

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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JOSTENS INC

CIK: 54050 | IRS No.: 410343440 | State of Incorporation: MN | Fiscal Year End: 0630
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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD
ENDED MARCH 31, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD
FROM TO

Commission file number 1-5064

JOSTENS, INC.

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of
incorporation or organization)

41-0343440

(I.R.S. Employer Identification Number)

5501 Norman Center Drive, Minneapolis, Minnesota
(Address of principal executive offices)

55437
(Zip Code)

612-830-3300

(Registrant's telephone number including area code)

(Former name, address and fiscal year, if changed since last report)

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. Yes X No

The number of shares outstanding of the registrant's only class of common stock on March 31, 1995 was 45,507,201.

JOSTENS, INC.

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Part I. Financial Information

Item 1. Financial Statements (Unaudited):

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Condensed Consolidated Statements of Income for the Three Months Ended March 31, 1995 and 1994 and the Nine Months Ended March 31, 1995 and 1994

Condensed Consolidated Statements of Cash Flows for the Nine Months Ended March 31, 1995 and 1994

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Signatures

JOSTENS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	(Unaudited)		
	March 31,	June 30,	
	1995	1994	1994
CURRENT ASSETS			
Cash and short-term investments	\$ 65,906	\$ 45,658	\$107,827
Accounts receivable	150,722	131,268	149,206
Inventories:			
Finished products	28,786	36,536	28,026
Work-in-process	76,453	83,769	23,879
Materials and supplies	36,389	40,568	30,733
	141,628	160,873	82,638
Deferred income taxes	39,985	23,449	39,985
Prepaid expenses	5,432	10,139	6,123
Other receivables	23,855	23,791	10,338
	427,528	395,178	396,117
OTHER ASSETS			
Intangibles	45,826	44,447	47,737
Software development costs	26,139	57,820	29,356
Other	15,206	27,536	20,850
	87,171	129,803	97,943
PROPERTY AND EQUIPMENT			
Accumulated depreciation	218,245	209,923	207,641
	(147,421)	(134,762)	(131,870)
	70,824	75,161	75,771
	\$585,523	\$600,142	\$569,831
CURRENT LIABILITIES			
Accounts payable	\$ 20,842	\$ 22,525	\$ 33,192
Salaries, wages and commissions	47,282	43,052	68,394
Customer deposits	97,764	94,745	36,080
Other liabilities	53,802	47,921	71,065
Income taxes	16,917	2,176	14,663
	236,607	210,419	223,394
LONG-TERM DEBT			
	54,097	54,377	54,267
DEFERRED INCOME TAXES			
	5,943	10,661	5,943
OTHER NON-CURRENT LIABILITIES			
	30,646	20,240	29,646
SHAREHOLDERS' INVESTMENT			
Preferred shares, \$1.00 par			

value:

Authorized 4,000 shares,
none issued

- - -

Common shares, \$.33 1/3 par

value:

Authorized 100,000 shares

Issued - 45,507, 45,451

and 45,482 shares,

respectively

15,210 15,150 15,160

Capital surplus

153,478 152,987 152,996

Retained earnings

94,384 139,101 92,855

Foreign currency translation

(4,842) (2,793) (4,430)

258,230 304,445 256,581

\$585,523 \$600,142 \$569,831

JOSTENS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	1995	1994	1995	1994
NET SALES	\$163,120	\$158,726	\$484,567	\$505,432
Cost of products sold	81,405	82,965	241,038	263,640
	81,715	75,761	243,529	241,792
Selling and administrative expenses	67,630	90,291	205,146	241,124
OPERATING INCOME (LOSS)	14,085	(14,530)	38,383	668
Net interest expense (income)	(465)	989	488	4,176
	14,550	(15,519)	37,895	(3,508)
Income taxes	6,039	(6,272)	15,727	(1,421)
INCOME (LOSS) FROM CONTINUING OPERATIONS	8,511	(9,247)	22,168	(2,087)
DISCONTINUED OPERATIONS:				
Loss from operations, net of tax	-	-	-	(810)
Gain on sale of discontinued				

operations, net of tax	-	10,987	-	10,987
Cumulative effect of change in accounting principle, net of tax	-	-	(634)	-
NET INCOME	\$ 8,511	\$ 1,740	\$ 21,534	\$ 8,090
EARNINGS (LOSS) PER COMMON SHARE:				
Continuing operations	\$.18	\$ (.20)	\$.48	\$ (.04)
Loss from discontinued operations	-	-	-	(.02)
Gain on sale of discontinued operations	-	.24	-	.24
Cumulative effect of change in accounting principle	-	-	(.01)	-
Net income	\$.18	\$.04	\$.47	\$.18
Average shares outstanding	45,491	45,450	45,493	45,446
Dividends declared per common share	\$.22	\$.22	\$.44	\$.66

JOSTENS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine Months Ended March 31,	
	1995	1994
OPERATING ACTIVITIES		
Net income	\$ 21,534	\$ 8,090
Depreciation and amortization	22,992	28,100

Changes in assets and liabilities	(43,797)	15,546
Gain on sale of Sportswear	-	(10,987)
	729	40,749
INVESTING ACTIVITIES		
Capital expenditures	(10,591)	(8,625)
Software development costs	(6,737)	(14,976)
Minority investments	4,322	-
Net proceeds from sale of Sportswear	-	44,724
	(13,006)	21,123
FINANCING ACTIVITIES		
Short-term borrowing	-	-
Cash dividends	(30,006)	(29,995)
Other	362	217
	(29,644)	(29,778)
INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	\$ (41,921)	\$ 32,094

JOSTENS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

Because of the seasonal nature of the Company's business, the results of operations for the nine months ended March 31, 1995, are not necessarily indicative of the results for the entire year ending June 30, 1995.

Certain fiscal 1994 balances have been reclassified to conform to the fiscal 1995 presentation.

SFAS 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, must be adopted not later than fiscal 1997. The implementation of this statement is not expected to have a material impact on the results of operations.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K and 10-K/A for the year ended June 30, 1994.

DISCONTINUED OPERATIONS

In January 1994, the Company sold its Sportswear business which has been recorded as a discontinued operation, and the historical financial statements have been reclassified accordingly. (See Management Discussion and Analysis for further discussion).

CHANGE IN ACCOUNTING PRINCIPLE

The Company was required to and did adopt SFAS 112, Employers' Accounting for Post-Employment Benefits, in the first quarter of fiscal 1995. The charge to earnings was \$1.1 million (\$.6 million after tax, \$.01 per share), representing the cumulative amount of liability to be recorded under SFAS 112 as of the beginning of fiscal 1995.

EARNINGS PER COMMON SHARE

Earnings per common share have been computed by dividing net income by the average number of common shares outstanding. The impact of any additional shares issuable upon exercise of dilutive stock options is not material.

DIVIDENDS

The cash dividends declared for the nine months ended March 31, 1995 and 1994 do not include the third quarter dividend of \$.22 declared in April 1995 and 1994. The dividends declared for the nine months ended March 31, 1994 include the fourth quarter dividend for fiscal 1993 which was declared in July of 1993.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION

Net working capital was \$190.9 and \$172.7 million at March 31, 1995, and June 30, 1994, respectively. The seasonality of the Company's business normally requires interim financing of operations and inventories and these cash requirements have typically been met through the issuance of short-term commercial paper. However, due to the sale of the Sportswear business and improved cash flow from operations during fiscal 1994, the Company ended the fiscal year with cash and short-term investments of \$107.8 million. These funds, along with the proceeds from Jostens Learning's sale of its Adult business and equity interest in Optical Data Corporation which occurred in the first quarter of fiscal 1995 (\$7.5 and \$4.2 million, respectively), were used to finance the Company's operations during the first three quarters of fiscal 1995.

Accounts receivable are up \$19.5 million from March 31, 1994, primarily due to increased sales in the later part of the third quarter as well as more Jostens Learning customers seeking payment terms closer to installation rather than at the time of receipt.

Inventories have increased from June 30, 1994, due to the seasonality of the business. The decrease of \$19.2 million from March 31, 1994 is primarily the result of reduced inventories at Jostens Learning due to restructuring of that business in fiscal 1994.

Other receivables have increased from \$10.3 million at June 30, 1994 to \$23.9 million at March 31, 1995 primarily due to the Company's seasonality of sales. This account represents receivables from sales representatives who historically are in overdraft positions in the first three quarters of the year due to the payment of draws, prior to commissions being earned.

Capitalized software development costs have decreased from June 30, 1994, primarily due to the sale of Jostens Learning's Adult business. Software development costs have decreased from March 31, 1994, due primarily to the restructuring charges at Jostens Learning and the sale of the Adult business.

Salaries, wages and commissions payable decreased from \$68.4 million at June 30, 1994, to \$47.3 million at March 31, 1995. The decrease is due to payment of severance accruals related to the restructuring, payment of bonuses and timing of commission

payments as commissions payable reaches its highest balance at year end.

Other liabilities decreased from \$71.1 million at June 30, 1994 to \$53.8 million at March 31, 1995. The decrease is primarily due to dividends accrued in the June balance that were paid in the first quarter as well as restructuring accruals that have decreased since year end due to payments made.

Capital expenditures through March 31, 1995, are \$10.6 million, approximately \$2.0 million higher than the comparable period in fiscal 1994. Major projects in process include a business systems upgrade involving new hardware and software for field and headquarter locations.

Interest expense decreased by \$1.3 million for the nine months ended March 31, 1995 over the comparable period of the prior fiscal year. The decrease is due to the strong cash position at year end which eliminated the Company's need for short-term borrowing for operational needs. In addition, interest income increased \$1.4 and \$2.4 million respectively, for the three and nine months ended March 31, 1995 over the comparable periods of the prior fiscal year. The increase in interest income is due to the effects of maintaining higher cash balances through the first three quarters of fiscal 1995 and from higher short-term interest rates.

RESULTS OF OPERATIONS

Continuing Operations

Net sales for the three months ended March 31, 1995 were \$163.1 million, an increase of 3% over the prior year. Sales increases for the quarter were driven by the company's traditional school businesses. Net sales for the nine months ended March 31, 1995 were \$484.6 million, a 4% decrease over the prior year. The Company's lower sales were due primarily to planned reductions in the U.S. Photography and Jostens Learning businesses relating to the restructurings that previously occurred in both of these businesses. The planned reduction in sales in the Photography business is due to both its move away from lower margin business, and reduction in capacity due to closing of two plants in fiscal 1994. Reduced sales at Jostens Learning reflects the sale of the Adult business and progress with exiting the hardware business as planned for in Jostens Learning's restructuring.

In the first quarter, the Company asked Goldman Sachs, an investment banker, to help explore possible relationships between Jostens Learning and other companies. This review began in the second quarter and is expected to be completed by

the end of the fiscal year.

Cost of products sold were \$81.4 and \$241.0 million, respectively, for the three and nine months ended March 31, 1995. Costs, as a percent of sales, were 49.9% and 49.7%, respectively, as compared to 52.3% and 52.2% in the same periods last year. The improved margins are primarily attributable to the inventory change in estimate of \$3.2 million as described in the annual report and recorded in the third quarter of fiscal 1994. The margins have also been helped by Jostens Learning's progress on exiting the hardware business, (which has lower-margins) and lower software amortization costs due to the fiscal 1994 restructuring at Jostens Learning.

Selling and administrative expenses were \$67.6 and \$205.1 million, respectively, for the three and nine months ended March 31, 1995. These expenses as a percent of sales, were 41.5% and 42.3%, respectively, as compared to 56.9% and 47.7% in the same periods last year. The decrease is primarily due to the changes in accounting estimates of \$7.7 million for receivables and \$6.0 million for overdrafts as described in the annual report and recorded in the third quarter of fiscal 1994. Expenses were further reduced due to cost reduction efforts of the 1994 restructuring at Jostens Learning and corporate, as well as cost reductions associated with the closing of photography plants that were part of the fiscal 1993 restructuring. Jostens Learning also recorded future lease commitments for the nine months of fiscal 1995 of \$1.1 million on four facilities that were vacated as a result of the personnel reductions. The Company estimates that an additional loss of \$.8 million will be incurred over the remainder of the fiscal year as additional lease space is vacated and abandoned as a result of the restructuring plan.

Because of the seasonality of the Company's business, income reported for the three months ended March 31, 1995 was less than the results for the three months ended December 31, 1994. This seasonality historically shows an increase in income for the three months ended June 30 of each year. The differences in sales volume and product mix between quarters and the timing of selling and administrative expenses during the year affect interim pre-tax margins.

As part of the Company's continuing environmental management program, the Company is involved in various environmental improvement activities. As sites are identified and assessed in this program, the Company determines potential environmental liability. Factors considered in assessing this liability include, among others, the following: whether the Company has been designated as a potentially responsible party, the number

of other potentially responsible parties designated at the site, the stage of the proceedings, and available environmental technology. When the potential liability amounts are probable and reasonably estimable, the Company accrues the best estimate when available, and for specific sites where only a range of liability is probable and reasonably estimable and no amount in the range is a better estimate than another, the Company has accrued the low end of that range. While the Company may have right of contribution or reimbursement under insurance policies, amounts that may be recoverable from other entities by the company with respect to a particular site are not considered until recoveries are deemed to be probable. No assets for potential recoveries have been established as of March 31, 1995.

The amount accrued during the third quarter of fiscal 1995 with respect to potential liability is recorded as part of "other liabilities". This amount represents approximately one percent of that line item and accordingly is not material to the Company's financial position.

The Company also assesses reasonably possible environmental liability beyond that which has been accrued. This liability is not probable, but is more likely than remote. As of March 31, 1995, the Company has identified four sites which require further investigation. The potential liability cannot be fully assessed as they are in the early stages of investigation. In addition, two other sites are nearing completion and did not require any accruals. The amount of Company environmental liability identified that is reasonably possible is not likely to have a material impact on the Company's liquidity, capital resources or results of operations.

Discontinued Operations - Sale of Sportswear Business: In January 1994, the Company sold its Sportswear business to a subsidiary of Fruit of the Loom for \$46.7 million. The future impact of this sale on continuing operations and cash flow has been and is expected to be immaterial. Revenues and income taxes included in discontinued operations related to the Sportswear business for the three and nine months ended March 31, 1994, were; net sales of zero and \$52.1 million respectively, and income tax expense of \$7.5 and \$7.0 million respectively.

RESTRUCTURING UPDATE

The closing of the Jackson photography facility, which was announced in the beginning of the third quarter and represented the final phase of the 1993 restructuring, was completed by the end of the third quarter. The 1993 restructuring accrual

decreased during the first three quarters of fiscal 1995 by \$3.6 million in cash payments and \$.3 million due to non-cash items. The remaining restructuring accrual at March 31 1995, is \$7.7 million. The Company expects this accrual to be reduced by \$2.0 million in non-cash items and \$2.0 million in cash payments during the remainder of fiscal 1995. The accrual will also be reduced by expected cash payments in subsequent periods as follows: fiscal 1996, \$2.2 million; fiscal 1997 and beyond, \$1.5 million.

The 1994 restructuring accrual decreased by \$13.3 million in the first three quarters of fiscal 1995 due to \$11.9 million of cash payments and \$1.4 million in non-cash items from exits of ancillary lines of business. The remaining restructuring accrual at March 31, 1995, is \$14.9 million. The Company expects payments relating to the remaining \$14.9 million of accruals to occur in fiscal 1995, \$1.4 million, fiscal 1996, \$9.1 million, and fiscal 1997 and beyond, \$4.4 million.

Among the accomplishments of Jostens Learning principally related to the fiscal 1994 restructuring were the following:

- 1) It has established a new customer training model to reduce the number of Jostens Learning employees necessary to support teacher training. This model began to be offered for sale in the first quarter in connection with the sale of Training PLUS, a new and more efficient teacher training program. Deliveries have occurred in the third quarter.
- 2) It began taking orders for the new single management system, called A+dvantage. Deliveries of this single integrated learning operating system, as well as customer upgrades to the single system, are expected to begin at the end of the current school year in June 1995.
- 3) It has contracted with a third party to supply computer hardware equipment to Jostens Learning customers. It also contracted with a third party to provide hardware maintenance and service.

PART II. OTHER INFORMATION

Item 6. Exhibits and reports on Form 8-K

(a) Exhibit 27 Financial Data Schedule

(b) No reports on Form 8-K were filed during the quarter for which this report is filed.

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.

JOSTENS, INC.

Date	May 10, 1995	\s\ Robert C. Buhrmaster Robert C. Buhrmaster President and Chief Executive Officer
		\s\ Trudy A. Rautio Trudy A. Rautio Senior Vice President - Finance

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This schedule contains summary financial information extracted from Jostens Inc. consolidated financial statements as of and for the nine months ended March 31, 1995, and is qualified in its entirety by reference to such financial statements.

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