

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-01-11** | Period of Report: **1993-11-30**
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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
2200 E GOLF RD
DES PLAINES IL 60016-1267
7086995000

Securities and Exchange Commission
Washington, DC 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: NOVEMBER 30, 1993

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

60016-1267

(Address of principal executive offices)

(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 No
(2) Yes No

As of December 31, 1993, United Stationers Inc. had 18,588,006 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

<TABLE>
<CAPTION>

(Unaudited)	(Audited)
Nov. 30, 1993	August 31, 1993
-----	-----

<S>	<C>	<C>
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,703	\$ 7,889
Accounts receivable, net	161,576	162,844
Inventories	267,474	229,760
Prepaid expenses	17,030	16,426
	-----	-----
Total Current Assets	\$455,783	\$416,919
	-----	-----
PROPERTY, PLANT AND EQUIPMENT, at cost		
Less-Accumulated depreciation and amortization	\$237,256	\$234,818
	(101,660)	(97,182)
	-----	-----
Net Property, Plant and Equipment	\$135,596	\$137,636
	-----	-----
GOODWILL, NET		
	\$ 43,205	\$ 43,484
	-----	-----
OTHER ASSETS		
	\$ 11,437	\$ 11,195
	-----	-----
TOTAL ASSETS		
	\$646,021	\$609,234
	-----	-----
	-----	-----

LIABILITIES AND STOCKHOLDERS' INVESTMENT

CURRENT LIABILITIES		
Short-term debt and current maturities of long-term obligations	\$ 3,461	\$ 3,448
Accounts payable	125,396	150,374
Accrued liabilities	41,915	47,023
	-----	-----
Total Current Liabilities	\$170,772	\$200,845
	-----	-----
DEFERRED INCOME TAXES		
	\$ 15,134	\$ 14,484
	-----	-----
LONG-TERM OBLIGATIONS		
	\$218,258	\$156,208
	-----	-----
STOCKHOLDERS' INVESTMENT		
	\$241,857	\$237,697
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' INVESTMENT		
	\$646,021	\$609,234
	-----	-----

</TABLE>

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)

<TABLE>
<CAPTION>

	FOR THE THREE MONTHS ENDED	
	Nov. 30, 1993	Nov. 30, 1992
<S>	<C>	<C>
NET SALES	\$370,597	\$365,321
COST OF SALES	285,823	283,497
Gross profit on sales	\$ 84,774	\$ 81,824
WAREHOUSING, MARKETING AND ADMINISTRATIVE EXPENSES	72,401	71,241
Income from operations	\$ 12,373	\$ 10,583
OTHER EXPENSE, net	2,160	1,673
Income before income taxes	\$ 10,213	\$ 8,910
INCOME TAXES	4,289	3,799
NET INCOME	\$ 5,924	\$ 5,111
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	18,582,939	18,539,129

	-----	-----
	-----	-----
NET INCOME PER COMMON SHARE	\$.32	\$.28
	-----	-----
	-----	-----
CASH DIVIDENDS PAID PER COMMON SHARE	\$.10	\$.10
	-----	-----
	-----	-----

</TABLE>

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)

<TABLE>

<CAPTION>

	FOR THE THREE MONTHS ENDED	
	Nov 30,	Nov. 30,
	1993	1992
	-----	-----
	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 5,924	\$ 5,111
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	5,195	5,012
Increase in deferred taxes	650	4
Decrease in accounts payable	(24,978)	(18,211)
(Decrease) Increase in accrued liabilities	(5,108)	3,378
Decrease (Increase) in accounts receivable	1,268	(12,435)
(Increase) Decrease in inventories	(37,714)	1,661
(Increase) Decrease in prepaid expenses	(604)	549
Increase in other assets	(712)	(833)
	-----	-----

NET CASH USED IN OPERATING ACTIVITIES	\$ (56,079)	\$ (15,764)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	\$ (2,439)	\$ (2,599)
Disposition of property, plant and equipment	33	49
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	\$ (2,406)	\$ (2,550)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term debt	\$ 0	\$ (323)
Payments on long-term obligations	(205)	(221)
Additions to long-term obligations	62,268	22,000
Issuance of common shares	26	19
Payment of dividends	(1,905)	(1,912)
Disposition of treasury stock	115	31
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	\$ 60,299	\$ 19,594
	-----	-----
Net increase in cash and cash equivalents	\$ 1,814	\$ 1,280
Cash and cash equivalents at the beginning of the period	7,889	11,942
	-----	-----
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 9,703	\$ 13,222
	-----	-----
	-----	-----
Income taxes paid	\$ 446	\$ 1,524
Interest paid	\$ 1,962	\$ 1,492

</TABLE>

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. 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) ACCOUNTING CHANGES

During the quarter ended November 30, 1993, the Company adopted Financial Accounting Standards Board Statement No. 106 (SFAS 106) "Employers' Accounting For Postretirement Benefits Other Than Pensions" effective as of September 1, 1993. SFAS 106 requires companies to accrue the projected future costs of postretirement health care and life insurance benefits throughout the employee's active service period. The Company has applied the new rules using the prospective method which did not have a material impact on the Company's financial position and results of operations.

(3) 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.

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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

FIRST QUARTER RESULTS

Net sales were \$371 million for the first quarter of Fiscal 1994, a 1.4% increase over net sales of \$365 million in the comparable period a year ago. The

increase reflects continued growth in most geographic areas.

Gross profit as a percent of net sales increased to 22.9% in the first quarter of Fiscal 1994 from 22.4% in the first quarter of Fiscal 1993, reflecting a favorable product mix.

Operating expenses as a percent of net sales were 19.5% in the first quarter of Fiscal 1994 and the first quarter of Fiscal 1993. This expense level continues to reflect the costs associated with the Company's free-freight marketing program and the costs of managing 37,000 stockkeeping units. By the end of the second quarter, the Company anticipates the number of stockkeeping units to be reduced to a norm of 25,000 items.

Income from operations as a percent of net sales increased to 3.4% in the first quarter of Fiscal 1994 from 2.9% in the first quarter of Fiscal 1993.

Income before income taxes as a percent of net sales was 2.8% in the first quarter of Fiscal 1994 compared to the year-ago quarter of 2.4%. Net income was \$5.9 million in the first quarter of Fiscal 1994, up 15.9.% from the \$5.1 million in the year-ago quarter. Net income per share was \$.32 in the first quarter of Fiscal 1994, compared to \$.28 for the first quarter of Fiscal 1993.

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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 quarter 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.

In order to meet increased capital needs, the Company negotiated (under the Agreement) a temporary increase in available credit of \$20 million from December 1, 1993 until May 31, 1994. This additional availability is needed to support increased inventory levels for the Company's peak selling season. The Company is in the process of determining new inventory demand patterns for each of its distribution centers. Each distribution center will carry an inventory of products closely tailored to the needs of the local industries served by the Company's customers. While new demand patterns are being developed, additional inventory is being carried to ensure the Company's ability to fulfill its customer's orders.

As of November 30, 1993, the Company had \$146.0 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 in May 1994, by certain amounts as specified in the Agreement, to \$83.6 million as of May 31, 1997. 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). During the first quarter of Fiscal 1994, the Company and the lenders executed the option to extend the maturity date from the original date of September 30, 1994. 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 quarter of Fiscal 1994, capital expenditures totaled approximately \$2.4 million. The Company anticipates capital expenditure requirements in the range of \$15.0 million to \$18.0 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 & Counsel
27	Not applicable
99	Not applicable

(b) There were no reports on Form 8-K filed during the quarter ended November 30, 1993.

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UNITED STATIONERS INC. AND SUBSIDIARIES

SIGNATURES

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.

UNITED STATIONERS INC.

(Registrant)

Date: JANUARY 11, 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 November 30, 1993.

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UNITED STATIONERS INC. AND SUBSIDIARIES

INDEX TO EXHIBITS

EXHIBIT NUMBER		SEQUENTIAL PAGE NUMBER
-----		-----
2	Not applicable	
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19	Not applicable	
22	Not applicable	
23	Consent of Experts & Counsel	
24	Not applicable	
27	Not applicable	
99	Not applicable	

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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 November 30, 1993, and the related condensed consolidated statements of income and cash flows for the three-months ended November 30, 1993 and 1992. 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 those consolidated financial statements. 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
January 5, 1994

To United Stationers Inc.:

We are aware that United Stationers Inc.'s Form 10-Q for the quarter ended November 30, 1993, which includes our report dated January 5, 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,
January 11, 1994