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CENVEO, INC
Form DEFA14A
August 04, 2005

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

- | | |
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| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> CONFIDENTIAL, FOR USE OF THE COMMISSION |
| <input type="checkbox"/> Definitive Proxy Statement | ONLY (AS PERMITTED BY RULE 14A-6(e)(2)) |
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CENVEO, INC.

(NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

(NAME OF PERSON(S) FILING PROXY STATEMENT, IF OTHER THAN THE REGISTRANT)

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[X] No fee required.

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[] Fee paid previously with preliminary materials.

[] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

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[CENVEO logo]

For Immediate Release August 1, 2005

CENVEO ANNOUNCES SECOND QUARTER RESULTS AND ADDITIONAL MAJOR COSTS SAVINGS, BRINGING TOTAL REDUCTIONS TO \$55 MILLION

ENGLEWOOD, COLO. (AUGUST 1, 2005) -- Cenveo, Inc., (NYSE: CVO) announced its results for the quarter and six months ended June 30, 2005. The net loss was \$10.6 million for the quarter and \$33.2 million for the six months, or \$0.22 per share and \$0.69 per share, respectively. Sales for the quarter were \$422 million and \$871 million for the six months ended June 30, 2005. Last year, the net loss for the corresponding quarter was \$2.1 million or \$0.04 per share, on \$409 million of sales and for the six months ended June 30, 2004, the net loss was \$18.6 million, or \$0.39 per share, on \$833 million of sales. Cenveo's net loss for the six months ended June 30, 2005, included restructuring, impairment and other charges of \$13.0 million and losses on sales of non-strategic businesses of \$1.3 million.

EBITDA of ongoing operations for the second quarter of 2005 was \$30 million compared to EBITDA of \$28 million achieved by the ongoing operations for the same period last year, a 7.3% improvement on 3% better sales. The guidance given previously had been for results to be flat to last year. For the six months ended June 30, 2005, EBITDA was \$56.2 million compared to \$59.4 million for the corresponding period of the prior year. This decline was primarily due to the costs of transitioning to a new CEO, lower margins on our envelope products, lower net pricing in our office products channel and higher incentive accruals. An explanation of the Company's use of EBITDA for comparative purposes is provided below.

Net cash provided by operating activities in the quarter ended June 30, 2005 was \$16.9 million compared to \$9.8 million provided during the same period last year. It is still expected that operations will generate approximately \$35 million of free cash flow for the full year.

Jim Malone, President and CEO, stated, "The second quarter has been a turning point for Cenveo. Building on the previously announced plan to reduce SG&A expenses by \$20 million on an annual basis, we have identified another \$35 million of cost reductions that will be in place no later than January 1, 2006. On this basis, and even before factoring in continued strong market successes, we expect Cenveo to be at an annual EBITDA run rate of \$190 million going into 2006. This significant change in the expected EBITDA of the company has been made possible by flattening the organization,

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reducing the size and changing the role of head office and making Cenveo much more customer and operations oriented. We have discontinued all programs and activities that are not designed to serve our customers or support the high level of corporate governance that we are committed to maintain. We are confident that what we are doing is clearly the best option for our shareholders and we will continue to aggressively pursue shareholder value creation for all of our shareholders".

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Cenveo will hold a conference call today, Tuesday August 2nd at 2:00 p.m. Eastern Time (1:00 pm Central, 12:00 noon Mountain, 11:00 a.m. Pacific Time). To participate in the Cenveo conference call, please dial in to 1-800-819-9193 and provide conference ID 1024706. Please call 5-7 minutes before the call is to begin. The conference call will also be available via webcast. To listen to the webcast, go to www.cenveo.com, www.streetevents.com, or www.fulldisclosure.com.

INTERNATIONAL DIAL-IN: An operator will dial out to you. Contact Cenveo Investor Relations at 303-790-8023 or email: bea.rodriguez@cenveo.com no later than 1 hour prior to the call with your telephone information.

If you are unable to join the Cenveo conference call, you may access a replay of the call starting Tuesday, August 2, 2004 at 5:00 pm Eastern Time until Midnight Eastern Time, August 9, 2004. To access the replay, please dial 1-888-203-1112 and reference the conference ID 1024706.

EBITDA (earnings before interest, taxes, depreciation and amortization) should not be considered as an alternative to any measure of operating results as promulgated under accounting principles generally accepted (GAAP) in the United States (such as operating income or net income), nor should it be considered as an indicator of our overall financial performance. EBITDA does not fully consider the impact of investing or financing transactions as it specifically excludes depreciation and interest charges, which should also be considered in the overall evaluation of results. Additionally, our method of calculating EBITDA may be different from the method used by other companies and therefore comparability may be limited. EBITDA has not been provided as a measure of liquidity. The Supplemental Information to the press release includes the Company's Statement of Cash Flows.

We use EBITDA as a supplemental measure of performance because we believe it gives the reader a more complete understanding of our operating results before the impact of investing and financing transactions. A reconciliation of net income (loss) under U.S. GAAP to EBITDA is presented in the Supplemental Information to this press release and clearly demonstrates our method of calculating EBITDA.

ABOUT CENVEO

Cenveo, Inc. (NYSE: CVO), www.cenveo.com, is one of North America's leading providers of visual communications with one-stop services from design through fulfillment. The company is uniquely positioned to serve both direct customers through its commercial segment, and distributors and resellers of printed office products through its Quality Park resale segment. The company's broad portfolio of services and products include e-services, envelopes, offset and digital printing, labels and business documents. Cenveo currently has approximately 9,400 employees and more than 80 production locations plus five advanced fulfillment and distribution centers throughout North America. In 2004 and 2005, Cenveo was voted among Fortune Magazine's Most Admired Companies in the printing and publishing category

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and has consistently earned one of the highest Corporate Governance Quotients by Institutional Shareholder Services. The company is headquartered in Englewood, Colorado.

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Forward-Looking Statements

Statements made in this release, other than those concerning historical financial information, may be considered forward-looking statements, which are subject to risks and uncertainties, including without limitation: (1) general economic, business and labor conditions, (2) the ability to implement the Company's strategic initiatives, (3) the ability to regain profitability after substantial losses in 2004 and the first six months of 2005, (4) the majority of Company's sales are not subject to long-term contracts, (5) the impact of a new CEO and changes in management and strategic direction that may be made, (6) the impact of a special shareholders' meeting to be held September 14, 2005 called by a dissident shareholder group to replace the current board of directors, (7) the ability to effectively execute cost reduction programs and management reorganizations, (8) the industry is extremely competitive due to over capacity, (9) the impact of the Internet and other electronic media on the demand for envelopes and printed material, (10) postage rates and other changes in the direct mail industry, (11) environmental laws may affect the Company's business, (12) the ability to retain key management personnel, (13) compliance with recently enacted and proposed changes in laws and regulations affecting public companies could be burdensome and expensive, (14) the ability to successfully identify, manage and integrate possible future acquisitions, (15) dependence on suppliers and the costs of paper and other raw materials and the ability to pass paper price increases onto customers, (16) the ability to meet customer demand for additional value-added products and services, (17) changes in interest rates and currency exchange rates of the Canadian dollar, (18) the ability to manage operating expenses, (19) the risk that a decline in business volume or profitability could result in a further impairment of goodwill, and (20) the ability to timely or adequately respond to technological changes in the Company's industry.

These risks and uncertainties are also set forth under Management's Discussion and Analysis of Results of Operations and Financial Condition in the Cenveo, Inc. Annual Report for the fiscal year ended December 31, 2004, and in the Company's other SEC filings. A copy of the annual report is available on the Company's website at <http://www.cenveo.com>.

None of management's statements in this release should be considered an offer to sell or a solicitation of an offer to buy Cenveo securities.

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FINANCIAL HIGHLIGHTS

Cenveo, Inc. and Subsidiaries
(dollars in thousands, except per share data)
(unaudited)

THREE MONTHS ENDED JUNE 30,
2005 2004

CONSOLIDATED RESULTS

Net sales	\$ 421,736	\$ 409,396
Gross profit	83,308	83,634
Operating income	12,012	14,805
Loss from continuing operations	(10,609)	(3,296)
Gain on disposal of discontinued operations	-	1,230
Net loss	\$ (10,609)	\$ (2,066)
Net loss per share	\$ (0.22)	\$ (0.04)

SEGMENT INFORMATION

NET SALES:

Commercial	\$ 320,195	\$ 307,583
Resale	101,541	101,813
Total	\$ 421,736	\$ 409,396

OPERATING INCOME (EXPENSE):

Commercial	\$ 7,918	\$ 9,920
Resale	9,321	12,359
Corporate services	(5,227)	(7,474)
Total	\$ 12,012	\$ 14,805

OPERATING INCOME MARGINS:

Commercial	2.5%	3.2%
Resale	9.2%	12.1%

EBITDA (1):

Commercial	\$ 21,436	\$ 21,419
Resale	13,496	14,409
Corporate services	(4,887)	(7,827)
Total	\$ 30,045	\$ 28,001

FINANCIAL POSITION

	JUNE 30, 2005	DECEMBER 31, 2004
Working capital	\$ 118,501	\$ 113,300
Total assets	1,128,219	1,174,700
Total debt	783,575	769,700
Shareholders' equity	\$ 28,081	\$ 57,300