

ARC DOCUMENT SOLUTIONS, INC.  
Form 10-Q  
May 02, 2018

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

Form 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

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: 001-32407

ARC DOCUMENT SOLUTIONS, INC.  
(Exact name of Registrant as specified in its Charter)

Delaware 20-1700361  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
1981 N. Broadway, Suite 385  
Walnut Creek, California 94596  
(925) 949-5100

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of April 24, 2018, there were 45,262,316 shares of the issuer's common stock outstanding.

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ARC DOCUMENT SOLUTIONS, INC.

Form 10-Q

For the Quarter Ended March 31, 2018

Table of Contents

PART I—FINANCIAL INFORMATION	<u>4</u>
Item 1. Condensed Consolidated Financial Statements	<u>4</u>
Condensed Consolidated Balance Sheets as of March 31, 2018 and December 31, 2017 (Unaudited)	<u>4</u>
Condensed Consolidated Statements of Operations for the three months ended March 31, 2018 and 2017 (Unaudited)	<u>5</u>
Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2018 and 2017 (Unaudited)	<u>6</u>
Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2018 and 2017 (Unaudited)	<u>7</u>
Notes to Condensed Consolidated Financial Statements (Unaudited)	<u>8</u>
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	<u>16</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>29</u>
Item 4. Controls and Procedures	<u>29</u>
PART II—OTHER INFORMATION	<u>31</u>
Item 1. Legal Proceedings	<u>31</u>
Item 1A. Risk Factors	<u>31</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>31</u>
Item 6. Exhibits	<u>32</u>
Signatures	<u>33</u>
Exhibit Index	<u>34</u>
Exhibit 31.1	
Exhibit 31.2	
Exhibit 32.1	
Exhibit 32.2	

#### FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains statements that are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this Form 10-Q, the words “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “project,” “target,” “likely,” “will,” “would,” “could,” and variations of such words and expressions as they relate to our management or to ARC Document Solutions, Inc. (the “Company”) are intended to identify forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated herein. We have described in Part II, Item 1A-“Risk Factors” a number of factors that could cause our actual results to differ from our projections or estimates. These factors and other risk factors described in this Form 10-Q are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. Consequently, there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us. Given these uncertainties, you are cautioned not to place undue reliance on such forward-looking statements.

Except where otherwise indicated, the statements made in this Form 10-Q are made as of the date we filed this report with the Securities and Exchange Commission and should not be relied upon as of any subsequent date. All future written and verbal forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We undertake no obligation, and specifically disclaim any obligation, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should, however, consult further disclosures we make in future filings of our Forms 10-K, Forms 10-Q, and Forms 8-K, and any amendments thereto, as well as our proxy statements.

## PART I—FINANCIAL INFORMATION

## Item 1. Condensed Consolidated Financial Statements

## ARC DOCUMENT SOLUTIONS, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	March 31, 2018	December 31, 2017
(In thousands, except per share data)		
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,968	\$ 28,059
Accounts receivable, net of allowances for accounts receivable of \$2,516 and \$2,341	59,893	57,011
Inventories, net	19,577	19,937
Prepaid expenses	5,220	4,208
Other current assets	4,313	5,266
Total current assets	102,971	114,481
Property and equipment, net of accumulated depreciation of \$199,231 and \$198,693	63,083	64,245
Goodwill	121,051	121,051
Other intangible assets, net	8,078	9,068
Deferred income taxes	28,043	28,029
Other assets	2,577	2,551
Total assets	\$ 325,803	\$ 339,425
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 20,850	\$ 24,289
Accrued payroll and payroll-related expenses	9,552	12,617
Accrued expenses	14,912	17,201
Current portion of long-term debt and capital leases	20,198	20,791
Total current liabilities	65,512	74,898
Long-term debt and capital leases	117,888	123,626
Other long-term liabilities	3,279	3,290
Total liabilities	186,679	201,814
Commitments and contingencies (Note 6)		
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; 47,936 and 47,913 shares issued and 45,262 and 45,266 shares outstanding	48	48
Additional paid-in capital	121,650	120,953
Retained earnings	21,152	20,524
Accumulated other comprehensive loss	(1,954)	(1,998)
	140,896	139,527
Less cost of common stock in treasury, 2,674 and 2,647 shares	9,350	9,290
Total ARC Document Solutions, Inc. stockholders' equity	131,546	130,237
Noncontrolling interest	7,578	7,374
Total equity	139,124	137,611
Total liabilities and equity	\$ 325,803	\$ 339,425

The accompanying notes are an integral part of these condensed consolidated financial statements.



ARC DOCUMENT SOLUTIONS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (Unaudited)

	Three Months Ended March 31,	
(In thousands, except per share data)	2018	2017
Service sales	\$ 86,710	\$ 86,964
Equipment and supplies sales	10,998	11,767
Total net sales	97,708	98,731
Cost of sales	67,523	67,893
Gross profit	30,185	30,838
Selling, general and administrative expenses	27,301	25,147
Amortization of intangible assets	1,008	1,115
Income from operations	1,876	4,576
Other income, net	(81 )	(19 )
Loss on extinguishment and modification of debt	—	66
Interest expense, net	1,442	1,555
Income before income tax provision	515	2,974
Income tax provision	39	1,226
Net income	476	1,748
Loss attributable to the noncontrolling interest	152	36
Net income attributable to ARC Document Solutions, Inc. shareholders	\$ 628	\$ 1,784
Earnings per share attributable to ARC Document Solutions, Inc. shareholders:		
Basic	\$ 0.01	\$ 0.04
Diluted	\$ 0.01	\$ 0.04
Weighted average common shares outstanding:		
Basic	44,741	45,639
Diluted	44,855	46,382

The accompanying notes are an integral part of these condensed consolidated financial statements.





ARC DOCUMENT SOLUTIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)