

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-17** | Period of Report: **1994-04-04**  
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### FILER

#### **ADIA SERVICES INC**

CIK: **752200** | IRS No.: **942933186** | State of Incorpor.: **DE** | Fiscal Year End: **0102**  
Type: **10-Q** | Act: **34** | File No.: **000-13195** | Film No.: **94529104**  
SIC: **7363** Help supply services

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## FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended April 4, 1994

Commission file number 0-13195

ADIA SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware

94-2933186

(State or other jurisdiction of  
incorporation or organization)(I.R.S. Employer  
identification No.)

100 Redwood Shore, Redwood City, CA

94065

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (415) 610-1000

64 Willow Place, Menlo Park, CA 94025

(Former address, 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 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  No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 1994
Common Stock, \$.25 par value	7,019,023
Class B Common Stock	5,600,000

ADIA SERVICES, INC. AND SUBSIDIARIES

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ADIA SERVICES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Income (Unaudited)

(In thousands, except per share amounts)

<TABLE>  
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	Three Months Ended March 31,	
	1994	1993
<S>	<C>	<C>
Net service revenues and other income	\$269,763	\$208,737
Direct costs of services, consisting of direct labor, payroll taxes, insurance and benefits for temporary employees	196,462	149,273
Selling, general and administrative expenses	62,681	52,322
Amortization of intangibles	1,215	1,325
Interest expense (income), net	(463)	(727)
	259,895	202,193
Income before income taxes	9,868	6,544
Provision for income taxes	4,440	2,945
Net income	\$ 5,428	\$ 3,599
Weighted average shares outstanding	12,581	12,554
Net income per share	\$ .43	\$ .29
Cash dividends per share		
Common stock	\$ .04	\$ .04
Class B common stock	\$ .035	\$ .035

</TABLE>

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

Condensed Consolidated Statements of Financial Position (Unaudited)

(In thousands of dollars)

<TABLE> <CAPTION>	March 31, 1994	December 31, 1993
<S>	<C>	<C>
<b>ASSETS</b>		
Current assets		
Cash and short-term investments	\$ 80,292	\$ 67,828
Trade accounts receivable, net	128,064	119,210
Notes and other receivables	3,539	4,108
Deferred income taxes	17,043	15,478
Other current assets	4,961	5,034
	-----	-----
Total current assets	233,899	211,658
Property, equipment and leasehold improvements		
	\$42,967	\$38,338
Less, accumulated depreciation and amortization	27,066	24,454
	-----	-----
Cost in excess of net assets of acquired companies	72,952	70,240
Other intangible assets	3,415	3,929
Other assets	3,264	2,937
	-----	-----
	\$329,431	\$302,648
	=====	=====
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 92,803	\$ 76,978
Income taxes payable	9,331	4,907
Current portion of long-term debt	1,326	239
	-----	-----
Total current liabilities	103,460	82,124
Long-term debt	758	859
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock none, issued or outstanding		
Common stock	\$ 3,157	\$ 3,149
Additional paid-in capital	102,207	101,621
Retained earnings	120,156	115,202
	-----	-----
	225,520	219,972
Less: Treasury stock	(307)	(307)
	-----	-----
	225,213	219,665
	-----	-----
	\$329,431	\$302,648
	=====	=====

</TABLE>

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

ADIA SERVICES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In thousands of dollars)

<TABLE>

<CAPTION>

	Three months ended March 31,	
	1994	1993
<S>	<C>	<C>
Operations		
Net income	\$ 5,428	\$ 3,599
Charges and credits to income not affecting cash		
Depreciation	1,495	1,279
Amortization	1,169	1,382
Deferred income taxes	(1,200)	(569)
Accounts receivable	(5,993)	(8,718)
Accounts payable and accrued expenses	10,705	7,384
Other working capital	4,824	3,457
Other operating flows	(278)	123
	-----	-----
	16,150	7,937
	-----	-----
Investing		
Acquisitions	(1,000)	(13)
Additions to property, equipment and leasehold improvements	(3,272)	(1,717)
	-----	-----
	(4,272)	(1,730)
	-----	-----
Financing		
Issuance of common stock	594	62
Dividends paid	(475)	(475)
Increase in long-term debt	499	23
Repayments of debt	(32)	(31)
	-----	-----
	586	(421)
	-----	-----
Net increase in cash and short-term investments	12,464	5,786
Cash and short term investments		
Beginning of period	67,828	21,021
	-----	-----
End of period	\$80,292	\$26,807
	=====	=====

</TABLE>

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

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ADIA SERVICES, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1: Basis of Presentation

The accompanying condensed consolidated financial statements of Adia Services, Inc. and subsidiaries for the three month periods ended March 31, 1994 and 1993 are unaudited. However, in the opinion of the Company, all adjustments necessary for a fair presentation have been reflected therein.

Certain financial information which is normally included in financial statements prepared in accordance with generally accepted accounting principles, but which is not required for interim reporting purposes, has been condensed or omitted. The accompanying condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report.

The results of operations for the three month period ended March 31, 1994 are

not necessarily indicative of the results to be expected for the full year.

NOTE 2: Majority Stockholder

On March 22, 1994, the Registrant received a merger proposal from Adia S.A. ("ASA"), whereby ASA would acquire all the outstanding common shares of the Company which it does not currently own. ASA owns, through its wholly-owned subsidiary, Adia Holdings Incorporated ("AHI"), 4,632,348 shares of the Registrant's common stock and 5,600,000 shares (100%) of the Registrant's Class B common stock, which together represent 81.4% of the Registrant's outstanding shares. Based upon the higher voting power of the Class B common stock, ASA controls 96.3% of the votes.

In the proposed merger, eight shares of common stock of the Registrant would be exchanged for one share of ASA stock and \$112.00 in cash. The Registrant's special committee of outside Directors is presently reviewing the merger proposal.

The Company acquired Adia Canada, Ltd., a wholly-owned subsidiary of ASA for \$1 million as of the beginning of 1994. This transaction was accounted for as a purchase based upon a purchase price determined by independent appraisal. Recording this transaction as a deemed distribution to ASA would not have produced a materially different result.

Under the existing tax sharing agreement between the Company and AHI, the Company shares in any Federal tax savings realized as a result of its consolidation for tax purposes with other AHI companies. Because of the expected 1994 operating results of the other AHI companies included in the tax consolidation, the Company does not presently anticipate any tax savings for 1994 and, accordingly, did not record any such tax benefit in the first quarter of 1994.

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ADIA SERVICES, INC. AND SUBSIDIARIES

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

Results of Operations

- - - - -

During the first quarter of 1994, net income increased to \$5.4 million (\$.43 per share) as compared to \$3.6 million (\$.29 per share) for the first quarter of 1993.

The Company's operating results for the first quarter of 1994 were positively affected by the growth in the general economy. Additionally, the trend on the part of business to incorporate temporary help into their manpower planning continues to favorably impact Adia's business as well as the industry as a whole. During the quarter, Adia's number of hours sold increased 28% and the Company once again achieved record revenues. Revenues for the first quarter of 1994 increased 29.2% to \$269.8 million as compared to \$208.7 million in 1993. Gross margin dollars during this same period increased 23.3% although gross margin as a percentage of revenues fell from 28.5% to 27.2%. The increase in revenues reflects the increase in the total number of hours sold and slight increases in overall average bill rates, permanent placement and outplacement revenues. The higher overall gross margin dollars also results from the increase in volume while the decrease in the gross margin percentage stems from a combination of higher pay rates required to attract and retain highly qualified temporaries and higher employer related costs for workers' compensation and unemployment taxes. Because of continued competitive pricing pressures, the full amount of these benefit costs could not be passed along in the form of higher bill rates. The Company continues to maintain overall gross margin levels higher than average for the temporary employment industry resulting from its mix of specialty operations as well as its strategy of providing highly skilled general temporary help.

Selling, general and administrative expenses increased 20% as compared to the same period a year ago. As a percentage of revenues, these expenses decreased to 23% from 25%. The overall increase is due principally to increased incentive

compensation directly related to improved branch profitability. The Company continues to pursue cost efficiency measures to continue decreasing these costs as a percentage of revenues.

Net interest income decreased during the first quarter of 1994 as compared to the first quarter of 1993. In the prior year, the Company was able to offset the general decline in market interest rates through its loan with Adia Holdings Incorporated ("AHI"), the Company's majority stockholder, which provided for a yield on all funds loaned to AHI higher than the yield on current short-term investments. This loan was repaid in full during December 1993.

#### Liquidity and Capital Resources

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The Company continues to internally generate sufficient cash to support its ongoing operations.

The Company continues to have a credit agreement with Adia Holdings Incorporated (its majority stockholder-"AHI"), whereby AHI may borrow up to \$50 million from the Company. As of March 31, 1994, there are no outstanding borrowings under this line.

The Company has paid uninterrupted quarterly dividends on its Common Stock since its initial public offering in October 1984. Quarterly cash dividends are currently \$.04 per share for Common Stock and \$.035 per share for Class B common stock.

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### ADIA SERVICES, INC. AND SUBSIDIARIES

#### PART II - Other Information

#### Item 6. Exhibits and Reports on Form 8-K

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(a) Exhibits  
None

(b) Reports on Form 8-K  
A Form 8-K was filed as of March 22, 1994 to report under Item 5 the merger proposal received by the Registrant from its majority stockholder, Adia S.A.

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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.

ADIA SERVICES, INC.

Date: May 5, 1994

By: /s/ JOHN P. BOWMER

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John P. Bowmer  
Chief Executive Officer and Director

Date: May 5, 1994

By: /s/ JON H. ROWBERRY

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Jon H. Rowberry  
Senior Vice President,  
Chief Financial Officer and Director

