ARC DOCUMENT SOLUTIONS, INC.

FORM 8-K
(Current report filing)

Filed 05/03/11 for the Period Ending 05/03/11

Address	1981 N. BROADWAY, SUITE 385 WALNUT CREEK, CA 94596
Telephone	925 949-5100
CIK	0001305168
Symbol	ARC
SIC Code	7330 - Mailing, Reproduction, Commercial Art And
Industry	Business Services
Sector	Services
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 3, 2011

AMERICAN REPROGRAPHICS COMPANY

(Exact name of registrant as specified in its charter)

STATE OF DELAWARE	**001-32407**	**20-1700361**
(State or other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1981 N. Broadway, Suite 385, Walnut Creek, California	**94596**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: **(925) 949-5100**

(Former name or former address if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On May 3, 2011, American Reprographics Company (the "Company") issued a press release reporting its financial results for the first quarter of 2011. A copy of the press release is furnished as Exhibit 99.1 and is incorporated by reference herein.

The information contained in Item 2.02 of this Current Report on Form 8-K, including Exhibit 99.1 attached hereto, shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(e) On April 29, 2011, the Compensation Committee of the Board of Directors of the Company approved a grant of 15,000 shares of restricted stock to Rahul Roy, the Company's Chief Technology Officer, at a price per share of $8.95, which was the closing price of the Company's common stock on the New York Stock Exchange on the date the restricted stock was granted. Assuming Mr. Roy's continued employment with the Company, the shares of restricted stock will vest 25% on each of the first four anniversaries of the date of grant. The grant is also subject to the terms of the Company's standard form of restricted stock award agreement under its 2005 Stock Plan, as amended.

Item 5.07. Submission of Matters to a Vote of Security Holders.

On April 28, 2011, the Company held its 2011 annual meeting of stockholders. A total of 45,742,809 shares of the Company's common stock were entitled to vote as of March 10, 2011, which was the record date for the annual meeting. There were 41,892,905 shares present in person or by proxy at the annual meeting. Set forth below are the matters voted upon by the Company's stockholders at the 2011 annual meeting and the final voting results of each such proposal.

Proposal No. 1 — Election of Directors

The shareholders elected seven directors, each to serve a one-year term until the Company's next annual meeting of stockholders and until their respective successors are elected and qualified. The results of the vote were as follows:

	For	Withheld	Broker Non-Votes
Kumarakulasingam Suriyakumar	37,008,830	375,590	4,508,485
Thomas J. Formolo	37,239,515	144,905	4,508,485
Dewitt Kerry McCluggage	37,240,037	144,383	4,508,485
James F. McNulty	23,683,186	13,701,234	4,508,485
Mark W. Mealy	37,240,187	144,233	4,508,485
Manuel Perez de la Mesa	37,239,398	145,022	4,508,485
Eriberto R. Scocimara	37,239,096	145,324	4,508,485

Proposal No. 2 — Ratification of the Appointment of Independent Auditors for Fiscal Year 2011

The Company's stockholders voted to ratify the appointment of Deloitte & Touche LLP as the Company's independent auditors for the fiscal year ending December 31, 2011. The results of the vote were as follows:

For	Against	Abstain
41,444,137	435,942	12,826

Proposal No. 3 — Non-Binding Advisory Vote on Executive Compensation

The Company's stockholders approved, on a non-binding advisory basis, the compensation paid to the Company's named executive officers for fiscal year 2010, as disclosed in the Company's 2011 proxy statement. The results of the non-binding advisory vote were as follows:

For	Against	Abstain	Broker Non-Votes
37,019,829	344,984	19,607	4,508,485

Proposal No. 4 — Non-Binding Advisory Vote on Frequency of Stockholder Advisory Votes on Executive Compensation

The Company's stockholders approved, on a non-binding advisory basis, to vote annually on the compensation paid to the Company's named executive officers. The results of the non-binding advisory vote were as follows:

1 Year	2 Years	3 Years	Abstain	Broker Non-Votes
26,344,232	159,838	10,871,558	8,792	4,508,485

The Company has considered the outcome of the stockholders' non-binding advisory vote on frequency of future stockholder advisory votes on executive compensation. As previously disclosed, the Company has recently renewed, or entered into, binding employment contracts with its named executive officers with three-year terms expiring in 2014. The Company believes that any attempt to modify the terms of those contracts prior to expiration could pose an executive retention risk to the Company. In addition, the Company has not historically engaged in problematic pay practices. Rather, compensation paid to the Company's named executive officers in prior years reveals a practice of curtailing executive compensation in response to a challenging economic environment. A three-year frequency cycle will also allow stockholders to continue to evaluate the effectiveness of the Company's executive compensation program on long-term performance of the Company. For these reasons, and those set forth in the Company's 2011 proxy statement, the Company has decided to conduct future stockholder advisory votes on executive compensation every three years until the next required advisory vote on frequency of stockholder advisory votes on executive compensation.

Proposal No. 5 — Re-Approval of the American Reprographics Company 2005 Stock Plan for the purposes of Section 162(m) of the Internal Revenue Code

The Company's stockholders voted to re-approve the American Reprographics Company 2005 Stock Plan for the purposes of Section 162(m) of the Internal Revenue Code. The results of the vote were as follows:

For	Against	Abstain	Broker Non-Votes
30,256,192	7,121,178	7,050	4,508,485

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	American Reprographics Company Press Release, dated May 3, 2011

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 hereunto duly authorized.

Dated: May 3, 2011	AMERICAN REPROGRAPHICS COMPANY
	By: /s/ Kumarakulasingam Suriyakumar
	Kumarakulasingam Suriyakumar
	Chief Executive Officer and President

EXHIBIT INDEX

Exhibit No.	Description
99.1	American Reprographics Company Press Release, dated May 3, 2011

Exhibit 99.1

AMERICAN REPROGRAPHICS COMPANY REPORTS RESULTS FOR FIRST QUARTER 2011

WALNUT CREEK, California (May 3, 2011) — ARC (NYSE: ARC) (the "Company"), the nation's leading provider of document management services and technology to the architectural, engineering and construction industries, today reported its financial results for the first quarter ended March 31, 2011.

"First quarter results for 2011 were in line with our expectations, but March sales clearly show that project-related activity, which was at its lowest point during the past several years, will continue to remain a challenge for the rest of the year," said K. "Suri" Suriyakumar, Chairman, President and CEO. "However, we were extremely gratified to see the progress we are making in some of our newer service offerings like managed print services (MPS), Global Services and our color business. Together, they helped us offset the revenue decline we saw in project-related printing, and we expect these segments of business to continue to grow through the rest of the year."

Net revenue for the first quarter of 2011 was $106.5 million. The Company's gross margin was 31.2%. ARC reported a loss in net income of $3.6 million for the first quarter of 2011, or $0.08 per diluted share. Adjusted to exclude the previously announced accelerated amortization of trade names, and interest rate swap-related items associated with our previous debt agreement, the Company's quarterly loss in net income was $2.1 million or $0.05 per diluted share. Cash from operating activities was $4.6 million.

Management also noted that its restructuring plans are proceeding as previously announced, including the addition of new infrastructure and staff to address the growth in Global Services, MPS, color and Technology Services. The Company continues to restructure its outsourced reprographics service centers, reducing its staff and its branch network related to traditional revenue streams, including duplicate production facilities that were added to the Company in the past through ARC's aggressive acquisition program. Additional efficiencies will be achieved as a result of the Company's newly unified brand, which consolidates ARC's strong footprint in major metropolitan areas around the country. The Company's restructuring efforts are expected to continue throughout the year with anticipated annualized savings of more than $14 million.

Outlook

The Company reaffirmed its forecast of annual earnings per share in 2011 to be in the range of $0.01 to $0.15 on a fully-diluted basis, and annual cash flow from operations in the range of $40 million to $60 million.

Teleconference and Webcast

American Reprographics Company will host a conference call and audio webcast today at 2:00 P.M. Pacific Time (5:00 P.M. Eastern Time) to discuss results for the Company's first quarter 2011 and business outlook. The conference call can be accessed by dialing 877-402-8179. The conference ID number is 60057717.

A replay of this call will be available approximately one hour after the call for seven days following the call's conclusion. To access the replay, dial 800-642-1687. The conference ID number is 60057717.

A Web archive will be made available at http://www.e-arc.com for approximately 90 days following the call's conclusion.

About ARC

ARC (American Reprographics Company) is the leader in business-to-business document management technology and services to the architectural, engineering and construction, or AEC industries, in the United States. The Company also provides document management services to companies in non-AEC industries, such as technology, financial services, retail, entertainment, and food and hospitality. ARC provides its services through its suite of reprographics technology products, a network of hundreds of reprographics service centers around the world, and on-site at more than 5,500 customer locations. The Company's service centers are digitally connected as a cohesive network, allowing the provision of services both locally and nationally to more than 120,000 active customers.

Forward-Looking Statements

This press release contains forward-looking statements that are based on current opinions, estimates and assumptions of management regarding future events and the future financial performance of the Company. Words such as “will,” “seems,” “expect” and similar expressions identify forward-looking statements and all statements other than statements of historical fact, including, but not limited to, any projections regarding earnings, revenues and financial performance of the Company, could be deemed forward-looking statements. We caution you that such statements are only predictions and are subject to certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements. Factors that could cause our actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to, the current economic recession and downturn in the architectural, engineering and construction industries specifically, and the timing and nature of any economic recovery; our ability to streamline operations and reduce and/or manage costs; competition in our industry and innovation by our competitors; our failure to anticipate and adapt to future changes in our industry; our failure to take advantage of market opportunities and/or to complete acquisitions; our failure to manage acquisitions, including our inability to integrate and merge the business operations of the acquired companies or failure to retain key personnel and customers of acquired companies; our dependence on certain key vendors for equipment, maintenance services and supplies; damage or disruption to our facilities, our technology centers, our vendors or a majority of our customers; and our failure to continue to develop and introduce new services successfully. The foregoing list of risks and uncertainties is illustrative but is by no means exhaustive. For more information on factors that may affect our future performance, please review our periodic filings with the U.S. Securities and Exchange Commission, and specifically the risk factors set forth in our most recent reports on Form 10-K and Form 10-Q. The Company undertakes no obligation to update or revise any forward- looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

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American Reprographics Company
Consolidated Balance Sheets
(Dollars in thousands, except per share data)
(Unaudited)

	March 31, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 22,672	$ 26,293
Accounts receivable, net	60,791	52,619
Inventories, net	11,824	10,689
Deferred income taxes	13,721	7,157
Prepaid expenses and other current assets	14,322	10,944
Total current assets	123,330	107,702
Property and equipment, net	57,862	59,036
Goodwill	294,759	294,759
Other intangible assets, net	57,941	62,643
Deferred financing costs, net	4,862	4,995
Deferred income taxes	28,816	37,835
Other assets	2,024	2,115
Total assets	$ 569,594	$ 569,085
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 22,869	$ 23,593
Accrued payroll and payroll-related expenses	9,801	7,980
Accrued expenses	24,121	30,134
Current portion of long-term debt and capital leases	33,356	23,608
Total current liabilities	90,147	85,315
Long-term debt and capital leases	214,485	216,016
Other long-term liabilities	3,175	5,072
Total liabilities	307,807	306,403
Commitments and contingencies		
Stockholders’ equity:		
American Reprographics Company stockholders’ equity:		
Preferred stock, $0.001 par value, 25,000,000 shares authorized; zero and zero shares issued and outstanding	—	—
Common stock, $0.001 par value, 150,000,000 shares authorized; 46,193,156 and 46,183,463 shares issued and 45,745,502 and 45,735,809 shares outstanding in 2011 and 2010, respectively	46	46
Additional paid-in capital	97,795	96,251
Retained earnings	169,816	173,459
Accumulated other comprehensive loss	(4,330)	(5,541)
	263,327	264,215
Less cost of common stock in treasury, 447,654 shares in 2011 and 2010	7,709	7,709
Total American Reprographics Company stockholders’ equity	255,618	256,506
Noncontrolling interest	6,169	6,176
Total equity	261,787	262,682
Total liabilities and equity	$ 569,594	$ 569,085

American Reprographics Company
Consolidated Statements of Operations
(Dollars in thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2011	**2010**
Reprographics services	$ 70,022	$ 76,257
Facilities management	24,203	22,403
Equipment and supplies sales	12,279	13,501
Total net sales	106,504	112,161
Cost of sales	73,118	75,310
Gross profit	33,386	36,851
Selling, general and administrative expenses	27,832	27,131
Amortization of intangible assets	4,744	2,636
Income from operations	810	7,084
Other income, net	(26)	(43)
Interest expense, net	8,167	5,888
(Loss) income before income tax (benefit) provision	(7,331)	1,239
Income tax (benefit) provision	(3,649)	530
Net (loss) income	(3,682)	709
Loss attributable to the noncontrolling interest	39	8
Net (loss) income attributable to American Reprographics Company	$ (3,643)	$ 717
Earnings per share attributable to American Reprographics Company shareholders:		
Basic	$ (0.08)	$ 0.02
Diluted	$ (0.08)	$ 0.02
Weighted average common shares outstanding:		
Basic	45,322,092	45,150,483
Diluted	45,322,092	45,356,871

American Reprographics Company
Non-GAAP Measures
Reconciliation of cash flows provided by operating activities to EBIT, EBITDA and Adjusted EBITDA
(Dollars in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2011	**2010**
Cash flows provided by operating activities	$ 4,589	$ 9,468
Changes in operating assets and liabilities	9,366	5,083
Non-cash expenses, including depreciation and amortization	(17,637)	(13,842)
Income tax (benefit) provision	(3,649)	530
Interest expense	8,167	5,888
Net loss attributable to the noncontrolling interest	39	8
EBIT	875	7,135
Depreciation and amortization	12,486	11,656
EBITDA	13,361	18,791
Stock-based compensation	1,489	1,461
Adjusted EBITDA	$ 14,850	$ 20,252

American Reprographics Company
Non-GAAP Measures
Reconciliation of net (loss) income attributable to ARC to unaudited adjusted net (loss) income attributable to ARC
(Dollars in thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2011	**2010**
Net (loss) income attributable to ARC	$ (3,643)	$ 717
Change in trade name impact to amortization	2,369	—
Amortization of derivative	1,523	—
Income tax provision, related to above items	(1,382)	—
Tax discrete items	(978)	
Unaudited adjusted net (loss) income attributable to ARC	$ (2,111)	$ 717
Earnings per share attributable to ARC shareholders (actual):		
Basic	$ (0.08)	$ 0.02
Diluted	$ (0.08)	$ 0.02
Weighted average common shares outstanding:		
Basic	45,322,092	45,150,483
Diluted	45,322,092	45,356,871
Earnings per share attributable to ARC shareholders (adjusted):		
Basic	$ (0.05)	$ 0.02
Diluted	$ (0.05)	$ 0.02
Weighted average common shares outstanding:		
Basic	45,322,092	45,150,483
Diluted	45,322,092	45,356,871

American Reprographics Company
Non-GAAP Measures
Reconciliation of net (loss) income attributable to ARC to EBIT, EBITDA and Adjusted EBITDA
(Dollars in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2011	**2010**
Net (loss) income attributable to ARC	$ (3,643)	$ 717
Interest expense, net	8,167	5,888
Income tax (benefit) provision	(3,649)	530
EBIT	875	7,135
Depreciation and amortization	12,486	11,656
EBITDA	13,361	18,791
Stock-based compensation	1,489	1,461
Adjusted EBITDA	$ 14,850	$ 20,252

Non-GAAP Financial Measures

EBIT, EBITDA and related ratios presented in this report are supplemental measures of our performance that are not required by or presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”). These measures are not measurements of our financial performance under GAAP and should not be considered as alternatives to net income, income from operations, or any other performance measures derived in accordance with GAAP or as an alternative to cash flows from operating, investing or financing activities as a measure of our liquidity.

EBIT represents net income before interest and taxes. EBITDA represents net income before interest, taxes, depreciation and amortization. Amortization does not include $1.5 million of stock-based compensation expense recorded in selling, general and administrative expenses, for the three months ended March 31, 2011 and 2010, respectively. EBIT margin is a non-GAAP measure calculated by dividing EBIT by net sales. EBITDA margin is a non-GAAP measure calculated by dividing EBITDA by net sales.

We present EBIT, EBITDA and related ratios because we consider them important supplemental measures of our performance and liquidity. We believe investors may also find these measures meaningful, given how our management makes use of them. The following is a discussion of our use of these measures.

We use EBIT and EBITDA to measure and compare the performance of our operating segments. Our operating segments’ financial performance includes all of the operating activities except for debt and taxation which are managed at the corporate level for U.S. operating segments. As a result, EBIT is the best measure of operating segment profitability and the most useful metric by which to measure and compare the performance of our operating segments. We also use EBIT to measure performance for determining operating segment-level compensation and we use EBITDA to measure performance for determining consolidated-level compensation. We also use EBIT and EBITDA to evaluate potential acquisitions and to evaluate whether to incur capital expenditures.

EBIT, EBITDA and related ratios have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are as follows:

- They do not reflect our cash expenditures, or future requirements for capital expenditures and contractual commitments;
- They do not reflect changes in, or cash requirements for, our working capital needs;
- They do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debt;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
- Other companies, including companies in our industry, may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, EBIT, EBITDA, and related ratios should not be considered as measures of discretionary cash available to us to invest in business growth or to reduce our indebtedness. We compensate for these limitations by relying primarily on our GAAP results and using EBIT, EBITDA and related ratios only as supplements. For more information, see our interim Condensed Consolidated Financial Statements and related notes on our 2011 first quarter report on Form 10-Q. Additionally, please refer to our 2010 Annual Report on Form 10-K.

Our presentation of adjusted net income and adjusted EBITDA over certain periods is an attempt to provide meaningful comparisons to our historical performance for our existing and future investors. The unprecedented changes in our end markets over the past several years have required us to take measures that are unique in our history and specific to individual circumstances. Comparisons inclusive of these actions make normal financial and other performance patterns difficult to discern under a strict GAAP presentation. Each non-GAAP presentation, however, is explained in detail, as required in the reconciliation tables above.

Specifically, we have presented adjusted net income attributable to ARC and adjusted earnings per share attributable to ARC shareholders for the three months ended March 31, 2011 to reflect the exclusion of amortization impact related to the change in trade name, amortization of derivative and discrete tax items. We believe these charges were the result of our capital restructuring, or other items which have little bearing on our actual operating performance.

We present adjusted EBITDA for the three months ended March 31, 2011 and 2010 to exclude stock-based compensation expense. This presentation is consistent with the definition of EBITDA in our previous and current credit agreements.

American Reprographics Company
Consolidated Statements of Cash Flows
(Dollars in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2011	**2010**
Cash flows from operating activities		
Net (loss) income	$ (3,682)	$ 709
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Allowance for accounts receivable	180	261
Depreciation	7,742	9,020
Amortization of intangible assets	4,744	2,636
Amortization of deferred financing costs	216	384
Amortization of bond discount	132	—
Stock-based compensation	1,489	1,461
Excess tax benefit related to stock-based compensation	(8)	(3)
Deferred income taxes	2,318	274
Amortization of derivative, net of tax effect	954	—
Other noncash items, net	(130)	(191)
Changes in operating assets and liabilities, net of effect of business acquisitions:		
Accounts receivable	(8,268)	(5,419)
Inventory	(1,191)	156
Prepaid expenses and other assets	(3,228)	(2,515)
Accounts payable and accrued expenses	3,321	2,695
Net cash provided by operating activities	4,589	9,468
Cash flows from investing activities		
Capital expenditures	(4,136)	(1,217)
Payment for swap transaction	(9,729)	—
Other	378	551
Net cash used in investing activities	(13,487)	(666)
Cash flows from financing activities		
Proceeds from stock option exercises	41	16
Proceeds from issuance of common stock under Employee Stock Purchase Plan	23	0
Excess tax benefit related to stock-based compensation	8	3
Payments on long-term debt agreements and capital leases	(7,540)	(11,202)
Net borrowings (repayments) under revolving credit facility	12,800	(814)
Payment of loan fees	(164)	—
Net cash provided by (used in) financing activities	5,168	(11,997)
Effect of foreign currency translation on cash balances	109	1
Net change in cash and cash equivalents	(3,621)	(3,194)
Cash and cash equivalents at beginning of period	26,293	29,377
Cash and cash equivalents at end of period	$ 22,672	$ 26,183

Supplemental disclosure of cash flow information		
Noncash investing and financing activities		
Noncash transactions include the following:		
Capital lease obligations incurred	$ 2,461	$ 1,930
Net loss on derivative, net of tax effect	$ —	$ (313)