

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FOOTE CONE & BELDING COMMUNICATIONS INC

CIK: **37931** | IRS No.: **361088161** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-05029** | Film No.: **94527753**
SIC: **7311** Advertising agencies

Mailing Address
*101 E ERIE ST
CHICAGO IL 60611*

Business Address
*101 E ERIE ST
CHICAGO IL 60611
3127517000*

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarter ended March 31, 1994

Commission file no. 1-5029

FOOTE, CONE & BELDING COMMUNICATIONS, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation of organization)

36-1088161
(I.R.S. Employer
Identification No.)

101 EAST ERIE STREET, CHICAGO, ILLINOIS
(Address of principal executive offices)

60611
(Zip Code)

Registrant's Telephone Number:

(312) 751-7000

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 X No

There were 11,673,749 shares of the Registrant's 33 1/3 cents per share par value Common Stock outstanding as of May 12, 1994.

FOOTE, CONE & BELDING COMMUNICATIONS, INC.
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FOOTE, CONE & BELDING COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(UNAUDITED)
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	Three months ended March 31	
	1993	1994
	-----	-----
<S>	<C>	<C>
Revenues	\$79,177	\$88,362
	-----	-----
Costs and Expenses:		
Salaries and employee benefits	\$48,443	\$55,155
Office and general expenses	26,105	27,912
Other (income) expense	949	1,225
	-----	-----
Total Costs and Expenses	\$75,497	\$84,292
	-----	-----

Income Before Provision for Taxes on Income	\$ 3,680	\$ 4,070
Provision for Federal, Foreign & State Income Taxes	1,841	1,872
	-----	-----
	\$ 1,839	\$ 2,198
Minority Interest Credit (Expense)	(47)	(73)
Equity in Earnings (Losses) of Affiliated Companies	(288)	(253)
	-----	-----
Net Income	\$ 1,504	\$ 1,872
	=====	=====
Net Income Per Share	\$.14	\$.17
	=====	=====
Average Number of Common and Common Equivalent Shares Outstanding	11,140	11,339
	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

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FOOTE CONE & BELDING COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)
(AMOUNTS IN THOUSANDS)

<TABLE>

<CAPTION>

	Mar. 31 1993	Dec. 31 1993	Mar. 31 1994
	-----	-----	-----
ASSETS:			
- - - - -			
<S>	<C>	<C>	<C>
Cash and short-term investments	\$ 23,506	\$ 65,247	\$ 18,946
Accounts receivable, net	252,964	257,133	294,200
Expenditures billable to clients	30,126	18,970	23,969
Other current assets	13,524	13,339	18,939
	-----	-----	-----
Total current assets	\$320,120	\$354,689	\$356,054
Property and equipment, net	53,958	46,189	44,686
Goodwill	39,157	50,004	49,319

Investment in affiliated companies	162,011	171,740	171,504
Other noncurrent assets	12,877	15,265	14,454
	-----	-----	-----
Total assets	\$588,123	\$637,887	\$636,017
	=====	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY:

Accounts payable and accruals	\$303,630	\$333,301	\$313,815
Short-term bank borrowings	6,206	5,070	24,529
Current portion of long-term debt	4,141	888	807
Liability for taxes on income	2,757	1,685	2,674
	-----	-----	-----
Total current liabilities	\$316,734	\$340,944	\$341,825
	-----	-----	-----
Deferred taxes	\$ 2,751	\$ 5,268	\$ 5,268
	-----	-----	-----
Long-term debt	\$ 31,232	\$ 35,367	\$ 35,293
	-----	-----	-----
Accrued future compensation exp.	\$ 26,813	\$ 29,714	\$ 29,547
	-----	-----	-----
Other noncurrent liabilities	\$ 27,577	\$ 26,564	\$ 25,141
	-----	-----	-----
Common stock	\$ 3,872	\$ 3,884	\$ 3,896
Paid-in capital	117,329	118,525	119,393
Retained earnings	69,961	83,729	82,110
Less-Treasury stock	(560)	(1,021)	(1,025)
Less-Deferred compensation	(3,305)	--	0
Cumulative translation adjustment	(4,281)	(5,087)	(5,431)
	-----	-----	-----
Total stockholders' equity	\$183,016	\$200,030	\$198,943
	-----	-----	-----
Total liabilities and stockholders' equity	\$588,123	\$637,887	\$636,017
	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of these balance sheets.

FOOTE, CONE & BELDING COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(AMOUNTS IN THOUSANDS)

<TABLE>

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<C>

Cash Flows From Operating Activities:

	1993	1994
Net income	\$ 1,504	\$ 1,872
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,479	3,626
Deferred compensation expense	(2,675)	(53)
Equity earnings of affiliates, net of dividends received	1,253	253
Accounts receivable	(15,411)	(37,067)
Accounts payable and accruals	1,170	(18,497)
Billable expenditures and other current assets	(5,932)	(10,599)
Other	252	(605)
	\$ (16,360)	\$ (61,070)

Cash Provided By (Used For) Financing Activities:

Short-term investments and marketable securities	\$ 9,227	\$ 36,059
Additions to long-term debt	43	45
Payments of long-term debt	(105)	(342)
Cash dividends paid	(3,453)	(3,491)
Common stock issuances	1,176	876
Short-term borrowings	652	19,459
	\$ 7,540	\$ 52,606

Cash Provided By (Used For) Investment Activities:

Purchase of subsidiaries	\$ (12)	\$ (381)
Purchase of interest in affiliated companies	(523)	--
Capital expenditures	(2,896)	(1,397)
	\$ (3,431)	\$ (1,778)
Increase (Decrease) In Cash	\$ (12,251)	\$ (10,242)
Balance at beginning of period	24,897	26,111
Balance at end of period	\$ 12,646	\$ 15,869

</TABLE>

The accompanying notes are an integral part of these statements.

FOOTE, CONE & BELDING COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 1993 AND 1994
(UNAUDITED)

- (1) The condensed financial statements included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, and include all adjustments (which comprise only normal recurring items) which the Company considers necessary for a fair presentation. 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. The consolidated condensed financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's latest Annual Report on Form 10-K.

Revenues and net income for the first three months of the year should not be considered reliable indicators of revenues or net income for the entire year.

- (2) The number of shares outstanding reflects the potential dilution of shares expected to be earned through profit performance contracts and outstanding stock options. Per share income amounts are not materially different on a fully diluted basis.

FOOTE, CONE & BELDING COMMUNICATIONS, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Net income for the first quarter totaled \$1,872,000 or \$.17 per share, up 24.5% over 1993 first quarter net income of \$1,504,000 or \$.14 per share.

Revenues increased 11.6% to \$88,362,000 in 1994 from \$79,177,000 in 1993. North American revenues increased 5.9% to \$73,719,000 in 1994 while international revenues increased 52.6% to \$14,643,000. Excluding the impacts of acquisitions and the 1993 divestiture of Krupp/Taylor USA, North American and international revenues increased 7.2% and 7.4%, respectively.

Salaries, employee benefits, and office and general expenses increased 11.4% to \$83,067,000 in 1994. The Company's ongoing cost containment program is the primary reason that the rate of increase in these categories of expenses is less than the growth rate for revenues. The increase in other expense is primarily due to higher currency losses recognized in 1994 on the positive operating

results of FCB operations in Brazil. During the first quarter of 1994, the Company adopted the provisions of Statement of Accounting Standards No. 112 (SFAS No. 112), "Employers' Accounting for Postemployment Benefits". The impact of the adoption of SFAS No. 112 was immaterial to the Company's results of operations and financial condition because it offers limited related benefits.

The effective tax rate for 1994 is 46% compared to 50% in 1993. The decrease results primarily from a shift in the mix of worldwide earnings to countries having lower effective tax rates.

Equity income, which consists primarily of FCB's share of European operations was a loss of \$253,000 in 1994 compared to a loss of \$288,000 in 1993. Historically, the results of operations in Europe tend to be very cyclical, with the first quarter of the year being the weakest.

LIQUIDITY AND CAPITAL RESOURCES

- - - - -

As more fully explained below, the decline in "Cash and short-term investments" and increases in "Accounts receivable, net", "Expenditures billable to clients", and "Short-term bank borrowings" from the beginning of the year reflect the cyclical nature of the advertising business and are inter-related.

The increase in "Expenditures billable to clients" is due to the production of client commercials which will be shown during the summer months. The costs related to these commercials are billed to clients during the second quarter when the commercials are completed. Commercial production activity in the last month of the year is typically low.

The increase in "Accounts receivable, net" is due, in part, to a slowing of collections which also is typical of the middle portion of the calendar year, and because media billings for the month of March 1994 were higher than those of December 1993.

The decrease in "Cash and short-term investments" and the increase in "Short-term bank borrowings" reflect the higher level of commercial production activity, as well as the slowing of accounts receivable collections during the middle parts of the year.

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS - NONE.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits - None

(b) Reports on Form 8-K - None

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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.

FOOTE, CONE & BELDING COMMUNICATIONS, INC.
(Registrant)

/s/ John J. Rezich

(Signature)

John J. Rezich
Director, Financial Accounting and
Reporting and Chief Accounting Officer

Date: May 12, 1994

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