

PROQUEST CO  
Form 10-Q  
November 10, 2005  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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

For the quarterly period ended October 1, 2005

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 1-3246

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**ProQuest Company**

(Exact name of registrant as specified in its charter)

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<b>Delaware</b> (State or Other Jurisdiction of Incorporation or Organization)	<b>36-3580106</b> (I.R.S. Employer Identification No.)
<b>777 Eisenhower Parkway, Ann Arbor, Michigan</b> (Address of Principal Executive Offices)	<b>48106-1346</b> (Zip Code)

**Registrant's telephone number, including area code: (734) 761-4700**

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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 checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

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

The number of shares of the Registrant's Common Stock, \$.001 par value, outstanding as of November 5, 2005 was 29,866,131.

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ProQuest Company and Subsidiaries

Consolidated Statements of Operations

For the Thirteen and Thirty-Nine Week Periods

Ended October 1, 2005, and October 2, 2004

(In thousands, except per share data)

(Unaudited)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 1, 2005	October 2, 2004	October 1, 2005	October 2, 2004
Net sales	\$ 159,406	\$ 113,124	\$ 420,871	\$ 336,165
Cost of sales	(77,814)	(55,664)	(205,317)	(164,797)
<b>Gross profit</b>	<b>81,592</b>	<b>57,460</b>	<b>215,554</b>	<b>171,368</b>
Research and development expense	(6,300)	(4,048)	(14,765)	(12,530)
Selling and administrative expense	(40,033)	(31,795)	(119,316)	(92,694)
Other operating income		900		900
<b>Earnings from continuing operations before interest and income taxes</b>	<b>35,259</b>	<b>22,517</b>	<b>81,473</b>	<b>67,044</b>
Net interest expense:				
Interest income	384	331	1,157	1,220
Interest expense	(9,062)	(4,656)	(24,919)	(13,554)
<b>Net interest expense</b>	<b>(8,678)</b>	<b>(4,325)</b>	<b>(23,762)</b>	<b>(12,334)</b>
<b>Earnings from continuing operations before income taxes</b>	<b>26,581</b>	<b>18,192</b>	<b>57,711</b>	<b>54,710</b>
Income tax expense	(8,409)	(6,003)	(19,454)	(18,756)
<b>Earnings from continuing operations</b>	<b>18,172</b>	<b>12,189</b>	<b>38,257</b>	<b>35,954</b>
Earnings from discontinued operations (less applicable income taxes of \$470)				792
Gain on sale of discontinued operations (less applicable income taxes of \$515)				15,338
<b>Net earnings</b>	<b>\$ 18,172</b>	<b>\$ 12,189</b>	<b>\$ 38,257</b>	<b>\$ 52,084</b>
<b>Net earnings per common share:</b>				
Basic:				
Earnings from continuing operations	\$ 0.61	\$ 0.43	\$ 1.29	\$ 1.26
Earnings from discontinued operations				0.03
Gain on sale of discontinued operations				0.54
<b>Basic net earnings per common share</b>	<b>\$ 0.61</b>	<b>\$ 0.43</b>	<b>\$ 1.29</b>	<b>\$ 1.83</b>

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<b>Diluted:</b>				
Earnings from continuing operations	\$ 0.60	\$ 0.42	\$ 1.27	\$ 1.25
Earnings from discontinued operations				0.03
Gain on sale of discontinued operations				0.53
<b>Diluted net earnings per common share</b>	<b>\$ 0.60</b>	<b>\$ 0.42</b>	<b>\$ 1.27</b>	<b>\$ 1.81</b>
<b>Weighted average number of common shares and equivalents outstanding:</b>				
Basic	29,752	28,588	29,602	28,494
Diluted	30,233	28,815	30,036	28,806

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

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## ProQuest Company and Subsidiaries

## Consolidated Balance Sheets

As of October 1, 2005, January 1, 2005, and October 2, 2004

(In thousands)

	October 1, 2005 (Unaudited)	January 1, 2005	October 2, 2004 (Unaudited)
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 24,917	\$ 4,313	\$ 970
Accounts receivable, net	135,663	95,279	113,476
Inventory, net	15,761	5,312	4,995
Other current assets	70,031	50,133	62,576
<b>Total current assets</b>	<b>246,372</b>	<b>155,037</b>	<b>182,017</b>
Property, plant, equipment, and product masters, at cost	511,166	422,803	409,266
Accumulated depreciation and amortization	(297,866)	(222,806)	(216,605)
<b>Net property, plant, equipment, and product masters</b>	<b>213,300</b>	<b>199,997</b>	<b>192,661</b>
Long-term receivables	10,065	8,084	5,599
Goodwill	603,089	311,279	308,214
Identifiable intangibles, net	21,572	15,379	16,377
Curriculum, net	94,357		
Purchased and developed software, net	38,301	41,699	44,808
Other assets	20,278	21,454	17,267
<b>Total assets</b>	<b>\$ 1,247,334</b>	<b>\$ 752,929</b>	<b>\$ 766,943</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Current maturities of long-term debt	\$ 164	\$ 5,000	\$
Accounts payable	49,343	49,364	38,811
Accrued expenses	57,004	35,303	39,543
Current portion of monetized future billings	18,816	24,331	25,219
Deferred income	86,018	100,480	114,392
<b>Total current liabilities</b>	<b>211,345</b>	<b>214,478</b>	<b>217,965</b>
<b>Long-term liabilities:</b>			
Long-term debt, less current maturities	575,264	150,000	194,600
Monetized future billings, less current portion	22,323	36,197	42,194
Other liabilities	103,092	82,533	68,460
<b>Total long-term liabilities</b>	<b>700,679</b>	<b>268,730</b>	<b>305,254</b>
<b>Shareholders' equity:</b>			
Common stock (\$.001 par value, 50,000 shares authorized, 30,567 shares issued and 29,872 shares outstanding at October 1, 2005, 29,389 shares issued and 28,731 shares outstanding at January 1, 2005, and 29,174 shares issued and 28,587 shares outstanding at October 2, 2004)	30	29	29

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Capital surplus	354,820	320,033	314,835
Unearned compensation on restricted stock	(3,158)	(236)	(261)
Notes receivable arising from stock purchases		(194)	