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NATIONAL SERVICE INDUSTRIES INC
Form 10-Q
April 13, 2001

Page 1 of 23
Index to Exhibits on Page 17

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 February 28, 2001.

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 1-3208.

NATIONAL SERVICE INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware 58-0364900
(State or other jurisdiction of (I.R.S. Employer Identification Number)
incorporation or organization)

1420 Peachtree Street, N.E., Atlanta, Georgia 30309-3002
(Address of principal executive offices) (Zip Code)

(404) 853-1000
(Registrant's telephone number, including area code)

None
(Former Name, Former Address and Former Fiscal
Year, if Changed Since Last Report)

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock - \$1.00 Par Value - 41,151,100 shares as of March 31, 2001.

Page 2

NATIONAL SERVICE INDUSTRIES, INC. AND SUBSIDIARIES

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INDEX

	Page No.

PART I. FINANCIAL INFORMATION	
ITEM 1. FINANCIAL STATEMENTS	
CONSOLIDATED BALANCE SHEETS (Unaudited) - FEBRUARY 28, 2001 AND AUGUST 31, 2000	3
CONSOLIDATED STATEMENTS OF INCOME (Unaudited) - THREE AND SIX MONTHS ENDED FEBRUARY 28, 2001 AND FEBRUARY 29, 2000	4
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) - SIX MONTHS ENDED FEBRUARY 28, 2001 AND FEBRUARY 29, 2000	5
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)	6-11
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	12-14
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	14
PART II. OTHER INFORMATION	
ITEM 1. LEGAL PROCEEDINGS	15
ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K	15
SIGNATURES	16
INDEX TO EXHIBITS	17

Page 3

NATIONAL SERVICE INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Unaudited)
(In thousands, except share and per-share data)

	February 28, 2001	August 31, 2000
	-----	-----
Assets		
Current Assets:		
Cash and cash equivalents	\$ 5,732	\$ 1,511
Receivables, less reserves for doubtful accounts of \$8,875 at February 28, 2001 and \$7,310 at August 31, 2000	369,632	405,741
Inventories, at the lower of cost (on a first-in, first-out basis) or market	265,275	257,571
Linens in service, net of amortization	55,235	57,161
Deferred income taxes	10,024	10,281

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Prepayments	29,103	25,74
	-----	-----
Total Current Assets	735,001	758,02
	-----	-----
Property, Plant, and Equipment, at cost:		
Land	28,528	28,69
Buildings and leasehold improvements	217,060	206,94
Machinery and equipment	577,321	559,48
	-----	-----
Total Property, Plant, and Equipment	822,909	795,12
Less-Accumulated depreciation and amortization	398,050	368,06
	-----	-----
Property, Plant, and Equipment-net	424,859	427,05
	-----	-----
Other Assets:		
Goodwill and other intangibles	522,971	536,00
Other	91,324	95,34
	-----	-----
Total Other Assets	614,295	631,35
	-----	-----
Total Assets	\$1,774,155	\$1,816,43
	=====	=====
Liabilities and Stockholders' Equity		
Current Liabilities:		
Current maturities of long-term debt	\$ 1,067	\$ 20
Commercial paper	255,434	236,70
Notes payable	21,366	20,28
Accounts payable	112,026	130,57
Accrued salaries, commissions, and bonuses	42,648	63,83
Current portion of self-insurance reserves	6,996	7,00
Accrued taxes payable	11,396	1,92
Other accrued liabilities	67,484	76,42
	-----	-----
Total Current Liabilities	518,417	536,95
	-----	-----
Long-Term Debt, less current maturities	382,790	384,24
	-----	-----
Deferred Income Taxes	76,003	96,15
	-----	-----
Self-Insurance Reserves, less current portion	29,694	37,48
	-----	-----
Other Long-Term Liabilities	89,375	93,13
	-----	-----
Stockholders' Equity:		
Series A participating preferred stock, \$.05 stated value, 500,000 shares authorized, none issued		
Preferred stock, no par value, 500,000 shares authorized, none issued		
Common stock, \$1 par value, 120,000,000 shares authorized, 57,918,978 shares issued	57,919	57,91
Paid-in capital	29,859	29,65
Retained earnings	1,028,241	1,022,97
Unearned compensation on restricted stock (Note 7)	(1,160)	
Accumulated other comprehensive income items	(15,794)	(12,77
	-----	-----
1,099,065	1,097,77	
Less-Treasury stock, at cost (16,767,419 shares at February		

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28, 2001 and 17,090,414 shares at August 31, 2000)	421,189	429,30
Total Stockholders' Equity	677,876	668,47
Total Liabilities and Stockholders' Equity	\$1,774,155	\$1,816,43

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

Page 4

NATIONAL SERVICE INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(In thousands, except per-share data)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	February 28, 2001	February 29, 2000	February 28, 2001	Februa 200
Sales and Service Revenues:				
Net sales of products	\$527,821	\$527,994	\$1,090,473	\$ 1,0
Service revenues	79,608	77,419	160,715	1
Total Revenues	607,429	605,413	1,251,188	1,2
Costs and Expenses:				
Cost of products sold	314,784	316,963	647,467	6
Cost of services	46,201	44,805	92,634	
Selling and administrative expenses	204,254	196,003	422,358	3
Amortization expense	5,272	5,198	10,319	
Interest expense, net	13,375	10,527	26,636	
Gain on sale of business	(2,360)	(170)	(2,360)	
Other expense (income), net	784	(1,043)	2,766	
Total Costs and Expenses	582,310	572,283	1,199,820	1,1
Income before Provision for Income Taxes	25,119	33,130	51,368	
Provision for Income Taxes	9,294	12,854	19,006	
Net Income	\$ 15,825	\$ 20,276	\$ 32,362	\$
Per Share:				
Basic Earnings per Share	\$ 0.39	\$ 0.50	\$ 0.79	\$
Basic Weighted Average Number of Shares Outstanding	41,076	40,711	41,002	
Diluted Earnings per Share	\$ 0.38	\$ 0.50	\$ 0.79	\$
Diluted Weighted Average Number of Shares Outstanding	41,497	40,737	41,183	

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