

CONSOLIDATED GRAPHICS INC /TX/

Form 8-K

January 30, 2008

**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): JANUARY 30, 2008**

**CONSOLIDATED GRAPHICS, INC.**

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

**TEXAS**  
(STATE OR OTHER  
JURISDICTION  
OF INCORPORATION)

**001-12631**  
(COMMISSION FILE NUMBER)

**76-0190827**  
(I.R.S. EMPLOYER  
IDENTIFICATION NO.)

**5858 WESTHEIMER, SUITE 200  
HOUSTON, TEXAS 77057**

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES AND ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (713) 787-0977

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 (*see* General Instruction A.2. below):

- ☐ 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**

The information in this Current Report is being furnished pursuant to Item 2.02 of Form 8-K and, according to general instruction B.2. thereunder, shall not be deemed filed with the Securities and Exchange Commission (the SEC) for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section. The information in this Current Report shall not be incorporated by reference into any registration statement filed by Consolidated Graphics, Inc. (the Company) under the Securities Act of 1933, as amended, and will not be so incorporated by reference into any future registration statement unless specifically identified as being incorporated by reference.

On January 30, 2008, the Company announced its fiscal 2008 third quarter results. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference. The attached press release may contain forward-looking information. Readers are cautioned that such information involves known and unknown risks, uncertainties and other factors that could cause actual results to materially differ from the results, performance or other expectations expressed or implied by these forward looking statements.

The Company will hold a conference call today at 10:00 a.m. Central Time/11:00 a.m. Eastern Time to discuss the Company's financial results for the third quarter ended December 31, 2007. A live webcast and subsequent archive of the conference call, as well as a copy of this Current Report and attached press release, can be accessed at [www.cgx.com](http://www.cgx.com) under the Investor Relations page. A rebroadcast of the call will be available by dialing 888-286-8010 or 617-801-6888 and entering the Conference ID 26751641. The rebroadcast will be available from January 30 until midnight February 6, 2008.

During today's conference call, management's discussion of the Company's financial results may include references to certain non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with United States generally accepted accounting principles, or (GAAP). Pursuant to the rules adopted by the SEC relating to the use of such financial measures in filings with the SEC, other disclosures of financial information and press releases, the Company provides the following qualitative and quantitative reconciliations regarding the non-GAAP financial measures to which management may refer. In addition, the sum of quarterly amounts in the accompanying tables may not equal full year amounts due to rounding differences.

The Company defines EBITDA as our net income plus provision for income taxes, net interest expense, share-based compensation expense, goodwill impairment charges, non-cash net gain or loss from foreign currency transactions, net gain or loss from asset dispositions and depreciation and amortization expense. We define EBITDA margin as EBITDA divided by sales. The Company uses EBITDA and EBITDA margin both as a liquidity and performance measure when evaluating its business and operations. We believe EBITDA and EBITDA margin may be useful to an investor in evaluating our liquidity and/or operating performance because:

- it is widely used by investors in our industry to measure a company's operating performance without regard to items such as interest, depreciation, non-cash currency transactions, impairments and amortization expenses and long-term non-cash share-based compensation expense, which can vary substantially from company to company depending upon accounting policies and book value of assets, capital structure and the method by which assets were acquired;

it helps investors more meaningfully evaluate and compare the results of our operations from period to period by removing the impact of our capital structure (primarily interest charges on our outstanding debt); asset base (primarily depreciation and amortization expense and goodwill impairment charges), non-cash gains/losses from foreign currency transactions, and long-term non-cash share-based incentive plans from our operating results; and

it helps investors to assess compliance with financial ratios and covenants included in our primary bank facility.

EBITDA should not be considered as an alternative to any measure of operating results as promulgated under GAAP (such as operating income, net income or cash flow from operating activities), nor should it be considered as an indicator of our overall financial performance or our ability to satisfy current or future obligations and fund or finance future business opportunities. EBITDA does not fully consider the impact of investing or financing transactions as it specifically excludes depreciation and interest expense, amortization and impairment of intangible assets, including goodwill, as well as the net gain or loss from non-cash foreign currency transactions, long-term share-based compensation expense, and the net loss/(gain) from asset dispositions, all of which should also be considered in the overall evaluation of the Company's results and liquidity.

(MM)	2005	Fiscal 2006	2007	Q1	Fiscal 2007 Q2	Q3	Q4	Q1	Fiscal 2008 Q2	Q3	YTD	LTM
les	779.0	879.0	1006.1	238.4	234.2	269.6	263.9	258.6	259.7	289.5	807.8	1071.7
et Income	32.7	38.5	50.7	13.7	13.7	16.4	6.9	13.6	13.3	19.4	46.3	53.2
ome taxes	19.0	23.2	29.4	7.3	8.4	9.2	4.4	9.3	7.4	4.4	21.1	25.5
erest												
ense, net	5.1	5.5	6.7	1.4	1.8	1.6	2.0	1.9	2.5	3.6	8.0	10.0
preciation												
d												
ortization	37.0	41.3	44.0	10.6	10.7	10.8	12.0	12.3	12.7	13.1	38.1	50.1
oodwill												
pairment			11.5				11.5					11.5
on-Cash												
oreign												
urrency												
ansaction												
et Gain								(2.8)	(1.6)	(0.5)	(4.9)	(4.9)
are-based												
mpensation												
ense			2.8	1.2	0.5	0.5	0.5	1.2	0.3	0.3	1.8	2.3
et loss												
ain) from												
et												
ositions*	5.1	4.3	1.3	0.3	(0.2)	0.3	0.8	0.4	0.6	0.5	1.5	2.3
<b>BITDA</b>	<b>98.9</b>	<b>112.9</b>	<b>146.3</b>	<b>34.5</b>	<b>34.9</b>	<b>38.8</b>	<b>38.1</b>	<b>35.9</b>	<b>35.2</b>	<b>40.8</b>	<b>111.9</b>	<b>150.0</b>
<b>BITDA</b>												
<b>margin</b>	<b>12.7%</b>	<b>12.8%</b>	<b>14.5%</b>	<b>14.5%</b>	<b>14.9%</b>	<b>14.4%</b>	<b>14.4%</b>	<b>13.9%</b>	<b>13.6%</b>	<b>14.1%</b>	<b>13.9%</b>	<b>14.0%</b>
*	Included in depreciation and amortization in											

the  
Consolidated  
Statements of  
Cash Flows

The Company defines Free Cash Flow as net cash provided by operating activities less capital expenditures for property and equipment, including capital expenditures which are directly financed and those accrued as a current liability, plus proceeds from asset dispositions. The Company considers Free Cash Flow to be an important indicator of our operating flexibility and is a representative measure of our ability to satisfy current and future obligations and fund or finance future business opportunities and believes it may be similarly useful to investors.

(\$MM)		<b>Fiscal</b>			<b>Fiscal 2007</b>				<b>Fiscal 2008</b>			
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>YTD</b>	<b>LTM</b>
Net cash provided by operating activities	75.2	79.2	72.8	22.4	(5.6)	42.9	13.0	33.2	8.5	32.7	74.4	87.4
Capital expenditures*	(28.8)	(32.9)	(46.4)	(8.4)	(8.0)	(10.9)	(19.0)	(9.3)	(21.3)	(23.4)	(54.0)	(73.0)
Proceeds from asset dispositions	1.8	2.5	4.1	1.2	0.6	0.7	1.6	0.6	0.9	0.3	1.8	3.4
<b>Free Cash Flow</b>	<b>48.2</b>	<b>48.9</b>	<b>30.5</b>	<b>15.2</b>	<b>(13.0)</b>	<b>32.7</b>	<b>(4.4)</b>	<b>24.5</b>	<b>(11.9)</b>	<b>9.6</b>	<b>22.2</b>	<b>17.8</b>
* Capital expenditures for property, plant and equipment, including capital expenditures which are directly financed and those accrued as a current liability												

The Company defines Adjusted Operating Margin as Adjusted Operating Income divided by Sales. We define Adjusted Operating Income as Operating Income plus share-based compensation expense and amortization and impairment of intangible assets, including goodwill, less the net gain from non-cash foreign currency transactions. Adjusted Operating Income is an important performance measure used by the Company to analyze and compare post-acquisition financial trends and results of its various operations. The Company believes this non-GAAP financial measure may help investors better understand our operating results by eliminating (i) the impact of intangible asset amortization/impairment which results solely from our acquisition transactions, (ii) long-term non-cash share-based compensation expense pursuant to the Company's long-term incentive plans and (iii) non-cash net gain from foreign currency transactions pursuant to the revaluation of certain transactions denominated in currencies outside of the Company's reporting units functional currency.

(MM)	2005	Fiscal 2006	2007	Q1	Fiscal 2007 Q2	Q3	Q4	Q1	Q2	Fiscal 2008 Q3	YTD	LTM
es	779.0	879.0	1,006.1	238.4	234.2	269.6	263.9	258.6	259.7	289.5	807.8	1071.7
erating	56.8	67.2	86.8	22.4	23.9	27.2	13.3	24.8	23.2	27.4	75.4	88.7
ome												
are-based												
mpensation												
ense			2.8	1.2	0.5	0.5	0.5	1.2	0.3	0.3	1.8	2.3
n-Cash												
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urrency												
ansaction												
t Gain								(2.8)	(1.6)	(0.5)	(4.9)	(4.9)
odwill												
pairment												
her												
angible												
et		1.3	13.1	0.4	0.3	0.5	11.9	0.6	0.6	0.6	1.8	13.7
justed												
erating												
come	56.8	68.5	102.7	24.0	24.7	28.2	25.7	23.8	22.5	27.8	74.1	99.8
justed												
erating												
argin	7.3%	7.8%	10.2%	10.0%	10.6%	10.5%	9.7%	9.2%	8.7%	9.6%	9.2%	9.3%

**ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS**

(c) EXHIBITS

The following exhibit is filed herewith:

- 99.1 Press release of the Company dated January 30, 2008, regarding the announcement of the Company's fiscal 2008 third quarter results.

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.**

CONSOLIDATED GRAPHICS, INC.  
(Registrant)

By: /s/ Jon C. Biro  
Jon C. Biro  
Executive Vice President and  
Chief Financial and Accounting Officer

Date: January 30, 2008

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Exhibit Index

Exhibit Number	Description
99.1	Press release of the Company dated January 30, 2008, regarding the announcement of the Company's fiscal 2008 third quarter results.