

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-07-08** | Period of Report: **1994-05-31**
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FILER

UNITED STATIONERS INC

CIK: **355999** | IRS No.: **363141189** | State of Incorpor.: **DE** | Fiscal Year End: **0830**
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Business Address
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DES PLAINES IL 60016-1267
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Securities and Exchange Commission
Washington, DC 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For The Quarterly Period Ended: May 31, 1994

Commission File Number: 0-10653

UNITED STATIONERS INC.
(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

36-3141189
(I.R.S. Employer
Identification No.)

2200 East Golf Road, Des Plaines, Illinois
(Address of principal executive offices)

60016-1267
(Zip Code)

(708) 699-5000
(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.

(1) Yes X No
(2) Yes X No

As of June 30, 1994, United Stationers Inc. had 18,590,226 shares of common stock, \$.10 par value, outstanding.

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UNITED STATIONERS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands of dollars)

ASSETS

	(Unaudited) May 31, 1994	(Audited) August 31, 1993
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,552	\$ 7,889
Accounts receivable, net	140,493	162,844
Inventories	234,390	229,760
Prepaid expenses	16,542	16,426
Total Current Assets	\$398,977	\$416,919
PROPERTY, PLANT AND EQUIPMENT, at cost	\$239,088	\$234,818
Less-Accumulated depreciation and amortization	(109,953)	(97,182)
Net Property, Plant and Equipment	\$129,135	\$137,636
GOODWILL, NET	\$ 42,648	\$ 43,484
OTHER ASSETS, NET	\$ 10,899	\$ 11,195
TOTAL ASSETS	\$581,659	\$609,234

LIABILITIES AND STOCKHOLDERS' INVESTMENT

CURRENT LIABILITIES

Short-term debt and current maturities

of long-term obligations	\$ 3,702	\$ 3,448
Accounts payable	86,745	150,374
Accrued liabilities	34,516	47,023
Total Current Liabilities	\$124,963	\$200,845
DEFERRED INCOME TAXES	\$ 16,680	\$ 14,484
LONG-TERM OBLIGATIONS	\$195,898	\$156,208
STOCKHOLDERS' INVESTMENT	\$244,118	\$237,697
TOTAL LIABILITIES AND STOCKHOLDERS' INVESTMENT	\$581,659	\$609,234

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

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UNITED STATIONERS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands of dollars, except share data)
(Unaudited)

	FOR THE THREE MONTHS ENDED	
	May 31, 1994	May 31, 1993
NET SALES	\$ 360,022	\$ 365,791
COST OF SALES	282,481	279,735
Gross profit on sales	\$ 77,541	\$ 86,056
WAREHOUSING, MARKETING AND ADMINISTRATIVE EXPENSES	\$ 71,230	\$ 75,324
Income from operations	\$ 6,311	\$ 10,732
OTHER EXPENSE, net	2,663	2,502
Income before income taxes	\$ 3,648	\$ 8,230
INCOME TAXES	1,413	3,404
NET INCOME	\$ 2,235	\$ 4,826

WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	18,588,828	18,567,498
NET INCOME PER COMMON SHARE	\$.12	\$.26
CASH DIVIDENDS PAID PER COMMON SHARE	\$.10	\$.10

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

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UNITED STATIONERS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands of dollars, except share data)
(Unaudited)

	FOR THE NINE MONTHS ENDED	
	May 31, 1994	May 31, 1993
NET SALES	\$1,100,607	\$1,109,930
COST OF SALES	855,732	855,241
Gross profit on sales	\$ 244,875	\$ 254,689
WAREHOUSING, MARKETING AND ADMINISTRATIVE EXPENSES	\$ 216,969	\$ 221,365
Income from operations	\$ 27,906	\$ 33,324

OTHER EXPENSE, net	7,561	6,518
Income before income taxes	\$ 20,345	\$ 26,806
INCOME TAXES	8,342	11,296
NET INCOME	\$ 12,003	\$ 15,510
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	18,586,289	18,553,948
NET INCOME PER COMMON SHARE	\$.65	\$.84
CASH DIVIDENDS PAID PER COMMON SHARE	\$.30	\$.30

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

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UNITED STATIONERS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of dollars)
(Unaudited)

	FOR THE NINE MONTHS ENDED	
	May 31, 1994	May 31, 1993
Cash Flows from Operating Activities		
Net Income	\$ 12,003	\$ 15,510
Adjustments to reconcile net income to net cash used in operating activities:		
Loss on sale of fixed assets	499	59

Depreciation and amortization	15,735	15,909
Increase in deferred income taxes	2,196	758
Decrease in accounts payable	(63,629)	(44,304)
Decrease in accrued liabilities	(14,187)	(4,289)
Decrease/(increase) in accounts receivable	22,351	(4,970)
Increase in inventories	(4,630)	(1,435)
Increase in prepaid expenses	(116)	(784)
Increase in other assets	(1,348)	(239)
Net Cash Used in Operating Activities	\$ (31,126)	\$ (23,785)

Cash Flows from Investing Activities

Acquisition of property, plant and equipment	\$ (5,656)	\$ (18,465)
Proceeds from disposition of property, plant and equipment	220	30
Net Cash Used in Investing Activities	\$ (5,436)	\$ (18,435)

Cash Flows from Financing Activities

Increase/(decrease) in short-term debt	\$ 254	\$ (1,710)
Payments on long-term obligations	(1,377)	(3,560)
Additions to long-term obligations	42,930	49,059
Issuance of common shares	41	476
Payment of dividends	(5,739)	(5,622)
Disposition of treasury stock	116	36
Net Cash Provided by Financing Activities	\$ 36,225	\$ 38,679

Net decrease in cash and cash equivalents	\$ (337)	\$ (3,541)
Cash and cash equivalents at the beginning of the period	7,889	11,942

Cash and Cash Equivalents at the End of the Period	\$ 7,552	\$ 8,401
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Income taxes paid	\$ 6,187	\$ 12,946
Interest paid	\$ 7,447	\$ 6,617

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

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UNITED STATIONERS INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited, except for the Balance Sheet as of August 31, 1993, which is condensed from the audited Balance Sheet at that date. These statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission. These statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended August 31, 1993, and the notes therein included in its report on Form 10-K for the same period. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. Certain prior year amounts have been reclassified to conform with current year presentations. In the opinion of the Company's management, the condensed consolidated financial statements for the unaudited interim periods presented include all adjustments necessary to fairly present the results of such interim periods and the financial position as of the end of said periods.

(2) Review

Arthur Andersen & Co., independent public accountants, have performed a review of the condensed consolidated financial statements referred to above. Since they did not perform an audit, they express no opinion on these statements. Refer to the Report of Independent Public Accountants included in this filing.

UNITED STATIONERS INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

FISCAL 1994 COMPARED TO FISCAL 1993

Nine Month Results

Net sales were \$1.1 billion for the first nine months of Fiscal 1994, down .8% from the comparable period a year ago.

Gross profit as a percent of net sales decreased to 22.2% in the first nine months of Fiscal 1994 from 22.9% in the first nine months of Fiscal 1993. The decrease reflects higher levels of rebates and allowances earned by the Company's customers as a result of greater dealer participation in buying groups and an acceleration in the rate of dealer consolidations. In addition, margin was affected by increased promotional sales as well as a shift in product mix.

Operating expenses as a percent of net sales decreased to 19.7% in the first nine months of Fiscal 1994 from 19.9% in the first nine months of Fiscal 1993. The decrease reflects the impact of actions taken by the Company to streamline its work processes.

Income from operations as a percent of net sales decreased to 2.5% in the first nine months of Fiscal 1994 from 3.0% in the first nine months of Fiscal 1993.

Income before income taxes as a percent of net sales decreased to 1.8% for the nine month period ending May 31, 1994 from 2.4% for the period ending May 31, 1993. Net income was \$12.0 million in the first nine months of Fiscal 1994, down 22.6% from the \$15.5 million in the comparable year-ago period. Net income per share was \$.65 in the first nine months of Fiscal 1994, compared to \$.84 in Fiscal 1993.

UNITED STATIONERS INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS (CONTINUED)

Third Quarter Results

Net sales were \$360.0 million for the third quarter of Fiscal 1994, a 1.6% decrease from net sales of \$365.8 million in the comparable quarter a year ago.

Gross profit as a percent of net sales decreased to 21.5% in the third quarter of Fiscal 1994 from 23.5% in the third quarter of Fiscal 1993. This decrease primarily reflects a higher level of rebates and allowances earned by the Company's customers as a result of greater dealer participation in buying groups and an acceleration in the rate of dealer consolidations. In addition, margin was affected by increased promotional sales as well as a shift in product mix.

Operating expenses as a percent of net sales decreased to 19.8% in the third quarter of Fiscal 1994 from 20.6% in the comparable year-ago quarter. The decrease is primarily the result of actions taken by the Company to reduce freight and payroll expense as well as to streamline work processes.

Income from operations as a percent of net sales decreased to 1.7% in the third quarter of Fiscal 1994 from 2.9% in the third quarter of Fiscal 1993.

Income before income taxes as a percent to net sales was 1.0% in the third quarter of Fiscal 1994 compared with the prior year's quarter of 2.2%. Net income was \$2.2 million in the third quarter of Fiscal 1994, down 53.7% from the \$4.8 million in Fiscal 1993. Net income per share was \$.12 in the third quarter of Fiscal 1994, compared with \$.26 in the third quarter of Fiscal 1993.

UNITED STATIONERS INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

Liquidity and Capital Resources

During the first nine months of Fiscal 1994, funds to support the Company's working capital and capital expenditure requirements were generated from borrowings under the Company's Reducing Revolving Credit and Term Loan Agreement (the "Agreement") and operating activities.

As of May 31, 1994, the Company had \$124.0 million of borrowings outstanding under the Agreement. The Agreement, as amended, consists of a \$150.0 million revolving credit facility ("Revolver") and a \$30.0 million term loan ("Term Loan"). The Company believes current working capital, cash flow from operations and available lines of credit will be adequate to meet financing requirements in the foreseeable future.

The Revolver provides for revolving credit loans up to the amount of the commitment until August 31, 1997. The commitment decreases quarterly beginning May 31, 1994, by certain amounts as specified in the Agreement, to \$83.6 million as of May 31, 1997. As of May 31, 1994, \$158.0 million was available under the Agreement with the amount decreasing to \$156.0 million as of August 31, 1994. Under the terms of the Agreement, the Company is required to pay a facility fee of 3/16 of 1% of the total available Revolver. The Term Loan matures on September 30, 1995 (or earlier upon certain subsequent offerings by the Company of debt or equity). Interest on both loans is payable at varying rates provided for in the Agreement.

The Agreement contains certain financial covenants covering the Company

and its subsidiaries on a consolidated basis, including, without limitation, covenants relating to the consolidated current ratio, tangible net worth, capitalization, fixed charge coverage, capital expenditures and payment of dividends by the Company.

During the first nine months of Fiscal 1994, capital expenditures totaled approximately \$5.7 million. The Company anticipates capital expenditure requirements of approximately \$12.0 million for Fiscal 1994. Capital expenditures will be financed from existing loan agreements and operating activities.

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UNITED STATIONERS INC. AND SUBSIDIARIES

PART II - OTHER INFORMATION

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit
Number

2	Not applicable
4	Not applicable
10	Not applicable
11	Not applicable
15	Letter regarding unaudited interim financial information
18	Not applicable
19	Not applicable
22	Not applicable
23	Consent of Experts and Counsel
24	Not applicable
27	Not applicable
99	Not applicable

(b) There were no reports on Form 8-K filed during the quarter ended May 31, 1994.

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UNITED STATIONERS INC. AND SUBSIDIARIES

SIGNATURES

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

UNITED STATIONERS INC.
(Registrant)

Date: July 8, 1994

Joel D. Spungin
Joel D. Spungin
Chairman of the Board and
Chief Executive Officer

Jeffrey K. Hewson
Jeffrey K. Hewson
President and Chief Operating Officer

Allen B. Kravis
Allen B. Kravis
Senior Vice President and
Chief Financial Officer

Ted S. Rzeszuto
Ted S. Rzeszuto
Vice President and Controller

Report on Form 10-Q for the quarter ended May 31, 1994.

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UNITED STATIONERS INC. AND SUBSIDIARIES

INDEX TO EXHIBITS

Exhibit Number	Not applicable	Sequential Page Number
2	Not applicable	

4	Not applicable	
10	Not applicable	
11	Not applicable	
15	Letter regarding unaudited interim financial information	14
18	Not applicable	
19	Not applicable	
22	Not applicable	
23	Consent of Experts and Counsel	15
24	Not applicable	
27	Not applicable	
99	Not applicable	

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and
Board of Directors of
United Stationers Inc.:

We have reviewed the accompanying condensed consolidated balance sheet of UNITED STATIONERS INC. (a Delaware Corporation) AND SUBSIDIARIES as of May 31, 1994, and the related condensed consolidated statements of income for the three- and nine-month periods ended May 31, 1994 and 1993, and the condensed consolidated statements of cash flows for the nine-month periods ended May 31, 1994 and 1993. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of United Stationers Inc. and Subsidiaries as of August 31, 1993 (not presented herein), and, in our report dated October 6, 1993, we expressed an unqualified opinion on that statement. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of August 31, 1993, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ARTHUR ANDERSEN & CO.

Chicago, Illinois,
June 30, 1994

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To United Stationers Inc.:

We are aware that United Stationers Inc.'s Form 10-Q for the quarter ended May 31, 1994, which includes our report dated June 30, 1994, covering the unaudited interim financial information contained therein, is incorporated by reference into its previously filed Registration Statements on Form S-8 (File Nos. 2-77628, 33-4729 and 33-32453) and into the previously filed Registration Statement on Form S-3 (File No. 33-28251) of United Stationers Inc. Pursuant to Regulation C of the Securities Act of 1933, that report is not considered a part of the Registration Statements prepared or certified by our firm or a report prepared or certified by our firm within the meaning of Sections 7 and 11 of the Act.

/s/ARTHUR ANDERSEN & CO.

Chicago, Illinois,
July 8, 1994

