  
jurisdiction of  
incorporation)

-----  
(Commission File  
Number)

-----  
(IRS Employer  
Identification  
Number)

1738 Bass Road, Macon, Georgia 31210

Registrant's telephone number, including area code: (912) 471-2300  
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Not Applicable

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(Former name or former address, if changed since last report)

Item 5. Other Events  
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On July 26, 2001, the Registrant's parent, IKON Office Solutions, Inc.

("IKON" or the "Company"), announced results for the third quarter of fiscal year 2001. IKON's press release dated July 26, 2001 containing further detail is attached.

This news release includes information about the Registrant and/or IKON which may constitute forward-looking statements within the meaning of the federal securities laws. These forward-looking statements include, but are not limited to, statements relating to the Company's outlook for the fourth quarter and the full fiscal year and the Company's long-term investments and growth. Although IKON believes the expectations contained in such forward-looking statements are reasonable, it can give no assurances that such expectations will prove correct. Such forward-looking statements are based upon management's current plans or expectations and are subject to a number of risks and uncertainties, including, but not limited to: risks and uncertainties relating to conducting operations in a competitive environment and a changing industry; delays, difficulties, management transitions and employment issues associated with consolidation of, and/or changes in business operations; managing the integration of existing and acquired companies; risks and uncertainties associated with existing or future vendor relationships; and general economic conditions. As a consequence of these and other risks and uncertainties, IKON's current plans, anticipated actions and future financial condition and results may differ materially from those expressed in any forward-looking statements. Certain additional risks and uncertainties are set forth in IKON's 2000 Annual Report on Form 10-K/A filed with the Securities and Exchange Commission.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.  
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c. The following exhibits are furnished in accordance with the provisions of Item 601 of Regulation S-K:

(99) Press Release dated July 26, 2001

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

IOS Capital, Inc.

By: /s/ HARRY KOZEE  
-----  
Harry Kozee  
Vice President - Finance

Dated: August 3, 2001

IKON OFFICE SOLUTIONS ANNOUNCES  
THIRD QUARTER RESULTSEarnings Exceed Expectations;  
Company Continues Focus on Cash Flow and Profitability

Valley Forge, Pennsylvania - July 26, 2001 - IKON Office Solutions (NYSE:IKN) today announced net income of \$26 million, or earnings per share of \$.18, for the third fiscal quarter ended June 30, 2001, exceeding the Company's expectations for the quarter. For the same period in 2000, earnings were \$.19 per share, excluding one-time gains from early extinguishment of debt and the sale of investments totaling \$.02 per share. Revenues for the quarter were \$1.31 billion, compared to \$1.40 billion for the same period in 2000.

Free cash flow for the third quarter was approximately \$80 million compared to approximately \$40 million for the same period in 2000. Based on the Company's latest analysis, free cash flow for the full year should exceed the previously communicated expectation of \$170-\$185 million.

"Due to continued improvements in gross margin and our ability to control Selling and Administrative expenses without foregoing our strategic investments, we were able to deliver strong earnings for the quarter," said James J. Forese, Chairman and Chief Executive Officer of IKON Office Solutions. "Revenues declined 6% from the prior year, or 5% excluding the impact of foreign currency translation, largely due to growing economic concerns and continued competitive pressure. Understanding these challenges in the quarter, we were increasingly focused on sales discipline - specifically, improved equipment contribution, the continued penetration of growth markets such as the production and outsourcing sectors, and the delivery of higher value-added solutions to our customers. Equipment aftermarket, namely supply sales and equipment service, also delivered strong productivity. As a result, we were able to enhance profitability for the quarter despite lower revenues.

"During the quarter, we continued to execute in areas critical to our long-term strategy. Specifically, we generated strong growth in the production arena through sales of our higher-end, segments 5 and 6 copier/printer equipment, and facilities management generated double-digit growth for the sixth consecutive quarter," continued Mr. Forese.

Net Sales, which include the sale of copier/printer equipment, supplies, and technology hardware, declined 11% from the prior year largely due to the decline in technology hardware and copier/printer equipment sales. Technology hardware, such as computers, routers and servers sold by the various technology divisions, declined as the Company continued to shift emphasis away from these low margin products. Sales of copier/printer equipment declined in response to ongoing economic and competitive pressures as well as the Company's strategic focus on moving from low-end, lower margin products to high-end, higher margin products. The Company continued to post year-over-year growth in sales of higher-end products, specifically segments 5 and 6 black & white production equipment and production color. Gross profit margin on Net Sales increased substantially over the same period in 2000 as the Company focused on cost controls and as it realized the benefits of earlier productivity programs. Adding to the gross margin expansion was the ongoing benefit of less low margin technology hardware revenues in the current Net Sales revenue mix.

Service & Rentals, which include revenues from the servicing of copier/printer equipment, outsourcing, technology services, and rentals, declined 2% from the prior year. While outsourcing continued to record year over year growth, revenues from the servicing of copier/printer equipment as well as technology services declined from the prior year. Service & Rentals gross profit margin increased from the prior year due to improvements in productivity associated with the servicing of copier/printer equipment.

Finance Income grew 5.1% from the prior year. Gross profit margin on Finance Income improved from the prior year primarily due to increased average corporate borrowings on behalf of the finance subsidiaries. Interest on corporate borrowings is reflected as Interest Expense while interest on finance subsidiaries' borrowings is reflected as Finance Interest Expense.

Operating Margins of 4.9% were comparable to the prior year largely due to stronger gross margins and controlled Selling and Administrative costs as the Company continues to balance investments necessary for market differentiation and leadership against cost savings achieved through ongoing productivity programs. Since the beginning of its fiscal year, the Company has reduced

headcount by approximately 1,500 as part of these productivity initiatives.

Outlook:

Earnings per share for the full year, excluding special items, are expected to be \$.55, as previously communicated. The Company expects that economic and

competitive pressures will continue to impact the last quarter of fiscal 2001, along with normal seasonal influences typical within the industry. Free cash flow for fiscal 2001 is expected to exceed \$200 million.

"IKON has made strong progress in becoming an integrated provider of business communication solutions. We have realigned our sales and service organizations to focus on new technologies and market opportunities, and we continue to improve our operational infrastructure to ensure we have a profitable and customer-focused business model," concluded Mr. Forese. "We will continue to execute on this strategy while responding to the additional challenges of an uncertain economic environment by remaining focused on our cost structures, cash flow, and profitability."

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Additional information regarding the third quarter results and the Company's outlook for next quarter and the full fiscal year will be discussed on a conference call hosted by IKON at 10:00 a.m. EST on Thursday, July 26, 2001. Please call (719) 457-2645 to participate. A complete replay of the conference call will be available over the Internet on IKON's Investor Relations home page approximately two hours after the call ends. To listen, please go to www.ikon.com and click on Invest in IKON. Beginning at 1:00PM EST on July 26, 2001 and ending at midnight on July 30, 2001, a complete replay of the conference call can also be accessed via telephone by calling (719) 457-0820 and using the access code 766184.  
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IKON Office Solutions (www.ikon.com) is one of the world's leading providers of products and services that help businesses communicate. IKON provides customers with total business solutions for every office, production and outsourcing need, including copiers and printers, color solutions, distributed printing, facilities management, imaging and legal outsourcing solutions, as well as network design and consulting, e-business development, telecommunications services and technology training. With fiscal 2000 revenues of \$5.4 billion, IKON has approximately 800 locations worldwide including the United States, Canada, Mexico, the United Kingdom, France, Germany, Ireland, and Denmark.

This news release includes information which may constitute forward-looking statements within the meaning of the federal securities laws. These forward-looking statements include, but are not limited to, statements relating to the Company's outlook for the fourth quarter and the full fiscal year and the Company's long-term investments and growth. Although IKON believes the expectations contained in such forward-looking statements are reasonable, it can give no assurances that such expectations will prove correct. Such forward-looking statements are based upon management's current plans or expectations and are subject to a number of risks and uncertainties, including, but not limited to: risks and uncertainties relating to conducting operations in a competitive environment and a changing industry; delays, difficulties, management transitions and employment issues associated with consolidation of, and/or changes in business operations; managing the integration of existing and acquired companies; risks and uncertainties associated with existing or future vendor relationships; and general economic conditions. As a consequence of these and other risks and uncertainties, IKON's current plans, anticipated actions and future financial condition and results may differ materially from those expressed in any forward-looking statements. Certain additional risks and uncertainties are set forth in IKON's 2000 Annual Report on Form 10-K/A filed with the Securities and Exchange Commission.

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<TABLE>  
<CAPTION>  
IKON Office Solutions, Inc.  
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Exhibit 99

FINANCIAL SUMMARY (in thousands, except earnings per share)

Third Quarter Fiscal

	2001		2000		% Change
Revenues					
<S>	<C>		<C>		<C>
Net sales	\$	641,858	\$	720,066	(10.9)%
Service and rentals		571,662		583,524	(2.0)
Finance income		97,637		92,922	5.1
		1,311,157		1,396,512	(6.1)
Costs and Expenses					
Cost of goods sold		409,861		482,916	
Service and rental costs		337,855		349,438	
Finance interest expense		41,783		43,889	
Selling and administrative		456,880		451,797	
		1,246,379		1,328,040	
Operating income		64,778		68,472	
Gain on sale of investment				3,288	
Interest expense		18,345		18,314	
Income before income taxes and extraordinary gain		46,433		53,446	
Income taxes		20,431		23,525	
Income before extraordinary gain		26,002		29,921	
Extraordinary gain from early extinguishment of debt, net of income taxes of \$1,342				1,707	
Net income	\$	26,002	\$	31,628	
Basic and Diluted Earnings Per Common Share		\$0.18		\$0.21	
Weighted Average Common Shares Outstanding, Basic		141,546		148,922	
Weighted Average Common Shares Outstanding, Diluted		145,431		148,941	
Operations Analysis:					
Gross profit %, net sales		36.1%		32.9%	
Gross profit %, service and rentals		40.9%		40.1%	
Gross profit %, finance subsidiaries		57.2%		52.8%	
Total gross profit %		39.8%		37.3%	
Selling and administrative as a % of revenue		34.8%		32.4%	
Operating income as a % of revenue		4.9%		4.9%	

</TABLE>

IKON Office Solutions, Inc.

FINANCIAL SUMMARY (in thousands, except earnings per share)

Excluding Special Items

<TABLE>

<CAPTION>

	Third Quarter Fiscal				% Change
	2001		2000		
Revenues					
<S>	<C>		<C>		<C>
Net sales	\$	641,858	\$	720,066	(10.9)%
Service and rentals		571,662		583,524	(2.0)
Finance income		97,637		92,922	5.1
		1,311,157		1,396,512	(6.1)
Costs and Expenses					
Cost of goods sold		409,861		482,916	
Service and rental costs		337,855		349,438	
Finance interest expense		41,783		43,889	
Selling and administrative		456,880		451,797	

	1,246,379	1,328,040
Operating income	64,778	68,472
Interest expense	18,345	18,314
Income before income taxes	46,433	50,158
Income taxes	20,431	22,078
Net income	\$ 26,002	\$ 28,080
Basic and Diluted Earnings Per Common Share	\$0.18	\$0.19
Weighted Average Common Shares Outstanding, Basic	141,546	148,922
Weighted Average Common Shares Outstanding, Diluted	145,431	148,941

Operations Analysis:

Gross profit %, net sales	36.1%	32.9%
Gross profit %, service and rentals	40.9%	40.1%
Gross profit %, finance subsidiaries	57.2%	52.8%
Total gross profit %	39.8%	37.3%
Selling and administrative as a % of revenue	34.8%	32.4%
Operating income as a % of revenue	4.9%	4.9%

</TABLE>

\* Third quarter fiscal 2000 excludes \$3,288 gain on sale of investment and \$3,049 extraordinary gain on early extinguishment of debt (\$1,707 after-tax).

IKON Office Solutions, Inc.

FINANCIAL SUMMARY (in thousands, except earnings per share)

<TABLE>

<CAPTION>

	Year to Date Fiscal		% Change
	2001	2000	
Revenues			
<S>	<C>	<C>	<C>
Net sales	\$ 2,001,648	\$ 2,080,636	(3.8) %
Service and rentals	1,703,795	1,737,774	(2.0)
Finance income	284,991	255,089	11.7
	3,990,434	4,073,499	(2.0)
Costs and Expenses			
Cost of goods sold	1,305,473	1,382,241	
Service and rental costs	1,028,800	1,048,707	
Finance interest expense	132,350	122,849	
Selling and administrative	1,364,391	1,314,579	
Restructuring and asset impairment charge		105,340	
	3,831,014	3,973,716	
Operating income	159,420	99,783	
Gain on sale of investment		3,288	
Interest expense	54,222	51,934	
Income from continuing operations before income taxes and extraordinary gain	105,198	51,137	
Income taxes	46,287	41,999	
Income from continuing operations before extraordinary gain	58,911	9,138	
Discontinued operations, net of income taxes of \$942	1,200		
Extraordinary gain from early extinguishment of debt, net of income taxes of \$1,342		1,707	
Net income	\$ 60,111	\$ 10,845	



Basic and Diluted Earnings Per Common Share		
Continuing operations	\$0.41	\$0.06
Discontinued operations	0.01	
Extraordinary gain		0.01
	-----	-----
Net income	\$0.42	\$0.07
	=====	=====
Weighted Average Common Shares Outstanding, Basic	142,121	149,158
	=====	=====
Weighted Average Common Shares Outstanding, Diluted	143,982	149,317
	=====	=====

Operations Analysis:		
Gross profit %, net sales	34.8%	33.6%
Gross profit %, service and rentals	39.6%	39.7%
Gross profit %, finance subsidiaries	53.6%	51.8%
Total gross profit %	38.2%	37.3%
Selling and administrative as a % of revenue	34.2%	32.3%
Operating income as a % of revenue	4.0%	2.4%

</TABLE>

IKON Office Solutions, Inc.

FINANCIAL SUMMARY (in thousands, except earnings per share)

Excluding Special Items

<TABLE>

<CAPTION>

	Year to Date Fiscal 2001 * -----	2000 ** -----	% Change -----
Revenues			
<S>	<C>	<C>	<C>
Net sales	\$ 2,001,648	\$ 2,080,636	(3.8)%
Service and rentals	1,703,795	1,737,774	(2.0)
Finance income	284,991	255,089	11.7
	-----	-----	
	3,990,434	4,073,499	(2.0)
	-----	-----	
Costs and Expenses			
Cost of goods sold	1,305,473	1,382,241	
Service and rental costs	1,028,800	1,048,707	
Finance interest expense	132,350	122,849	
Selling and administrative	1,364,391	1,331,579	
	-----	-----	
	3,831,014	3,885,376	
	-----	-----	
Operating income	159,420	188,123	
Interest expense	54,222	51,934	
	-----	-----	
Income before income taxes	105,198	136,189	
Income taxes	46,287	59,923	
	-----	-----	
Net income	\$ 58,911	\$ 76,266	
	=====	=====	
Basic and Diluted Earnings Per Common Share	\$0.41	\$0.51	
	=====	=====	
Weighted Average Common Shares Outstanding, Basic	142,121	149,158	
	=====	=====	
Weighted Average Common Shares Outstanding, Diluted	143,982	149,317	
	=====	=====	
Operations Analysis:			
Gross profit %, net sales	34.8%	33.6%	
Gross profit %, service and rentals	39.6%	39.7%	
Gross profit %, finance subsidiaries	53.6%	51.8%	
Total gross profit %	38.2%	37.3%	

Selling and administrative as a % of revenue	34.2%	32.7%
Operating income as a % of revenue	4.0%	4.6%

</TABLE>

\* Fiscal 2001 excludes a gain from discontinued operations of \$2,142 (\$1,200 after-tax).

\*\* Fiscal 2000 excludes \$17,000 of insurance proceeds related to the shareholder litigation settlement, \$105,340 restructuring and asset impairment charge, \$3,288 gain on sale of investment, and \$3,049 extraordinary gain on early extinguishment of debt (\$1,707 after-tax).