

# ARC DOCUMENT SOLUTIONS, INC.

## FORM 8-K (Current report filing)

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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

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**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 4, 2010 (April 29, 2010)**

**AMERICAN REPROGRAPHICS COMPANY**

(Exact name of registrant as specified in its charter)

**STATE OF DELAWARE**

(State or other jurisdiction  
of incorporation)

**001-32407**

(Commission File Number)

**20-1700361**

(IRS Employer Identification No.)

**1981 N. Broadway, Suite 385, Walnut Creek, California**

(Address of principal executive offices)

**94596**

(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))
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## Item 2.02. Results of Operations and Financial Condition.

On May 4, 2010, American Reprographics Company (the “Company”) issued a press release reporting its financial results for the first quarter of 2010. 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 American Reprographics 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 5.07. Submission of Matters to a Vote of Security Holders.

On April 29, 2010, the Company held its 2010 annual meeting of stockholders. A total of 45,664,999 shares of the Company’s common stock were entitled to vote as of March 10, 2010, which was the record date for the annual meeting. There were 42,620,148 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 2010 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:

	<b>For</b>	<b>Withheld</b>	<b>Broker Non-Votes</b>
Kumarakulasingam Suriyakumar	37,998,245	613,243	4,008,660
Thomas J. Formolo	26,410,552	12,200,936	4,008,660
Dewitt Kerry McCluggage	26,444,829	12,166,659	4,008,660
James F. McNulty	38,280,161	331,327	4,008,660
Mark W. Mealy	38,336,313	275,175	4,008,660
Manuel Perez de la Mesa	26,444,951	12,166,537	4,008,660
Eriberto R. Scocimara	38,297,363	314,125	4,008,660

### Proposal No. 2 — Ratification of the Appointment of Independent Auditors for Fiscal Year 2010

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, 2010. The results of the vote were as follows:

<b>For</b>	<b>Against</b>	<b>Abstain</b>
42,455,780	158,705	5,663

## Item 8.01. Other Events.

At the Company’s annual meeting of stockholders held on April 29, 2010, Kumarakulasingam Suriyakumar, the Company’s Chairman of the Board, Chief Executive Officer and President, made certain remarks to those present. A copy of the remarks made by Mr. Suriyakumar during the annual meeting is attached hereto as Exhibit 99.2 and incorporated herein by reference.

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**Item 9.01 Financial Statements and Exhibits.**

*(d) Exhibits.*

<u>Exhibit No.</u>	<u>Description</u>
99.1	American Reprographics Company Press Release, dated May 4, 2010
99.2	Remarks made by the Company's Chairman of the Board, Chief Executive Officer and President at the 2010 annual meeting of stockholders held on April 29, 2010

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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 hereunto duly authorized.

AMERICAN REPROGRAPHICS COMPANY

Dated: May 4, 2010

By: /s/ Kumarakulasingam Suriyakumar  
Kumarakulasingam Suriyakumar  
Chief Executive Officer and President

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## EXHIBIT INDEX

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**AMERICAN REPROGRAPHICS COMPANY REPORTS RESULTS FOR FIRST QUARTER 2010**

- EPS of \$0.02 per share
- YTD Cash from Operating Activities of \$9.5 million
- Gross Margin of 32.9%
- Company reaffirms annual forecast

WALNUT CREEK, California (May 4, 2010) — American Reprographics Company (NYSE: ARP) (the “Company”), the nation’s leading provider of reprographic services and technology, today reported its financial results for the first quarter ended March 31, 2010.

“As the commercial construction market struggles to find its feet, ARC continues to operate well,” said K. “Suri” Suriyakumar, Chairman, President and CEO. “While we expect to see signs of life in employment, vacancy rates and credit availability in 2010, such improvements in the general economy are likely to be in advance of any recovery in the AEC market. Thus we remain prepared for a challenging year, and confident in our ability to manage costs, generate cash, and explore new opportunities within our core competencies as we have done throughout the downturn.”

Net revenue for the first quarter of 2010 was \$112.2 million and the Company’s gross margin was 32.9% for the three-month period ended March 31, 2010. Net income for the first quarter of 2010 was \$717,000, or \$0.02 per diluted share.

Jonathan Mather, Chief Financial Officer, said, “Revenue continues to be challenged by the softness in the U.S. AEC market, but we continue to implement incremental cost controls, produce healthy margins, and maintain a strong balance sheet.”

**Outlook**

The Company reaffirmed its forecast of annual earnings per share in 2010 to be in the range of \$0.15 to \$0.30 on a fully-diluted basis, and annual cash flow from operations in the range of \$65 million to \$80 million.

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## **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 2010 and business outlook. The conference call can be accessed by dialing 877-591-4999. The conference ID number is 67958305.

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 67958305.

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

## **About American Reprographics Company**

American Reprographics Company is the leading reprographics company in the United States providing business-to-business document management technology and services to the architectural, engineering and construction, or AEC, industries. The Company provides these services to companies in non-AEC industries, such as technology, financial services, retail, entertainment, and food and hospitality, which also require sophisticated document management services. American Reprographics Company provides its core services through its suite of reprographics technology products, a network of hundreds of locally-branded reprographics service centers across the U.S., Canada and the U.K, on-site at more than 5,700 customer locations, and through UDS, a joint-venture company headquartered in Beijing, China. The Company's service centers are arranged in a hub and satellite structure and are digitally connected as a cohesive network, allowing the provision of services both locally and nationally to more than 138,000 active customers.

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## **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 “anticipates,” “projects,” “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, general economic conditions and downturn in the architectural, engineering and construction industries specifically; 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.

### **Contacts:**

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Joseph Villalta  
The Ruth Group  
Phone: 646-536-7003

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**American Reprographics Company**  
**Consolidated Balance Sheets**

(Dollars in thousands, except per share data)  
(Unaudited)

	<u>March 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 26,183	\$ 29,377
Accounts receivable, net	59,108	53,919
Inventories, net	10,398	10,605
Deferred income taxes	5,664	5,568
Prepaid expenses and other current assets	9,567	7,011
Total current assets	110,920	106,480
Property and equipment, net	68,108	74,568
Goodwill	332,518	332,518
Other intangible assets, net	71,618	74,208
Deferred financing costs, net	3,698	4,082
Deferred income taxes	26,880	26,987
Other assets	2,020	2,111
Total assets	<u>\$ 615,762</u>	<u>\$ 620,954</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 23,055	\$ 23,355
Accrued payroll and payroll-related expenses	11,186	8,804
Accrued expenses	24,317	24,540
Current portion of long-term debt and capital leases	57,006	53,520
Total current liabilities	115,564	110,219
Long-term debt and capital leases	206,952	220,711
Other long-term liabilities	9,214	8,000
Total liabilities	<u>331,730</u>	<u>338,930</u>
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; 46,117,752 and 46,112,653 shares issued and 45,670,098 and 45,664,999 shares outstanding in 2010 and 2009, respectively	46	46
Additional paid-in capital	91,478	89,982
Retained earnings	201,678	200,961
Accumulated other comprehensive loss	(7,470)	(7,273)
	285,732	283,716
Less cost of common stock in treasury, 447,654 shares in 2010 and 2009	7,709	7,709
Total American Reprographics Company stockholders' equity	278,023	276,007
Noncontrolling interest	6,009	6,017
Total stockholders' equity	<u>284,032</u>	<u>282,024</u>
Total liabilities and stockholders' equity	<u>\$ 615,762</u>	<u>\$ 620,954</u>



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

	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
Reprographics services	\$ 76,257	\$ 99,769
Facilities management	22,403	26,865
Equipment and supplies sales	13,501	12,849
Total net sales	112,161	139,483
Cost of sales	75,310	87,504
Gross profit	36,851	51,979
Selling, general and administrative expenses	27,131	30,966
Amortization of intangible assets	2,636	2,983
Income from operations	7,084	18,030
Other income, net	(43)	(59)
Interest expense, net	5,888	5,796
Income before income tax provision	1,239	12,293
Income tax provision	530	4,758
Net income	709	7,535
Income attributable to noncontrolling interest	8	12
Net income attributable to American Reprographics Company	<u>\$ 717</u>	<u>\$ 7,547</u>
<b>Earnings per share attributable to American Reprographics Company shareholders:</b>		
Basic	<u>\$ 0.02</u>	<u>\$ 0.17</u>
Diluted	<u>\$ 0.02</u>	<u>\$ 0.17</u>
<b>Weighted average common shares outstanding:</b>		
Basic	45,150,483	45,089,794
Diluted	45,356,871	45,100,225

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**American Reprographics Company****Non-GAAP Measures****Reconciliation of cash flows provided by operating activities to EBIT and EBITDA**

(Dollars in thousands)

(Unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
Cash flows provided by operating activities	\$ 9,468	\$ 22,276
Changes in operating assets and liabilities	5,083	1,922
Non-cash (expenses) income, including depreciation and amortization	(13,842)	(16,663)
Income tax provision	530	4,758
Interest expense	5,888	5,796
Net loss attributable to the noncontrolling interest	8	12
<b>EBIT</b>	<b>7,135</b>	<b>18,101</b>
Depreciation and amortization	11,656	12,715
Stock-based compensation	1,461	933
<b>EBITDA</b>	<b>\$ 20,252</b>	<b>\$ 31,749</b>

**American Reprographics Company****Non-GAAP Measures****Reconciliation of net income attributable to ARC to EBIT and EBITDA**

(Dollars in thousands)

(Unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
Net income attributable to ARC	\$ 717	\$ 7,547
Interest expense, net	5,888	5,796
Income tax provision	530	4,758
<b>EBIT</b>	<b>7,135</b>	<b>18,101</b>
Depreciation and amortization	11,656	12,715
Stock-based compensation	1,461	933
<b>EBITDA</b>	<b>\$ 20,252</b>	<b>\$ 31,749</b>

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## Non-GAAP 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, amortization and stock-based compensation. 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 divisional 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 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 2010 first quarter report on Form 10-Q. Additionally, please refer to our 2009 Annual Report on Form 10-K.

In our calculation of EBITDA for the three months ended March 31, 2010 and 2009 we excluded stock-based compensation expense of \$1.5 million and \$0.9 million, respectively, as we believe this presentation facilitates a meaningful comparison of our operating results. Additionally, the exclusion of stock-based compensation to arrive at EBITDA is consistent with the definition of EBITDA in our amended credit and guaranty agreement, therefore we believe this information is useful to investors in assessing our ability to meet our debt covenants.

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**American Reprographics Company**  
**Consolidated Statements of Cash Flows**

(Dollars in thousands)

(Unaudited)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 709	\$ 7,535
Adjustments to reconcile net income to net cash provided by operating activities:		
Allowance for accounts receivable	261	1,249
Depreciation	9,020	9,732
Amortization of intangible assets	2,636	2,983
Amortization of deferred financing costs	384	331
Stock-based compensation	1,461	933
Deferred income taxes	274	1,412
Other noncash items, net	(194)	23
Changes in operating assets and liabilities, net of effect of business acquisitions:		
Accounts receivable	(5,419)	(2,425)
Inventory	156	686
Prepaid expenses and other assets	(2,515)	3,575
Accounts payable and accrued expenses	2,695	(3,758)
Net cash provided by operating activities	<u>9,468</u>	<u>22,276</u>
<b>Cash flows from investing activities</b>		
Capital expenditures	(1,217)	(1,979)
Payments for businesses acquired, net of cash acquired and including other cash payments associated with the acquisitions	—	(588)
Other	551	163
Net cash used in investing activities	<u>(666)</u>	<u>(2,404)</u>
<b>Cash flows from financing activities</b>		
Proceeds from stock option exercises	16	—
Excess tax benefit related to stock-based compensation	3	—
Payments on long-term debt agreements and capital leases	(11,202)	(15,878)
Net borrowings (repayments) under revolving credit facility	(814)	—
Payment of loan fees	—	(44)
Net cash used in financing activities	<u>(11,997)</u>	<u>(15,922)</u>
Effect of foreign currency translation on cash balances	1	(16)
Net change in cash and cash equivalents	(3,194)	3,934
Cash and cash equivalents at beginning of period	29,377	46,542
Cash and cash equivalents at end of period	<u>\$ 26,183</u>	<u>\$ 50,476</u>

**Supplemental disclosure of cash flow information**

**Noncash investing and financing activities**

Noncash transactions include the following:

Capital lease obligations incurred	\$ 1,930	\$ 5,253
Issuance of subordinated notes in connection with the acquisition of businesses	\$ —	\$ 246
Accrued liabilities in connection with acquisition of businesses	\$ —	\$ 333
Net (loss) gain on derivative	\$ (313)	\$ 435

**Remarks Made by the Chairman of the Board, President and Chief Executive Officer of American Reprographics Company at the 2010 Annual Meeting of Stockholders**

First, we could easily categorize 2009 to be the worst year in the history of our company to date.

We lost nearly 30% of our revenues year-over-year, a blow that could have easily incapacitated a company of our size.

Yet American Reprographics responded magnificently.

In spite of the significant loss in revenues, the Company delivered 35.6% in gross margins and generated nearly \$100 million in cash from operations.

In a year where we were challenged like no other we ...

- Reduced our debt by \$85 Million
- Opened a new location in India
- Opened a new location in Shanghai
- Launched 'ishipdocs' a new digital shipping tool
- Acquired a BIM services company
- Launched 'RIOT' our national color effort
- Released three new revisions to our existing software solutions.

It was an amazing performance and we were unbowed by the economy.

How was this even possible?

I can tell you without any hesitation that it would not have been possible without a dedicated and inspired management team.

The team worked extremely hard and made the sacrifices necessary to ensure that the company remained healthy through this ordeal.

Ultimately, the company's performance is what matters when you judge the Board or its corporate governance practices, and that performance is worthy of mention here.

Due to the recent financial crisis, largely driven by the financial institutions, we are faced with unfounded and indiscriminate criticism of well-run companies in every segment of the economy.

This has not only tarnished the reputations of the thousands of companies who form the backbone of American business, but it has masked the truly remarkable performance of executive teams and Boards who have buckled down and faced the recession with resolve, innovation and sacrifice.

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From my personal experience, as the Chairman of the Board, I can assure you that our corporate governance practices have never been stronger in American Reprographics.

For example, in an environment riddled with cynicism about executive pay, our executives made the necessary sacrifices to maintain the company's health and shareholder confidence.

I must point out that some of our top performing executives lost almost 50% of their compensation when we waived executive bonuses for the year 2009! This is on top of the fact that these same executives had already taken a 5-10% pay reduction depending on their annual income.

In spite of all these cuts, our executives performed at their best. One must not underestimate the leadership role the Board plays in situations like this.

Outside of myself, ARC has a fully independent Board of Directors with a Lead Director who participates in all committee meetings.

Our committee chairs are fully engaged and active in meetings, and as a part of our own best practices, we rotate committee chairs very two years, encouraging independence and allowing all of our directors to become engaged with all aspects of our business.

Over the past several years, our management has continually improved the quality of the information and transparency of company activities to the Board of Directors. The Board regularly meets with ARC's senior executives and are frequently engaged in strategic discussions.

These practices clearly illustrate the integrity of the Board and its active role in protecting our shareholders' interests!

In closing I want to thank all our investors who voted in favor in re-electing our Board of Directors. ARC and its Board are very well structured and there is no better proof than in the results produced by the Company in 2009.

We appreciate your continued support and look forward to a continuing and productive relationship.

—end