

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-06-13** | Period of Report: **1995-04-30**
SEC Accession No. **0000931763-95-000097**

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FILER

GRAPHIC INDUSTRIES INC

CIK: **727162** | IRS No.: **581101633** | State of Incorpor.: **GA** | Fiscal Year End: **0131**
Type: **10-Q** | Act: **34** | File No.: **000-12204** | Film No.: **95546713**
SIC: **2750** Commercial printing

Mailing Address
2155 MONROE DR NE
ATLANTA GA 30324

Business Address
2155 MONROE DR NE
ATLANTA GA 30324
4048743327

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 Quarter Ended April 30, 1995

Commission File Number 0-12204

GRAPHIC INDUSTRIES, INC.

(Exact Name of Registrant as Specified In Its Charter)

GEORGIA

58-1101633

(State or Other Jurisdiction of
Incorporation of Organization)

(I.R.S. Employer
Identification No.)

2155 MONROE DRIVE, N.E., ATLANTA, A GA.

30324

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code (404) 874-3327

Not Applicable

Former name, former address and former fiscal year,
if changed since last report.

TITLE OF EACH CLASS	SHARES OUTSTANDING AS OF April 30, 1995
COMMON STOCK, \$.10 PAR VALUE	6,235,337
CLASS B COMMON STOCK, \$.10 PAR VALUE	4,519,117

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 COMMISSION ACT OF 1934 DURING THE PRECEDING TWELVE MONTHS (OR SUCH SHORTER PERIODS 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

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PART I - FINANCIAL INFORMATION
ITEM 1 - FINANCIAL STATEMENTS

GRAPHIC INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED APRIL 30,	

<S>	<C>	<C>
	1995	1994
	-----	-----
Net Sales	\$105,798,991	\$88,081,871
Cost of Sales	80,098,318	66,176,728
	-----	-----
	25,700,673	21,905,143
Selling, General and Administrative Expenses	18,580,916	16,454,432
Interest and Other Income-net	372,545	296,401
Interest Expense	2,866,446	2,050,440
	-----	-----
Income before income taxes	4,625,856	3,696,672
Income Taxes	1,850,000	1,479,000
	-----	-----
Net Income	\$ 2,775,856	\$ 2,217,672
	=====	=====
Net Income per common share:		
Primary	\$.26	\$.21
	=====	=====
Fully diluted	\$.25	\$.21
	=====	=====
Dividends declared:		
Common Stock	\$.0175	\$.0175
	=====	=====
Class B Common Stock	\$.0125	\$.0125

</TABLE>

See notes to condensed consolidated financial statements.

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GRAPHIC INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
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	APRIL 30, 1995	JANUARY 31, 1995
	----- (Unaudited)	-----
<S>	<C>	<C>
A S S E T S		
- - - - -		
Current Assets		
Cash and marketable securities	\$ 20,538,774	\$ 28,287,722
Trade accounts receivable	74,362,921	59,917,946
Inventories:		
Materials	13,718,006	12,325,468
Work-in-process	16,859,439	14,659,141
	-----	-----
	30,577,445	26,984,609
Prepaid expenses and other current assets	6,378,247	3,990,781
	-----	-----
Total Current Assets	131,857,387	119,181,058
Other Assets	18,691,621	21,461,440
Property, Plant and Equipment		
Land	9,618,883	9,618,883
Buildings and improvements	39,201,182	38,976,010
Machinery and equipment	142,896,253	138,571,937
	-----	-----
	191,716,318	187,166,830
Less accumulated depreciation	76,829,244	74,643,058

-----	-----
114,887,074	112,523,772
-----	-----
\$265,436,082	\$253,166,270
=====	=====

</TABLE>

See notes to condensed consolidated financial statements.

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GRAPHIC INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	APRIL 30, 1995	JANUARY 31, 1995
	-----	-----
	(Unaudited)	
<S>	<C>	<C>
LIABILITIES AND SHAREHOLDERS' EQUITY		

Current Liabilities		
Notes payable	\$ 31,881,771	\$ 21,909,936
Accounts payable	25,512,925	25,308,635
Other current liabilities	15,962,905	15,083,800
Current portion of long-term obligations	11,378,029	11,087,348
	-----	-----
Total Current Liabilities	84,735,630	73,389,719
Long-Term Obligations, less current portion	66,388,965	68,781,374
Deferred Income Taxes	15,660,446	15,306,327
7% Convertible Subordinated Debentures	20,787,000	20,787,000
Shareholders' Equity		
Preferred Stock, no par value; authorized 500,000 shares; none issued	-0-	-0-
Common Stock, \$.10 par value;		

authorized 20,000,000 shares; issued 6,235,337 at April 30, 1995 and 6,234,449 at January 31, 1995, including treasury shares of 77,461 at April 30, 1995 and January 31, 1995	623,534	623,445
Common Stock, Class B, \$.10 par value; authorized 10,000,000 shares; issued 4,519,117 in both periods	451,912	451,912
Additional paid-in capital	9,330,688	9,322,787
Retained earnings	68,252,287	65,298,086
	-----	-----
	78,658,421	75,696,230
Less treasury stock at cost	(794,380)	(794,380)
	-----	-----
	77,864,041	74,901,850
	-----	-----
	\$265,436,082	\$253,166,270
	=====	=====

</TABLE>

See notes to condensed consolidated financial statements.

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GRAPHIC INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED APRIL 30,	
	----- 1995 -----	----- 1994 -----
	<C>	<C>
OPERATING ACTIVITIES		
Net income	\$ 2,775,856	\$ 2,217,672
Depreciation and amortization	3,949,564	3,478,281
Provision for deferred taxes	92,500	222,000
Changes in operating assets and liabilities	(19,341,882)	(10,132,824)
	-----	-----
Net cash used in operating activities	(12,523,962)	(4,214,871)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(6,350,139)	(3,698,050)
Net increase in marketable securities	(564,106)	(6,277,521)

Other investing activities	2,807,092	91,013
	-----	-----
Net cash used in investing activities	(4,107,153)	(9,884,558)
FINANCING ACTIVITIES		
Borrowings on long-term obligations	593,285	757,432
Payments on long-term obligations	(2,695,013)	(2,582,287)
Net borrowings on notes payable	9,971,835	960,998
Dividends	(164,253)	(160,619)
Other financing activities	7,992	20,229
	-----	-----
Net cash provided by (used in) financing activities	7,713,846	(1,004,247)
	-----	-----
Net decrease in cash and cash equivalents	\$ (8,917,269)	\$ (15,103,676)
	=====	=====

</TABLE>

See notes to condensed consolidated financial statements.

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GRAPHIC INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
APRIL 30, 1995

NOTE A--BASIS OF PRESENTATION

The financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. 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, although the Company believes that the disclosures are adequate to make the information not misleading. These financial statements should be read in conjunction with the financial statements and related notes contained in the 1995 Annual Report on Form 10-K. In the opinion of Management, the financial statements contain all adjustments of a normal recurring nature necessary to present fairly the financial position as of April 30, 1995 and the results of the operations and cash flows for the three months then ended. The results of operations for the three months ended April 30, 1995 are not necessarily indicative of the results to be expected for the year ending January 31, 1996.

NOTE B--ACCOUNTING FOR INVESTMENTS IN DEBT AND EQUITY SECURITIES

In fiscal 1995, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." As of April 30, 1995, the cumulative effect of applying Statement 115 was a

reduction to shareholders' equity of \$970,756 (net of \$647,170 in deferred income taxes) to reflect the unrealized holding losses on securities classified as "available-for-sale." This adjustment is the result of a net increase in market interest rates since the beginning of fiscal 1995 and does not necessarily reflect the ultimate realization on these investments. This cumulative adjustment includes an increase to shareholders' equity of \$342,596 (net of \$261,619 in deferred income taxes) for the three months ended April 30, 1995. This change is the result of an increase in the market value of securities during the first quarter of fiscal 1996 due to a decrease in market interest rates for the period ended April 30, 1995.

NOTE C--NET INCOME PER COMMON SHARE

Primary earnings per share are computed based on the weighted average number of common shares outstanding during the period. Fully diluted earnings per share are based on the weighted average number of shares outstanding and, when dilutive, assumed conversion of convertible securities during the period, after appropriate adjustments for interest and applicable income tax effect.

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ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

 FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth items from the Condensed Consolidated Statements of Income as a percentage of net sales for the indicated periods.

<TABLE>

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<S>	THREE MONTHS ENDED APRIL 30,	
	<C>	<C>
	1995	1994
	----	----
Net sales	100.0%	100.0%
Cost of sales	75.7	75.1
Selling, general and administrative expenses	17.6	18.7
Interest and other income - net	0.4	0.3
Interest expense	2.7	2.3
	----	----
Income before income taxes	4.4	4.2
Provision for income taxes	1.8	1.7

	----	----
Net income	2.6%	2.5%
	====	====

</TABLE>

RESULTS OF OPERATIONS

General. As of April 29, 1994, the Company acquired Southern Signatures, - -----
 Inc., ("SSI") a commercial printing company in Atlanta, Georgia. The acquisition was financed through the issuance of 119,337 shares of the Company's Common Stock valued at \$1,005,000.

The Company invests excess working capital in interest-bearing and investment grade short-term securities.

NET SALES. Net sales, for the three months ended April 30, 1995, increased - -----
 approximately \$17.7 million or 20.1% as compared to the same period last year. Of this increase, approximately 2% was attributable to the net sales of SSI, approximately 4% was due to the mix of jobs produced, which included a higher than usual amount of work performed outside our plants, approximately 4% was attributable to paper price increases (which are typically passed through) and approximately 10% was due to increased sales volume growth at our operations.

COST OF SALES. Cost of sales for the three months ended April 30, 1995 - -----
 increased 0.6%, as a percentage of sales, as compared to the same period last year. The increase is due to higher paper prices which are typically passed through and to the higher than usual mix of work performed outside our plants.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and - -----
 administrative expenses for the three months ended April 30, 1995, decreased 1.1%, as a percentage of sales, as compared to the same period last year. This percentage decrease is due primarily to the significant sales increase which offset these expenses. The dollar increase in these expenses is primarily due to higher commissions on the increase in sales.

INTEREST AND OTHER INCOME-NET. Interest and other income-net, as a percentage - -----
 of sales, remained essentially the same for the three months ended April 30, 1995, as compared to the same period last year.

INTEREST EXPENSE. Interest expense, as a percentage of sales, increased 0.4% - -----
 for the three months ended April 30, 1995, as compared to the same period last year. The increase is due primarily to an increase in the prime interest rate

and higher notes payable financing on accounts receivable related to the sales increase.

INCOME TAXES. The effective income tax rate was 40.0% for the three months

ended April 30, 1995 and April 30, 1994.

LIQUIDITY AND CAPITAL RESOURCES

At April 30, 1995, the Company had approximately \$47.1 million in working capital as compared to approximately \$49.0 million at April 30, 1994. Capital expenditures for property, plant and equipment were approximately \$6.4 million during the three months ended April 30, 1995.

The Company's capital expenditures and increases in current assets due to an increase in the sales volume have been financed by funds from operations, from additional borrowings, from a decrease in Other Assets representing advance payments on capital equipment made in fiscal 1995, and from use of cash and cash equivalents during the first three months. In addition, certain capital expenditures were temporarily financed with short term notes payable pending the completion of long-term financing in process at April 30, 1995.

The Company believes that existing working capital, including a cash and marketable securities balance of approximately \$20.5 million at April 30, 1995, funds provided from operations, undrawn bank lines and additional bank financing will be adequate to satisfy the Company's presently anticipated needs for working capital and capital expenditures, including possible future acquisitions.

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IMPACT OF INFLATION

The Company has experienced increases in the costs of materials, labor, equipment and machinery as well as other operating expenses. Its ability to pass on such increased costs through increased prices has been affected differently in different time periods; however, the Company has generally been able to mitigate cost increases by increasing its production efficiencies or by passing on increased costs to customers.

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PART II - OTHER INFORMATION

ITEM ONE - LEGAL PROCEEDINGS

At April 30, 1995, there were no material pending legal proceedings to which the Company was a party or to which any of its property was the subject.

ITEM TWO - CHANGES IN SECURITIES

None

ITEM THREE - DEFAULTS UPON SENIOR SECURITIES

None

ITEM FOUR - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM FIVE - OTHER INFORMATION

None

ITEM SIX - EXHIBITS AND REPORTS ON 8-K

Exhibit 11 - Statement Regarding Computation of Earnings Per Share.

Reports on Form 8-K - No report on Form 8-K has been filed by the registrant during the quarter for which this report is filed.

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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.

GRAPHIC INDUSTRIES, INC.

DATE: June 13, 1995

/s/ Mark C. Pope III

Mark C. Pope III
Chairman and Chief Executive Officer

DATE: June 13, 1995

/s/ David S. Fraser

Chief Financial Officer and Treasurer

EXHIBIT 11

GRAPHIC INDUSTRIES, INC.
COMPUTATION OF EARNINGS PER SHARE

<TABLE>
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	THREE MONTHS ENDED APRIL 30,	
<S>	<C>	<C>
	1995	1994
Net income	\$ 2,775,856	\$ 2,217,672
Add interest on 7% convertible subordinated debentures (2)	218,264	218,264
TOTAL	\$ 2,994,120	\$ 2,435,936
Shares (1)		
Primary		
Weighted average shares outstanding	10,676,554	10,428,305
Fully Diluted		
Add common shares applicable to assumed conversion of 7% convertible subordinated debentures	1,279,200	1,279,200
Weighted average shares outstanding, as adjusted	11,955,754	11,707,505
Primary earnings per share	\$.26 ====	\$.21 ====
Fully diluted earnings per share	\$.25 ====	\$.21 (3) ====

</TABLE>

(1) No significant dilutive common stock equivalents were outstanding in any

year.

(2) Net of income tax effect.

(3) Fully diluted earnings per share, as computed, were not dilutive and therefore, equal primary earnings per share.

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