

BOWNE & CO INC  
Form 10-Q  
August 09, 2006

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**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 quarterly period ended June 30, 2006**
- 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 1-5842**

**Bowne & Co., Inc.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of  
incorporation or organization)*

**55 Water Street**

**New York, New York**

*(Address of principal executive offices)*

**13-2618477**

*(I.R.S. Employer  
Identification Number)*

**10041**

*(Zip Code)*

**(212) 924-5500**

*(Registrant's telephone number, including area code)*

**Not Applicable**

*(Former name, former address and former 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  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):  
Large accelerated filer  Accelerated filer  Non-accelerated filer

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Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes  No

The Registrant had 29,858,205 shares of Common Stock outstanding as of August 1, 2006.

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## PART I

## FINANCIAL INFORMATION

Item 1. *Financial Statements*

## BOWNE &amp; CO., INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,	
	2006	2005 Restated See Note 2
	(Unaudited)	
	(In thousands except per share data)	
Revenue	\$ 260,269	\$ 197,629
Expenses:		
Cost of revenue	(166,701)	(123,636)
Selling and administrative	(58,970)	(50,221)
Depreciation	(6,303)	(6,408)
Amortization	(135)	
Restructuring charges, integration costs and asset impairment charges	(5,616)	(1,532)
Purchased in-process research and development	(1,001)	
	(238,726)	(181,797)
Operating income	21,543	15,832
Interest expense	(1,451)	(1,307)
Other income (expense), net	647	(487)
Income from continuing operations before income taxes	20,739	14,038
Income tax expense	(10,294)	(8,594)
Income from continuing operations	10,445	5,444
Loss from discontinued operations, net of tax	(3,943)	(3,049)
Net income	\$ 6,502	\$ 2,395
Earnings per share from continuing operations:		
Basic	\$ .32	\$ .16
Diluted	\$ .30	\$ .15
Loss per share from discontinued operations:		

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Basic	\$	(.12)	\$	(.09)
Diluted	\$	(.11)	\$	(.08)
Total earnings per share:				
Basic	\$	.20	\$	.07
Diluted	\$	.19	\$	.07
Dividends per share	\$	.055	\$	.055

See Notes to Condensed Consolidated Financial Statements

Table of Contents**BOWNE & CO., INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>Six Months Ended June 30,</b>	
	<b>2006</b>	<b>2005 Restated See Note 2</b>
	<b>(Unaudited)</b>	
	<b>(In thousands except per share data)</b>	
Revenue	\$ 466,045	\$ 357,552
Expenses:		
Cost of revenue	(301,969)	(224,771)
Selling and administrative	(115,001)	(93,405)
Depreciation	(13,169)	(12,793)
Amortization	(271)	
Restructuring charges, integration costs and asset impairment charges	(9,667)	(3,157)
Purchased in-process research and development	(1,001)	
	(441,078)	(334,126)
Operating income	24,967	23,426
Interest expense	(2,745)	(2,590)
Other income, net	2,005	641
Income from continuing operations before income taxes	24,227	21,477
Income tax expense	(12,317)	(13,149)
Income from continuing operations	11,910	8,328
Loss from discontinued operations, net of tax	(3,871)	(3,357)
Net income	\$ 8,039	\$ 4,971
Earnings per share from continuing operations:		
Basic	\$ .37	\$ .24
Diluted	\$ .35	\$ .24
Loss per share from discontinued operations:		
Basic	\$ (.12)	\$ (.10)
Diluted	\$ (.10)	\$ (.10)
Total earnings per share:		
Basic	\$ .25	\$ .14
Diluted	\$ .25	\$ .14
Dividends per share	\$ .11	\$ .11

See Notes to Condensed Consolidated Financial Statements





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	<b>Three Months Ended June 30, 2005 Restated 2006 See Note 2 (Unaudited) (In thousands)</b>	
Net income	\$ 6,502	\$ 2,395
Foreign currency translation adjustment	1,450	(7,753)
Net unrealized losses from marketable securities during the period, after crediting taxes of \$1 and \$12 for 2006 and 2005, respectively	(2)	(19)
Comprehensive income (loss)	\$ 7,950	\$ (5,377)

	<b>Six Months Ended June 30, 2005 Restated 2006 See Note 2 (Unaudited) (In thousands)</b>	
Net income	\$ 8,039	\$ 4,971
Foreign currency translation adjustment	1,449	(15,348)
Net unrealized gains (losses) arising from marketable securities during the period, after deducting (crediting) taxes of \$3 and (\$12) for 2006 and 2005, respectively	4	(18)
Comprehensive income (loss)	\$ 9,492	\$ (10,395)

See Notes to Condensed Consolidated Financial Statements

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**BOWNE & CO., INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>June 30, 2006</b>	<b>December 31, 2005</b>
	<b>(Unaudited)</b>	
	<b>(In thousands, except share information)</b>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 23,008	\$ 96,684
Marketable securities	44,267	90,675
Accounts receivable, less allowances of \$10,700 (2006) and \$8,552 (2005)	208,535	120,450
Inventories	30,196	25,957
Prepaid expenses and other current assets	33,897	28,414
Assets held for sale	21,849	7,815
<b>Total current assets</b>	<b>361,752</b>	<b>369,995</b>
Property, plant and equipment at cost, less accumulated depreciation of \$232,125 (2006) and \$254,760 (2005)	130,723	106,908
Other noncurrent assets:		
Goodwill	29,705	16,691
Intangible assets, less accumulated amortization of \$271 (2006) and \$0 (2005)	12,651	7,859
Deferred income taxes	26,710	20,823
Other	9,424	7,415
Assets held for sale, noncurrent		33,557
<b>Total assets</b>	<b>\$ 570,965</b>	<b>\$ 563,248</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Current portion of long-term debt and other short-term borrowings	\$ 789	\$ 252
Accounts payable	41,398	31,089
Employee compensation and benefits	33,379	41,912
Accrued expenses and other obligations	66,959	62,430
Liabilities held for sale	3,361	3,417
<b>Total current liabilities</b>	<b>145,886</b>	<b>139,100</b>
Other liabilities:		
Long-term debt net of current portion	77,013	75,528
Deferred employee compensation	39,374	33,935
Deferred rent and other	14,924	2,259
Liabilities held for sale, noncurrent		653

Total liabilities	277,197	251,475
Commitments and contingencies		
Stockholders' equity:		
Preferred stock:		
Authorized 1,000,000 shares, par value \$.01 Issuable in series none issued		
Common stock:		
Authorized 60,000,000 shares, par value \$.01		
Issued and outstanding 42,381,317 shares (2006) and 41,913,467 shares (2005)	424	419
Additional paid-in capital	93,872	85,721
Retained earnings	346,354	341,760
Treasury stock, at cost, 11,902,765 shares (2006) and 9,842,404 shares (2005)	(145,860)	(113,652)
Accumulated other comprehensive income, net	(1,022)	(2,475)
Total stockholders' equity	293,768	311,773
Total liabilities and stockholders' equity	\$ 570,965	\$ 563,248

See Notes to Condensed Consolidated Financial Statements

Table of Contents**BOWNE & CO., INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Six Months Ended June 30, 2005 Restated See Note 2 2006 (Unaudited) (In thousands)</b>	
<b>Cash flows from operating activities:</b>		
Net income	\$ 8,039	\$ 4,971
Adjustments to reconcile net income to net cash used in operating activities:		
Net loss from discontinued operations	3,871	3,357
Depreciation	13,169	12,793
Amortization	271	
Purchased in-process research and development	1,001	
Asset impairment charges	2,300	1,532
Changes in other assets and liabilities, net of acquisitions, discontinued operations and certain non-cash transactions	(84,578)	(64,830)
Net cash (used in) provided by operating activities of discontinued operations	(708)	9,924
Net cash used in operating activities	(56,635)	(32,253)
<b>Cash flows from investing activities:</b>		
Purchase of property, plant, and equipment	(13,665)	(7,240)
Purchases of marketable securities	(50,600)	(21,885)
Proceeds from the sale of marketable securities and other	97,337	42,380
Acquisition of businesses, net of cash acquired	(32,746)	
Net cash provided by (used in) investing activities of discontinued operations	12,302	(2,243)
Net cash provided by investing activities	12,628	11,012
<b>Cash flows from financing activities:</b>		
Payment of debt	(448)	(34,000)
Proceeds from borrowings		34,000
Proceeds from stock options exercised	9,350	