ARC DOCUMENT SOLUTIONS, INC.

FORM 8-K
(Current report filing)

Filed 05/07/13 for the Period Ending 05/07/13

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: May 07, 2013
(Date of earliest event reported)

ARC Document Solutions, Inc.
(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 Number)

1981 N. Broadway	94596
(Address of principal executive offices)	(Zip Code)

(925) 949-5114
(Registrant's telephone number, including area code)

Not Applicable
(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 7, 2013, ARC Document Solutions, Inc. (the "Company") issued a press release reporting its financial results for the first quarter 2013. 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 5.07. Submission of Matters to a Vote of Security Holders

On May 3, 2013, the Company held its 2013 annual meeting of stockholders. A total of 46,257,765 shares of the Company's common stock were entitled to vote as of March 4, 2013, which was the record date for the annual meeting. There were 41,257,765 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 2013 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	34,947,099	911,905	5,497,435
Thomas J. Formolo	34,822,595	1,036,409	5,497,435
Dewitt Kerry McCluggage	34,809,516	1,049,488	5,497,435
James F. McNulty	34,809,316	1,049,688	5,497,435
Mark W. Mealy	35,145,692	713,312	5,497,435
Manuel Perez de la Mesa	34,822,185	1,036,819	5,497,435
Eriberto R. Scocimara	35,143,582	715,422	5,497,435

Proposal No. 2-Ratification of the Appointment of Independent Auditors for Fiscal Year 2013

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, 2013. The results of the vote were as follows:

For	Against	Abstain
41,310,830	40,097	5,512

Brokers were permitted to cast stockholder non-votes at their discretion on this proposal.

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 2012, as disclosed in the Company's 2013 proxy statement. The results of the non-binding advisory vote were as follows:

For	Against	Abstain	Broker Non-Votes
34,876,536	873,993	108,475	5,497,435

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

99.1 Press Release of ARC Document Solutions, Inc. dated May 07, 2013

SIGNATURE

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 07, 2013

ARC DOCUMENT SOLUTIONS

By: /s/ Kumarakulasingam Suriyakumar

Kumarakulasingam Suriyakumar
Chief Executive Officer and President

Exhibit Index

Exhibit No.	Description
99.1	Press Release of ARC Document Solutions, Inc. dated May 07, 2013

ARC Document Solutions Reports Results for First Quarter 2013

WALNUT CREEK, CA -- (Marketwire - May 07, 2013) - ARC Document Solutions, Inc. (NYSE: ARC), the nation's leading document solutions company for the architecture, engineering, and construction (AEC) industry, today reported its financial results for the first quarter ended March 31, 2013.

Business Highlights:

- Q1 cash from operations was $11.9 million
- Q1 gross margin was 32.4% reflecting a year-over-year expansion of 160 bps
- Nine percent year-over-year sales increase in Onsite Services sales led by MPS
- Q1 adjusted earnings per share was $0.01
- Company maintains 2013 annual adjusted earnings per share outlook of $0.03 to $0.07 and annual cash from operations of $38-45 million

Financial Highlights:

	Three Months Ended March 31	
(All dollar figures in millions, except EPS)	2013	2012
Net Sales	$ 100.0	$ 103.6
Gross Margin	32.4%	30.8%
Net Income (Loss) attributable to ARC	$ 0.4	$ (4.9)
Adjusted Net Income attributable to ARC	$ 0.55	$ 0.01
EPS	$ 0.01	$ (0.11)
Adjusted EPS*	$ 0.01	$ 0.00
Cash from Operations	$ 11.9	$ 12.4
Capital Expenditures	$ 5.6	$ 3.8
Debt & Capital Leases (including current)	$ 219.4	$ 226.5

*Please refer to the accompanying tables for explanations of adjusted EPS

Management Commentary:

"We posted solid sales in the first quarter of 2013 largely due to our continuing growth in MPS, and we saw significant improvement in gross margin thanks to the aggressive restructuring efforts we made in the fourth quarter of 2012," said K. "Suri" Suriyakumar, Chairman, President and CEO of ARC Document Solutions. "Management remains focused on selling our new portfolio of services within the broader context of document solutions. Given current conditions in our traditional market, this strategy is already paying dividends as we continue to make headway with our larger MPS customers, and garner interest in archiving and information management."

"We maintain a cautiously optimistic view of the AEC market," continued Mr. Suriyakumar. "While homebuilding activity is taking the headlines, the market for larger non-residential construction projects remains very early in its recovery. In both cases, we continue to see an increased use of technology for managing and distributing documents."

"The benefit of our restructuring measures taken in the fourth quarter are evident in our expanded gross margin in first quarter of this year and we continue to execute on opportunities to refine our cost base and further expand our margins," said John Toth, ARC Document Solution's Chief Financial Officer. "Our balance sheet remains strong and our debt ratios continue to improve."

Sales Reporting Format
In February 2013, ARC Document Solutions announced that in its statement of operations the Company would begin reporting net sales under "Service sales" and "Equipment and supplies sales" to better identify and report its individual business lines. The two new categories replace the three categories previously used to report net sales of "Reprographics services," "Facilities management," and "Equipment and supplies sales."

"Service sales" includes traditional reprographics services, onsite services, color printing services, and digital services. "Equipment and supplies sales" is self-explanatory. Net sales for the individual business lines that comprise each category are reported and reconciled in the Company's "Net Sales by Product Line" table included herein.

Outlook:

ARC Document Solutions maintains its current annual adjusted earnings per share forecast for 2013 to be in the range of $0.03 to $0.07 on a fully-diluted basis, and annual cash flow from operations to be in the range of $38 million to $45 million.

Teleconference and Webcast:
ARC Document Solutions 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 of 2013. The conference call can be accessed by dialing (888) 265-9177. The conference ID number is 32478929.

A live Webcast will also be made available on the investor relations page of ARC's website at www.e-arc.com.

A replay will be available approximately one hour after the call for seven days following the call's conclusion. To access the replay, dial (855) 859-2056. The conference ID number to access the replay is 32478929. A Web archive will be made available at http://www.e-arc.com for approximately 90 days following the call's conclusion.

About ARC Document Solutions (NYSE: ARC)
ARC Document Solutions is a leading document solutions company serving businesses of all types, with an emphasis on the non-residential segment of the architecture, engineering and construction industries. The Company helps more than 90,000 customers reduce costs and increase efficiency in the use of their documents, improve document access and control, and offers a wide variety of ways to print, produce, and store documents. ARC provides its solutions onsite in more than 7,000 of its customers' offices, offsite in service centers around the world, and digitally in the form of proprietary software and web applications. For more information please visit www.e-arc.com.

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 "continuing growth" "make headway," "opportunities," 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, current economic conditions and downturn in the architectural, engineering and construction (AEC) industries specifically, and the timing and nature of any economic recovery; our inability to mitigate revenue exposure to the cyclical nature of the AEC industries; our inability to streamline operations and reduce and/or manage costs; our failure to develop and introduce new services successfully, including expansion of client service capabilities in our core AEC market; 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 dependence on certain key vendors for equipment, maintenance services and supplies; and damage or disruption to our facilities, our technology centers, our vendors or a majority of our customers. 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.

ARC Document Solutions, Inc.
Consolidated Balance Sheets
(In thousands, except per share data)
(Unaudited)

	March 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 30,219	$ 28,021
Accounts receivable, net of allowances for accounts receivable of $2,565 and $2,634	60,758	51,855
Inventories, net	13,907	14,251
Deferred income taxes	382	-
Prepaid expenses	3,553	3,277
Other current assets	2,819	6,819
Total current assets	111,638	104,223
Property and equipment, net of accumulated depreciation of $198,309 and $197,830	56,345	56,471

Goodwill	212,608	212,608
Other intangible assets, net	32,723	34,498
Deferred financing costs, net	3,936	4,219
Deferred income taxes	1,316	1,246
Other assets	2,536	2,574
Total assets	$ 421,102	$ 415,839
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 20,558	$ 21,215
Accrued payroll and payroll-related expenses	9,460	6,774
Accrued expenses	27,578	22,321
Current portion of long-term debt and capital leases	11,264	13,263
Total current liabilities	68,860	63,573
Long-term debt and capital leases	208,124	209,262
Deferred income taxes	29,018	28,936
Other long-term liabilities	3,141	3,231
Total liabilities	309,143	305,002
Commitments and contingencies		
Stockholders' equity:		
ARC Document Solutions, Inc. stockholders' equity:		
Preferred stock, $0.001 par value, 25,000 shares authorized; 0 shares issued and outstanding	--	--
Common stock, $0.001 par value, 150,000 shares authorized; 46,264 and 46,274 shares issued and 46,251 and 46,262 shares outstanding	46	46
Additional paid-in capital	103,102	102,510
Retained earnings	1,110	695
Accumulated other comprehensive income	495	689
	104,753	103,940
Less cost of common stock in treasury, 12 shares	44	44
Total ARC Document Solutions, Inc. stockholders' equity	104,709	103,896
Noncontrolling interest	7,250	6,941
Total equity	111,959	110,837
Total liabilities and equity	$ 421,102	$ 415,839

ARC Document Solutions, Inc.
Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2013	2012

Service sales	$ 87,800	$ 89,672
Equipment and supplies sales	12,236	13,901
Total net sales	100,036	103,573
Cost of sales	67,657	71,695
Gross profit	32,379	31,878
Selling, general and administrative expenses	23,773	23,457
Amortization of intangible assets	1,747	4,593
Restructuring expense	472	-
Income from operations	6,387	3,828
Other income	(26)	(30)
Interest expense, net	6,041	7,438
Income before income tax (benefit) provision	372	(3,580)
Income tax (benefit) provision	(311)	1,310
Net income (loss)	683	(4,890)
Income attributable to the noncontrolling interest	(268)	(17)
Net income (loss) attributable to ARC Document Solutions, Inc. shareholders	$ 415	$ (4,907)
Earnings (loss) per share attributable to ARC Document Solutions, Inc. shareholders:		
Basic	$ 0.01	$ (0.11)
Diluted	$ 0.01	$ (0.11)
Weighted average common shares outstanding:		
Basic	45,762	45,541
Diluted	45,791	45,541

ARC Document Solutions, Inc.
Non-GAAP Measures
Reconciliation of cash flows provided by operating activities to EBIT, EBITDA and Adjusted EBITDA
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Cash flows provided by operating activities (1)	$ 11,881	$ 12,395
Changes in operating assets and liabilities, net of business acquisitions	(1,756)	(2,145)
Non-cash expenses, including depreciation, amortization, and restructuring	(9,442)	(15,140)
Income tax (benefit) provision	(311)	1,310
Interest expense, net	6,041	7,438
Income attributable to the noncontrolling interest	(268)	(17)
EBIT	6,145	3,841

Depreciation and amortization	8,702	11,655
EBITDA	14,847	15,496
Restructuring expense	472	-
Stock-based compensation	592	444
Adjusted EBITDA	$ 15,911	$ 15,940

(1) For the three months ended March 31, 2013 cash flows provided by operating activities includes $1.6 million in cash payments related to restructuring.

ARC Document Solutions, Inc.
Non-GAAP Measures
Reconciliation of net income (loss) attributable to ARC to unaudited adjusted net income attributable to ARC
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Net income (loss) attributable to ARC	$ 415	$ (4,907)
Change in trade name impact to amortization	-	2,369
Restructuring expense	472	-
Interest rate swap related costs	-	1,255
Income tax benefit, related to above items	(179)	(1,355)
Deferred tax valuation allowance and other discrete tax items	(154)	2,645
Unaudited adjusted net income attributable to ARC	$ 554	$ 7
Actual:		
Earnings (loss) per share attributable to ARC shareholders:		
Basic	$ 0.01	$ (0.11)
Diluted	$ 0.01	$ (0.11)
Weighted average common shares outstanding:		
Basic	45,762	45,541
Diluted	45,791	45,541
Adjusted:		
Earnings per share attributable to ARC shareholders:		
Basic	$ 0.01	$ 0.00
Diluted	$ 0.01	$ 0.00
Weighted average common shares outstanding:		
Basic	45,762	45,541

Diluted	45,791	45,587

ARC Document Solutions, Inc.
Non-GAAP Measures
Reconciliation of net income (loss) attributable to ARC to EBIT, EBITDA and Adjusted EBITDA
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Net income (loss) attributable to ARC	$ 415	$ (4,907)
Interest expense, net	6,041	7,438
Income tax (benefit) provision	(311)	1,310
EBIT	6,145	3,841
Depreciation and amortization	8,702	11,655
EBITDA	14,847	15,496
Restructuring expense	472	-
Stock-based compensation	592	444
Adjusted EBITDA	$ 15,911	$ 15,940

ARC Document Solutions, Inc.
Net Sales by Product Line
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Service Sales		
Traditional Reprographics	$ 29,558	$ 33,323
Color	20,905	20,003
Digital	8,361	9,690
Subtotal (1)	58,824	63,016
Onsite Services (2)	28,976	26,656
Total Service Sales	87,800	89,672
Equipment and Supplies Sales	12,236	13,901
Total net sales	$ 100,036	$ 103,573

(1) For comparison purposes, this subtotal agrees with Reprographics Services historically reported prior to the 2012 Annual Report on Form 10-K.
(2) Represents work done at our customer sites which includes Facilities Management ("FM") and Managed Print Services ("MPS")

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. 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 debt and taxation which are managed at the corporate level for U.S. operating segments. As a result, we believe 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. In addition, we use EBIT and EBITDA to evaluate potential acquisitions and potential capital expenditures.

EBIT, EBITDA and related ratios have limitations as analytical tools, and should not be considered 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 2012 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 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, 2013 and 2012 to reflect the exclusion of amortization impact related specifically to the change in useful lives of trade names, restructuring expense, interest rate swap related costs, and the establishment or reversal of valuation allowances related to certain deferred tax assets and other discrete items. This presentation facilitates a meaningful comparison of our operating results for the three months ended March 31, 2013 and 2012. We believe these charges were the result of the current macroeconomic environment, our capital restructuring, or other items which are not indicative of our actual operating performance.

We presented adjusted EBITDA in three months ended March 31, 2013 and 2012 to exclude stock-based compensation expense and restructuring expense. The adjustment of EBITDA for non-cash adjustments is consistent with the definition of adjusted EBITDA in our credit agreement; therefore, we believe this information is useful to investors in assessing our financial performance.

ARC Document Solutions, Inc.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Cash flows from operating activities		
Net income (loss)	$ 683	$ (4,890)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Allowance for accounts receivable	145	240
Depreciation	6,955	7,062
Amortization of intangible assets	1,747	4,593
Amortization of deferred financing costs	283	255
Amortization of bond discount	165	147
Stock-based compensation	592	444
Deferred income taxes	(409)	(325)
Deferred tax valuation allowance	20	1,968
Restructuring expense, non-cash portion	58	-
Amortization of derivative, net of tax effect	-	786
Other non-cash items, net	(114)	(30)
Changes in operating assets and liabilities, net of effect of business acquisitions:		
Accounts receivable	(9,183)	(5,634)
Inventory	46	(521)
Prepaid expenses and other assets	3,709	(266)
Accounts payable and accrued expenses	7,184	8,566
Net cash provided by operating activities	11,881	12,395
Cash flows from investing activities		
Capital expenditures	(5,612)	(3,805)
Other	357	191
Net cash used in investing activities	(5,255)	(3,614)
Cash flows from financing activities		
Proceeds from issuance of common stock under Employee Stock Purchase Plan	-	21
Payments on long-term debt agreements and capital leases	(3,332)	(4,388)
Net (repayments) borrowings under revolving credit facilities	(1,139)	552
Payment of deferred financing costs	-	(712)
Net cash used in financing activities	(4,471)	(4,527)
Effect of foreign currency translation on cash balances	43	123
Net change in cash and cash equivalents	2,198	4,377
Cash and cash equivalents at beginning of period	28,021	25,437
Cash and cash equivalents at end of period	$ 30,219	$ 29,814

Supplemental disclosure of cash flow information
Noncash investing and financing activities

Noncash transactions include the following:				
Capital lease obligations incurred	$	1,254	$	3,846

Contact Information:
David Stickney
VP Corporate Communications
925-949-5114