

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-06-13** | Period of Report: **1995-04-29**  
SEC Accession No. **0000950124-95-001720**

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### FILER

#### **DUPLEX PRODUCTS INC**

CIK: **30547** | IRS No.: **362109817** | State of Incorporation: **DE** | Fiscal Year End: **1025**  
Type: **10-Q** | Act: **34** | File No.: **001-07208** | Film No.: **95546848**  
SIC: **2761** Manifold business forms

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*PO BOX 1947  
SYCAMORE IL 60178*

Business Address  
*1947 BETHANY RD  
SYCAMORE IL 60178  
8158952101*

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C.  
FORM 10-Q

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended April 29, 1995      Commission File Number 1-7208

DUPLEX PRODUCTS INC.  
(Exact name of Registrant as Specified in its Charter)

<TABLE> <S> Delaware (State of Incorporation or Organization)  1947 Bethany Road, Sycamore, Illinois (Address of Principal Executive Offices) </TABLE>	<C>   60178 (Zip Code)	<C>  36-2109817 (I.R.S. Employer Identification No.)  (815) 895-2101 (Registrant's Telephone No.)
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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 twelve months (or for such shorter period that the Registrant was required to file such report) and (2) has been subject to such filing requirements for the past ninety days.    Yes X    No \_\_\_

As of April 29, 1995, 7,512,578 shares of common stock with a par value of \$1.00 were outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

DUPLEX PRODUCTS INC.  
CONDENSED CONSOLIDATED STATEMENT OF EARNINGS  
(Unaudited)

(In thousands, except per-share data)	Second quarter ended		First half ended	
	April 29, 1995	April 30, 1994	April 29, 1995	April 30, 1994
<S>	<C>	<C>	<C>	<C>
Net sales	\$ 69,568	\$ 66,300	\$ 142,905	\$ 131,652
Cost of goods sold	53,748	51,886	108,966	101,256
	15,820	14,414	33,939	30,396
Gross profit	15,820	14,414	33,939	30,396
Selling, general, and administrative expenses	16,512	17,001	33,604	32,854
Restructuring costs	--	12,000	--	12,000
	(692)	(14,587)	335	(14,458)
Operating profit (loss)	(692)	(14,587)	335	(14,458)
Other income (expense)				
Interest expense	(119)	(147)	(237)	(295)
Other income	184	90	339	243
	65	(57)	102	(52)
Earnings (loss) before income taxes (credits)	65	(57)	102	(52)

and accounting changes	(627)	(14,644)	437	(14,510)
Provision for income taxes (credits)	(245)	(5,737)	170	(5,641)
	-----	-----	-----	-----
Earnings (loss) before accounting changes	(382)	(8,907)	267	(8,869)
Cumulative effect of accounting changes	--	--	--	(7,084)
	-----	-----	-----	-----
Net earnings (loss)	\$ (382)	\$ (8,907)	\$ 267	\$ (15,953)
	=====	=====	=====	=====
Per share				
Earnings (loss) before accounting changes	\$ (0.05)	\$ (1.17)	\$ 0.04	\$ (1.17)
Net earnings (loss)	(0.05)	(1.17)	0.04	(2.09)

</TABLE>

The accompanying notes to condensed consolidated financial statements are an integral part of this statement.

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DUPLEX PRODUCTS INC.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(UNAUDITED)

<TABLE>

<CAPTION>

(In thousands)	April 29, 1995	October 29, 1994
	-----	-----
<S>	<C>	<C>
Current assets		
Cash and equivalents	\$ 13,699	\$ 16,337
Accounts and notes receivable	46,780	48,046
Inventories	25,486	27,530
Income tax refund receivable	--	2,998
Deferred income taxes	10,189	10,245
	-----	-----
Total current assets	96,154	105,156
Property, plant, and equipment--net	37,934	37,000
Other assets	6,040	4,052
	-----	-----
Total assets	\$140,128	\$146,208
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities		
Current portion of long-term debt	\$ 1,222	\$ 1,222
Accounts payable	11,534	11,526
Accrued expenses	15,112	20,894
	-----	-----
Total current liabilities	27,868	33,642
	-----	-----
Long-term debt	5,617	5,928
	-----	-----
Deferred liabilities and credits	6,599	6,599
	-----	-----
Shareholders' Equity		
Common stock (8,266 and 8,304 shares issued, respectively)	8,266	8,304
Additional paid-in capital	4,030	4,333
Common stock held in treasury	(5,809)	(5,809)
Unamortized value of restricted stock issued	(569)	(648)
Retained earnings	94,126	93,859
	-----	-----
Total shareholders' equity	100,044	100,039
	-----	-----
Total liabilities and shareholders' equity	\$140,128	\$146,208

</TABLE>

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 The accompanying notes to condensed consolidated financial statements are an integral part of this statement.

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DUPLEX PRODUCTS INC.  
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
 (Unaudited)

<TABLE>  
 <CAPTION>

(In thousands)	First half ended	
	April 29, 1995	April 30, 1994
<S>	<C>	<C>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net earnings (loss)	\$ 267	\$ (15,953)
Adjustments to reconcile net earnings (loss) to cash provided by operating activities		
Depreciation	2,814	3,367
Restructuring costs	--	12,000
Deferred income taxes	56	(8,649)
Decrease in accounts and notes receivable	1,266	31,931
Decrease (increase) in inventories	2,044	(18,939)
Decrease in income tax refund receivable	2,998	850
Increase in income tax payable	143	--
Increase (decrease) in accounts payable	8	(2,278)
Decrease in accrued restructuring costs	(1,927)	(1,436)
Decrease in other accrued expenses	(3,995)	(90)
Other operating activities	42	(678)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>(3,716)</b>	<b>134</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of long-term investments	(2,035)	--
Capital expenditures	(3,843)	(880)
Net proceeds from sale of assets	97	44
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(5,781)</b>	<b>(836)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long-term debt	(311)	(661)
Restricted stock repurchased-net	(262)	(1,049)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>(573)</b>	<b>(1,710)</b>
<b>DECREASE IN CASH AND EQUIVALENTS DURING FIRST HALF</b>	<b>(2,638)</b>	<b>(2,412)</b>
Cash and equivalents at beginning of year	16,337	18,419
<b>CASH AND EQUIVALENTS AT END OF FIRST HALF</b>	<b>\$ 13,699</b>	<b>\$ 16,007</b>
	=====	=====

</TABLE>

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 The accompanying notes to condensed consolidated financial statements are an integral part of this statement.

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DUPLEX PRODUCTS INC.  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (Amounts in thousands, except per-share data)

NOTE 1 -- FINANCIAL INFORMATION

The unaudited financial statements include all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the results of operations, financial position, and cash flows. The results reflected in these quarterly financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

NOTE 2 -- BASIS OF PRESENTATION

These financial statements are presented in accordance with requirements of Form 10-Q and consequently may not contain all disclosures normally required by generally accepted accounting principles or those usually reflected in the Company's Annual Report on Form 10-K.

Accordingly, the financial statements and notes contained herein should be read in conjunction with the financial statements and associated notes included in Duplex's Annual Report on Form 10-K for the fiscal year ended October 29, 1994.

NOTE 3 -- INVENTORIES

Inventories consisted of the following:

<TABLE>  
<CAPTION>

	April 29, 1995	October 29, 1994
<S>	<C>	<C>
Raw materials	\$ 8,321	\$ 7,380
Work-in-process	1,891	2,419
Finished goods	25,468	24,680
	-----	-----
	35,680	34,479
Less revaluation to LIFO	(10,194)	(6,949)
	-----	-----
Total inventories	\$ 25,486	\$27,530
	=====	=====

</TABLE>

Changes in the revaluation to LIFO negatively impacted income before taxes for the second quarter and first half of 1995 by \$1,585 and \$3,245, respectively. For the corresponding 1994 periods, the LIFO revaluation change benefited pretax earnings by \$217 and \$492, respectively.

DUPLEX PRODUCTS INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Amounts in thousands, except per-share data)

NOTE 4 -- PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment comprised the following:

<TABLE>  
<CAPTION>

	April 29, 1995	October 29, 1994
<S>	<C>	<C>
(In thousands)		
Property, plant, and equipment, at cost	\$104,556	\$101,171

Less accumulated depreciation	(66,622)	(64,171)
	-----	-----
Net property, plant, and equipment	\$ 37,934	\$ 37,000
	=====	=====

</TABLE>

NOTE 5 -- RESTRUCTURING COSTS

At the end of fiscal 1994, liabilities for 1992, 1993, and 1994 restructuring programs totaled \$10.5 million. During the six months ended April 29, 1995, the Company made cash payments totaling \$1.9 million related to these programs, primarily for employee termination benefits. Management continues to evaluate these prior-year restructuring programs in light of current business circumstances.

NOTE 6 -- COMMON STOCK DATA

Authorized common stock consisted of 20,000 shares having a par value of \$1.00 per share. Average shares outstanding for the second quarter of 1995 and 1994 were 7,528 and 7,589, respectively.

ITEM 2 -- MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

A. RESULTS OF OPERATIONS -- SECOND QUARTER 1995 COMPARED WITH SECOND QUARTER OF 1994

The Company reported a net loss of \$0.4 million, or \$0.05 per share, in the second quarter of 1995 compared with a net loss of \$8.9 million (\$1.17 per share) in the same quarter of 1994. Excluding the impact of 1994 restructuring charges (\$7.3 million after tax; \$0.96 per share), second quarter 1995's results represented a \$1.2 million improvement from the prior year. This improvement was attributable principally to higher revenues, continued improvement in manufacturing productivity, and lower selling costs. These positive factors were partially offset by higher-than-anticipated start-up costs related to the introduction of new products and services and significant increases in paper costs and related LIFO inventory provision. The LIFO inventory adjustment had a negative impact on net earnings per share of \$0.13.

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The Company has adjusted selling prices to reflect the rise in paper costs; however, pressure on margins continues, reflecting the highly-competitive nature of the marketplace. While bond paper is in short supply, Duplex has been able to satisfy customer requirements by virtue of its long-standing relationship with suppliers and through adjustments made to product mix. The Company does not anticipate a material change in this situation in the foreseeable future.

Net sales for the second quarter of 1995 were \$69.6 million, up 4.9% from the \$66.3 million reported in the comparable period in 1994, with selling price gains more than offsetting lower volume levels.

Gross margin as a percentage of sales was 22.7% for the second quarter of 1995 compared with 21.7% in the year-earlier period. This year's margin rate was depressed 2.3 percentage points due to the increase in the LIFO inventory provision.

Selling, general, and administrative costs aggregated \$16.5 million (23.7% of sales) in 1995's second quarter, a decrease of \$0.5 million from \$17.0 million (25.6% of sales) in the same period of 1994. The decrease in the current quarter was due to slower rates of spending for sales promotion and training.

The Company's operating loss narrowed to \$0.7 million in the second quarter of this year from \$2.6 million in 1994's second quarter (before restructuring charges).

B. RESULTS OF OPERATIONS -- FIRST HALF 1995 COMPARED WITH FIRST HALF OF 1994

For the first six months of 1995, Duplex earned \$0.3 million (\$0.04 per share) as contrasted with a net loss of \$16.0 million (\$2.09 per share) reported for the first six months of last year. Last year's results were negatively impacted by the effect of restructuring charges (\$7.3 million) and an accounting change (\$7.0 million). Excluding these items, year-to-date performance represented a \$2.0 million improvement over results a year ago. This improvement was driven principally by growth in revenues and reductions in manufacturing costs, partially offset by higher-than-expected product and service introduction costs, as well as significant increases in paper costs and related LIFO inventory provision and higher operating expenses.

The Company posted net sales of \$142.9 million for the first half of 1995, up 8.5% from the \$131.7 million reported in the comparable period in 1994. This increase reflected higher selling prices, offset in part by a decline in volume of shipments.

For the first six months of this year, gross margin as a percentage of sales was 23.7%, up 0.6 percentage points from the previous year.

Selling, general, and administrative costs totaled \$33.6 million (23.5% of sales) in 1995's first half, an increase of \$0.7 million from \$32.9 million (25.0% of sales) in the same period of 1994. This increase was

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due primarily to higher spending on training, sales promotion, and process improvement.

Excluding the impact of 1994 restructuring charges, operating profit in the first half of 1995 increased \$2.8 million, to \$0.3 million, from last year's level.

Liquidity and Capital Resources

Working capital of \$68.3 million at the end of the second quarter of 1995 was \$3.2 million lower than at year-end 1994. This reduction was driven primarily by declines in cash, receivable, and inventory balances, partially offset by lower accrued expenses. The current ratio at April 29, 1995 was 3.5 to 1, up 0.4 from the corresponding year earlier date.

Management believes that the current level of working capital will be adequate to cover the Company's liquidity needs related to normal operations in the foreseeable future. Sufficient resources are deemed to exist to support the Company's growth through a combination of currently available cash, cash to be generated from future operations, or additional short-term borrowings.

The Company's total debt at April 29, 1995 was \$6.8 million, down \$0.3 million from year-end 1994. Total debt as a percentage of total capital was 6.4% at the end of 1995's second quarter, 0.3 percentage points lower than at the end of 1994.

Cash and equivalents at the end of 1995's first half were \$13.7 million, a decrease of \$2.6 million from year-end 1994. A similar decline in cash and equivalents occurred in the first six months of 1994.

During the first half of 1995, \$3.7 million was provided by operating activities, up \$3.6 million from 1994's \$0.1 million level. This generation of cash was due primarily to depreciation and decreases in receivable and inventory balances, partially offset by a reduction in accrued expenses, principally payroll, employee benefit, and restructuring costs.

Cash used in investing activities in the first six months of 1995 aggregated \$5.8 million: \$2.0 million for the purchase of long-term securities and \$3.8 million for capital expenditures. This year's capital expenditures were \$2.9 million higher than in the prior year period, and were made primarily to upgrade and increase the operating efficiency of manufacturing equipment.

Cash consumed by financing activities decreased to \$0.6 million in the first half of 1995 from \$1.7 million a year earlier. The decrease was due primarily to the drop in restricted stock repurchases in the first six months of 1995.

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PART II -- OTHER INFORMATION

ITEM 6 -- EXHIBITS AND REPORT ON FORM 8-K

- (a) Exhibits
  - 11 Computation of Earnings per Share
  - 27 Financial Data Schedule
- (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.

DUPLEX PRODUCTS INC.

-----  
 Andrew A. Campbell, Vice President-  
 Finance, Chief Financial Officer,  
 Secretary, and Treasurer

June 8, 1995

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DUPLEX PRODUCTS INC.  
 EXHIBIT 11 -- COMPUTATION OF EARNINGS PER SHARE  
 (Unaudited)

<TABLE>  
 <CAPTION>

	Second quarter ended		First half ended	
	April 29, 1995	April 30, 1994	April 29, 1995	April 30, 1994
(In thousands, except per-share data)				
Weighted average number of common shares outstanding used in computing earnings per share	7,528	7,589	7,537	7,618
Primary and fully diluted earnings (loss) per share	\$ (0.05)	\$ (1.17)	\$ 0.04	\$ (1.17)

</TABLE>



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