

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-01-11** | Period of Report: **1995-11-30**  
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### FILER

#### **BCT INTERNATIONAL INC /**

CIK: **351541** | IRS No.: **222358849** | State of Incorpor.: **DE** | Fiscal Year End: **0228**  
Type: **10-Q** | Act: **34** | File No.: **000-10823** | Film No.: **96502831**  
SIC: **5110** Paper & paper products

#### Mailing Address

*3000 NE 30TH PL  
5TH FL  
FORT LAUDERDALE FL 33306*

#### Business Address

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FT LAUDERDALE FL 33306  
3055631224*

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the Quarter ended November 30, 1995

Commission File No. 0-10823

BCT INTERNATIONAL, INC.

(Exact name of Registrant as specified in its Charter)

Delaware

22-2358849

(State of Incorporation)

(I.R.S. Employer Identification Number)

3000 NE 30th Place, 5th Floor, Fort Lauderdale, FL

33306

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (305) 563-1224

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 .

Number of shares of common stock outstanding as of January 9, 1996: 4,940,500

BCT INTERNATIONAL, INC.

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PART I. FINANCIAL STATEMENTS

BCT INTERNATIONAL, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)  
(000's omitted)

<TABLE>

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ASSETS	November 30, 1995	February 28, 1995
-----	-----	-----
<S>	<C>	<C>
Current assets:		
Cash and cash equivalent	\$ 890	\$ 1,299
Short-term investments	690	1,071
Accounts and notes receivable, net of allowance for doubtful accounts of \$250 (\$337 in fiscal 1995) and deferred interest of \$18 (\$18 in fiscal 1995)	2,870	2,305
Receivables from employees	43	76
Inventory, net of reserve of \$105 (\$105 in fiscal 1995)	2,111	1,863
Assets held for sale, net	168	216
Prepaid expenses and other current assets	80	25
Net deferred tax asset	79	88
	-----	-----
TOTAL	6,931	6,943
	-----	-----
Accounts and notes receivable, net of allowance for doubtful accounts of \$591 (\$551 in fiscal 1995)	621	259
Property and equipment, less allowance for depreciation and amortization of \$451 (\$313 in fiscal 1995)	1,067	640
Net deferred tax asset	1,323	1,466
Deposits and other assets	85	131
	-----	-----
	3,096	2,496
	-----	-----
Trademark, net of accumulated amortization	166	170
Intangible assets, net of accumulated amortization	296	409
	-----	-----
	\$ 10,489	\$ 10,018
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
-----		
Current liabilities:		
Accounts payable	\$ 1,156	\$ 928
Notes payable	4	162
Accrued liabilities	236	287
Accrued payroll	23	24
	-----	-----
TOTAL	1,419	1,401
Notes payable - non-current	48	48
	-----	-----
	1,467	1,449
	-----	-----
Minority stockholder interest	3	---
	-----	-----
Preferred stock, Series A, 12% cumulative, \$1 par value,		

mandatorily redeemable, 810 shares authorized, 260 shares issued and outstanding (810 shares in 1995)	260	810
	-----	-----
	260	810
	-----	-----
Stockholders' equity:		
Common stock, \$.04 par value, 25,000 shares authorized, 5,164 shares issued and outstanding (4,785 shares in fiscal 1995)	207	191
Paid in capital	11,641	11,110
Accumulated deficit	( 2,588)	( 3,054)
	-----	-----
	9,260	8,247
Less: treasury stock, at cost, 231 shares (224 shares in fiscal 1995)	( 501)	(488)
	-----	-----
Total stockholders' equity	8,759	7,759
	-----	-----
	\$ 10,489	\$ 10,018
	=====	=====

</TABLE>

See notes to condensed consolidated financial statements.

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BCT INTERNATIONAL, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)  
(000's omitted)

<TABLE>

<CAPTION>

	Nine Months Ended		Three Months Ended	
	November 30		November 30	
	1995	1994	1995	1994
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Gross revenues	\$12,502	\$10,145	\$4,002	\$3,184
Cost of sales	6,491	5,367	2,071	1,649
	-----	-----	-----	-----
	6,011	4,778	1,931	1,535
Selling and administrative expense	5,269	3,842	1,890	1,303
	-----	-----	-----	-----
Income before income taxes	742	936	41	232
Income tax expense	191	198	25	51
	-----	-----	-----	-----
Net income	\$ 551	\$ 738	\$ 16	\$ 181
	=====	=====	=====	=====

</TABLE>

See notes to condensed consolidated financial statements.

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BCT INTERNATIONAL, INC.  
COMPUTATION OF EARNINGS PER SHARE  
(UNAUDITED)  
(000's omitted, except for per share amounts)

<TABLE>

<CAPTION>

	Nine Months Ended		Three Months Ended	
	November 3		November 30	
	1995	1994	1995	1994
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Primary:				
Average number of shares outstanding	4,652	3,034	4,817	3,261
Common stock equivalents	881	1,818	880	1,945
	-----	-----	-----	-----
Totals	5,533	4,852	5,697	5,206
	=====	=====	=====	=====

Fully diluted:				
Average number of shares outstanding	4,652	3,034	4,817	3,261
Common stock equivalents and dilutive securities	1,344	4,386	1,359	4,717
Totals	5,996	7,420	6,176	7,978
Earnings per common share:				
Net Income:				
Primary	\$ .07	\$ .13	\$ .003	\$ .03
Fully diluted	\$ .07	\$ .06	\$ .003	\$ .01

</TABLE>

See notes to condensed consolidated financial statements.

BCT INTERNATIONAL, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
NINE MONTHS ENDED NOVEMBER 30, 1995  
(UNAUDITED)  
000's omitted  
-----

<TABLE>  
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	Common Stock			Accumulated Deficit	Less: Treasury Stock	
	Number of Shares	Par Value	Paid In Capital			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance February 28, 1995	4,785	\$191	\$11,110	\$ ( 3,054)	\$ ( 488)	\$ 7,759
Exercise of warrants	7	1	13	---	(13)	1
Issuance of warrants	---	---	28	---	---	28
Conversion of 550 shares of Series A Preferred Stock at a conversion ratio of \$1.48.	372	15	535	---	---	550
Registration costs	---	---	( 45)	---	---	( 45)
Net income	---	---	---	551	---	551
Dividend declared on convertible preferred stock	---	---	---	( 85)	---	( 85)
Balance November 30, 1995	5,164	\$207	\$11,641	\$ ( 2,588)	\$ (501)	\$8,759

</TABLE>

See notes to condensed consolidated financial statements.

BCT INTERNATIONAL, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)  
(000's omitted)

<TABLE>  
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Nine months ended

	November 30	
	1995	1994
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 551	\$ 738
Adjustments to reconcile net income to net cash provided by operating activities:		
Income tax benefit	( 151)	( 226)
Income tax expense	342	376
Depreciation and amortization	245	215
Cost assigned to warrants issued	28	27
Accretion of commission paid on Series B convertible preferred stock	---	78
(Increase) in accounts and notes receivable	( 894)	( 302)
(Increase) in inventory	( 248)	( 137)
(Increase) in assets held for sale	( 209)	---
(Increase) in prepaid expenses and other assets	( 55)	( 74)
(Increase) in intangible assets	---	( 2)
(Increase) in deposits and other assets	( 45)	( 10)
Decrease (increase) in accounts payable and accrued liabilities	661	( 396)
Total adjustments	( 326)	( 451)
Net cash provided by operating activities	225	287
Cash flows from investing activities:		
Decrease in short-term investment	381	---
Capital expenditures	( 467)	( 108)
Acquisition of franchisee plant	( 276)	( ---)
Net cash (used) by investing activities	( 362)	( 108)
Cash flows from financing activities:		
Issuance of preferred stock	---	1,300
Dividend payments on preferred stock	( 62)	( 203)
Restricted cash	---	738
Issuance of common stock	---	1,412
Expenses associated with registration of securities	( 50)	---
Repayment of subordinated debentures	---	( 1,180)
Principal payments on notes payable	( 160)	( 76)
Net cash (used) provided by financing activities	( 272)	1,991
Net (decrease) increase in cash and cash equivalents	( 409)	2,170
Cash and cash equivalents at beginning of period	1,299	80
Cash and cash equivalents at November 30	\$ 890	\$ 2,250
Interest paid	\$ 7	\$ 36
Income taxes paid	\$ 55	\$ 47

</TABLE>  
Non-cash activities  
-----

During the third quarter ended November 30, 1995, \$550 of convertible Series A preferred stock was converted into 372 shares of common stock, respectively.

See notes to condensed consolidated financial statements.

During the three quarters ended November 30, 1995, the Company repossessed three existing franchisee plants and acquired \$228 in tangible assets in exchange for funds owed the Company.

During the first quarter ended May 31, 1994, \$252 and \$150 of subordinated convertible debentures were converted into 84 and 66 shares of common stock, respectively.

During the first quarter ended May 31, 1994, a note receivable due from an employee in the amount of \$17 was satisfied through the return of 5 shares of common stock of the Company that collateralized this note receivable.

On November 1, 1994, 2,225 shares of Series B convertible preferred stock were converted into 989 shares of common stock.

See notes to condensed consolidated financial statements.

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BCT INTERNATIONAL, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)  
(000's Omitted)

November 30, 1995  
-----

1. In the opinion of management, the foregoing unaudited condensed consolidated financial statements contain all normal recurring adjustments necessary to present fairly the financial position of the Company as of November 30, 1995.
2. The results for the three and nine month periods ended November 30, 1995 and 1994, are not necessarily indicative of results that may be expected for the fiscal year.
3. Primary earnings per common share are calculated by dividing net earnings applicable to common stock by the weighted average number of shares of common stock outstanding and common stock equivalents which consist of stock options and stock warrants. On a fully-diluted basis, both net earnings, weighted average shares outstanding and common stock equivalents are adjusted to assume the conversion of convertible subordinated debentures and preferred stock from the date of issue.
4. In February 1993, the Company prospectively adopted Statement of Financial Accounting Standards No. 109 (FAS 109), Accounting for Income Taxes. FAS 109  
-----  
is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, FAS 109 generally considers all expected future events other than enactments of changes in the tax law or rates.  
  
The valuation allowance of \$1,554 at February 28, 1995, which represents 50% of the gross deferred tax assets on that date, was \$1,402, or 50% on November 30, 1995. The reduction of the valuation allowance reduced income tax expense by \$151. The tax provision for the nine and three months ended November 30, 1995, includes a current and deferred tax expense of \$40 and \$302, and \$17 and \$16, respectively.
5. On November 1, 1995, the Company entered into an agreement with a franchise plant whereby the Company acquired a 70% ownership interest in the franchise plant. The original owner of the franchise plant is maintaining a 30% minority interest. In exchange for the 70% interest, the Company contributed \$276 in assets.
6. As part of the Company's ongoing focus to improve the financial performance of its systemwide franchise network, a repossession program for troubled franchise plants has been established. Subsequent to repossession of a franchise plant, the Company operates the plant as a Company store while actively marketing the territories to potential new franchisees. The

acquired assets and liabilities upon repossession are recorded at their estimated fair value and are reflected as assets held for sale net of liabilities. Through the nine months ended November 30, 1995, the Company reposessed three franchise plants.

MANAGEMENTS' DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

November 30, 1995

Results of Operations

Total revenues increased \$818,000, or 26%, for the three months ended November 30, 1995, as compared to the corresponding period in the prior fiscal year. The increase in revenue is attributable primarily to increases in (i) sales of paper products (\$267,000, or 15%), (ii) print shop sales (\$89,000, or 71%), (iii) royalty revenue (\$44,000, or 4%) and (iv) Company stores revenue (\$335,000, or 210%).

Total revenues increased \$2,357,000, or 23%, for the nine months ended November 30, 1995, as compared to the corresponding period in the prior fiscal year. The increase in revenue is attributable primarily to increases in (i) sales of paper products (\$780,000, or 14%), (ii) royalty revenue (\$154,000, or 5%), (iii) print shop sales (\$237,000, or 64%), (iv) franchise sales (\$412,000, or 88%) and (v) Company stores revenue (\$614,000, or 104%). The revenue growth reflects the use of the new business card catalog by 95% of the franchisees and the sales of two franchises, a facility (an adjacent territory added to an existing franchise), a territory and a Company store.

Cost of goods sold as a percentage of revenues was 52% and 52%, respectively, for the nine and three months ended November 30, 1995, as compared to 53% and 52%, respectively, for the corresponding periods in fiscal 1995. Although the percentage generally remains stable, it does fluctuate due to periodic changes in the revenue mix.

Selling and administrative expenses represented 42% and 47% of gross revenues for the nine and three months ended November 30, 1995, respectively, and 38% and 41% for the corresponding periods in fiscal 1995. Selling and administrative expenses in the current fiscal year increased on an aggregate basis and as a percentage of revenues due primarily to the increased expenses associated with the Company Plants' operations (a \$565,000, or 100% increase during the first nine months of fiscal 1996 over the same period in fiscal 1995).

The increased revenues and expenses from Company Plants were due to the operation of five Company Plants during the first nine months of fiscal 1996 while only one Company Plant was operational during the first nine months of fiscal 1995. The fifth Company Plant was sold June 30, 1995. The Company Plants yielded operating losses of \$623,000 for the first nine months of fiscal 1996 versus \$187,000 during the comparable period in fiscal 1995. The majority of the Company Plants' losses have been generated by the Delray Beach, Florida, Plant.

The Company earned net income of \$551,000 and \$16,000 for the nine and three months ended November 30, 1995, respectively, as compared to net income of \$738,000 and \$181,000 for the corresponding periods in fiscal 1995. The fiscal 1996 net income for the first nine months reflects operating income of \$742,000 and a \$191,000 income tax expense. Operating income for the first nine months of fiscal 1995 was \$936,000.

Liquidity and Capital Resources

In December 1994, as a result of the exercise of most of the Series B preferred stock warrants following the Company's call of those warrants, the Company received a net capital infusion of \$1,938,000. Through November 30, 1995, \$568,000 of these proceeds have been utilized in efforts to increase revenues. The remainder of the proceeds have been placed in short-term investments.

During the first quarter of fiscal 1996, the Company utilized working capital as

well as investment income to make debt payments totalling \$160,000.

During the nine months ended November 30, 1995, the Company made capital expenditures of approximately \$467,000, most of which were dedicated to office equipment, computer software and equipment, furniture and fixtures, and other machinery and equipment.

The Company anticipates that it will require an additional \$50,000 to complete the computer automation program for Pelican Paper Products (PPP) during fiscal 1996.

Liquidity and Capital Resources (cont.)

The Company's Wedding Invitations and Social Stationery Catalog (the "Social Catalog") continues to be performing at less than original plan; only 2,890 catalogs (\$130,000) have been sold since inception. Because of the slow implementation of this catalog by Company franchisees, during fiscal 1995 the Company engaged a marketing consultant to perform comprehensive research on the Social Catalog. To date, two of the three stages of research have been completed. It is apparent from the research completed to date that the Social Catalog program needs to be significantly modified. At February 28, 1995, a \$100,000 reserve against inventory was recorded for the Social Catalog. The net investment in Social Catalog inventories at November 30, 1995 approximates \$57,000.

The Company's accounts and notes receivable increased \$927,000, or 36%, from February 28, 1995 to November 30, 1995. This increase is attributable to a \$400,000 financing of a franchise sale, PPP's increase of its market share within the franchise network, yielding \$274,000 in additional receivables, and the growth in BCT system sales, yielding \$253,000 in additional receivables.

The Company plans to continue to improve its working capital and cash positions during fiscal 1996 by focusing its efforts on increasing cash collections and developing new product lines while containing capital expenditures and keeping inventories at their current levels.

The Company believes that internally generated funds will be sufficient to satisfy the Company's working capital and capital expenditure requirements for the foreseeable future; however, there can be no assurance that external financing will not be needed or that, if needed, it will be available on commercially reasonable terms.

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.

BCT INTERNATIONAL, INC.  
(Registrant)

Date: JANUARY 11, 1996 /s/ WILLIAM WILKERSON  
-----  
William Wilkerson  
Chairman & C.E.O.

Date: JANUARY 11, 1996 /s/ DONNA M. PAGANO-LEO  
-----  
Donna M. Pagano-Leo  
Vice President & C.F.O.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM CONSOLIDATED BALANCE SHEETS AT NOVEMBER 30, 1995 AND FEBRUARY 28, 1995 AND CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE MONTHS ENDED NOVEMBER 30, 1995, AND NOVEMBER 30, 1994 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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