

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

FORM 10-Q

(Mark one)

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

For quarterly period ended June 30, 1995

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: 1-7945

DELUXE CORPORATION

(Exact name of registrant as specified in its charter)

MINNESOTA 41-0216800

(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

1080 West County Road "F", Shoreview, Minnesota 55126-8201

(Address of principal executive offices) (Zip code)

(612) 483-7111

(Registrant's telephone number, including area code)

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 X No

The number of shares outstanding of the registrant's common stock, par value \$1.00 per share, at August 1, 1995 was 82,647,806.

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ITEM I. FINANCIAL STATEMENTS

PART I. FINANCIAL INFORMATION
DELUXE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Dollars in Thousands)

<TABLE>
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	June 30, 1995 (Unaudited)	December 31, 1994
	-----	-----
<S>	<C>	<C>
CURRENT ASSETS		
Cash and cash equivalents	\$22,421	\$29,139
Marketable securities	37,129	49,109
Trade accounts receivable	150,928	142,087
Inventories:		

Raw material	27,922	25,198
Semi-finished goods	25,301	26,046
Finished goods	43,707	36,976
Deferred advertising	22,355	27,770
Deferred income taxes	25,023	25,647
Prepaid expenses and other current assets	63,972	58,894
	-----	-----
Total current assets	418,758	420,866
	-----	-----
LONG-TERM INVESTMENTS	47,538	45,091
PROPERTY, PLANT AND EQUIPMENT		
Land	37,594	38,286
Buildings and improvements	286,694	284,131
Machinery and equipment	570,810	544,092
Construction in progress	11,579	3,225
	-----	-----
Total	906,677	869,734
Less accumulated depreciation	423,352	407,916
	-----	-----
Property, plant, and equipment - net	483,325	461,818
INTANGIBLES		
Cost in excess of net assets acquired - net	314,394	284,420
Other intangible assets - net	53,934	44,077
	-----	-----
Total intangibles	368,328	328,497
	-----	-----
TOTAL ASSETS	\$1,317,949	\$1,256,272
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$59,317	\$65,033
Accrued liabilities:		
Wages, including vacation pay	60,373	50,366
Employee profit sharing and pension	31,560	57,915
Accrued rebates	33,137	28,741
Income taxes	2,051	5,394
Other	68,288	67,313
Short-term debt	84,833	11,219
Long-term debt due within one year	4,546	4,479
	-----	-----
Total current liabilities	344,105	290,460
	-----	-----
LONG-TERM DEBT	113,897	110,867
	-----	-----
DEFERRED INCOME TAXES	39,646	40,552
SHAREHOLDERS' EQUITY		
Common shares - \$1 par value (authorized 500,000,000 shares; issued: 82,431,556)	82,432	82,375
Additional paid-in capital	3,457	1,694
Retained earnings	734,637	732,158
Cumulative translation adjustment	1,502	369
Unearned compensation	(814)	(149)
Net unrealized change - marketable securities	(913)	(2,054)
	-----	-----
Total shareholders' equity	820,301	814,393
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,317,949	\$1,256,272
	-----	-----

</TABLE>

See Notes to Consolidated Financial Statements

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DELUXE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(Dollars in Thousands Except per Share Amounts)
(Unaudited)

<TABLE>
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	QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1995	1994	1995	1994
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
NET SALES	\$442,479	\$412,344	\$908,107	\$842,332
OPERATING EXPENSES				

Cost of sales	202,087	189,225	412,757	385,899
Selling, general, and administrative	164,237	148,867	344,048	297,333
Employee profit sharing and pension	15,244	15,597	29,962	30,443
Employee bonus and stock purchase discount	7,181	6,506	12,696	12,670
	-----	-----	-----	-----
Total	388,749	360,195	799,463	726,345
	-----	-----	-----	-----
INCOME FROM OPERATIONS	53,730	52,149	108,644	115,987
OTHER INCOME (EXPENSE)				
Investment and other income	1,483	879	7,990	5,530
Interest expense	(3,375)	(2,458)	(6,453)	(6,161)
	-----	-----	-----	-----
INCOME BEFORE INCOME TAXES	51,838	50,570	110,181	115,356
PROVISION FOR INCOME TAXES	22,106	21,014	46,610	47,759
	-----	-----	-----	-----
NET INCOME	\$29,732	\$29,556	\$63,571	\$67,597
	-----	-----	-----	-----
	-----	-----	-----	-----
AVERAGE COMMON SHARES OUTSTANDING	82,370,935	82,324,840	82,406,161	82,428,636
NET INCOME PER COMMON SHARE	\$0.36	\$0.36	\$0.77	\$0.82
CASH DIVIDENDS PER COMMON SHARE	\$0.37	\$0.36	\$0.74	\$0.72

</TABLE>

See Notes to Consolidated Financial Statements

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DELUXE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months Ended June 30, 1995 and 1994
(Dollars in Thousands)
(Unaudited)

<TABLE>

<CAPTION>

	1995	1994
	----	----
	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$63,571	\$67,597
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	32,692	28,603
Amortization of intangibles	16,668	12,350
Stock purchase discount	4,095	4,175
Deferred income taxes	(725)	(167)
Changes in assets and liabilities, net of effects from acquisitions:		
Trade accounts receivable	(5,490)	(6,155)
Inventories	(8,167)	(12,336)
Accounts payable	(9,811)	1,578
Other assets and liabilities	(17,029)	(34,762)
	-----	-----
Net cash provided by operating activities	75,804	60,883
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities with maturities of more than 3 months		(13,115)
Proceeds from sales of marketable securities with maturities of more than 3 months	13,409	32,501
Net change in marketable securities with maturities of 3 months or less		20,000
Purchases of property, plant, and equipment	(62,495)	(47,646)
Payments for acquisitions, net of cash acquired	(37,282)	(36,993)
Other	364	(18,411)
	-----	-----
Net cash used in investing activities	(86,004)	(63,664)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(5,591)	(1,691)
Payments to retire common stock	(15,768)	(23,047)
Proceeds from issuing stock under employee plans	12,320	12,646
Proceeds from short-term debt	73,614	
Cash dividends paid to shareholders	(61,093)	(59,451)
	-----	-----
Net cash provided by (used in) financing activities	3,482	(71,543)
	-----	-----
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,718)	(74,324)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	29,139	114,103
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$22,421	\$39,779
	-----	-----

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The consolidated balance sheet as of June 30, 1995, the related consolidated statements of income for the three-month and six-month periods ended June 30, 1995 and 1994 and the consolidated statements of cash flows for the six-month periods ended June 30, 1995 and 1994 are unaudited; in the opinion of management, all adjustments necessary for a fair presentation of such financial statements are included. Such adjustments consist only of normal recurring items. Interim results are not necessarily indicative of results for a full year.

The financial statements and notes are presented in accordance with instructions for Form 10-Q, and do not contain certain information included in the Company's annual financial statements and notes.

2. The Company has uncommitted bank lines of credit of \$180 million available at variable interest rates. As of June 30, 1995, \$6.0 million was drawn on those lines at a weighted average interest rate of 6.4%. Also, the company has in place a \$150 million committed line of credit as support for commercial paper. As of June 30, 1995, \$78.8 million of commercial paper was issued and outstanding at a weighted average interest rate of 6.1%.
3. In March 1995, the Financial Accounting Standards Board issued Statement of Financial Standards No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". The Company believes that this statement, when adopted in 1996, will not have a material effect on its financial position or results of operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS - SIX MONTHS ENDED JUNE 30, 1995 COMPARED TO SIX MONTHS ENDED JUNE 30, 1994

Net sales were \$908.1 million for the first six months of 1995, up 7.8% (3.5% excluding the impact of the acquisitions of National Revenue Corporation, which the Company acquired in the second quarter of 1994, The Software Partnership Ltd. and T/Maker Company, which were acquired in the third quarter of 1994, and Financial Alliance Processing Services, Inc., which the Company acquired in the first quarter of 1995) over the first six months of 1994, when sales were \$842.3. The Payment Systems segment revenue for the first six months of 1995 increased 7.6% from the first six months of 1994. Flat sales in the Check Printing Division due to slow growth in unit sales and continued price competition in the financial institution market was offset by a 54.3% increase in revenue from the Company's Electronic Payment Systems division, which was due in part to the acquisitions of National Revenue Corporation, The Software Partnership Ltd., and Financial Alliance Processing Services, Inc.

Deluxe's Business Systems segment posted a 13.6% increase in revenue for the first six months of 1995 over the first six months of 1994, due to the growth in domestic and international units and the acquisition of T/Maker Company. Revenue for the Consumer Specialty Products segment increased 0.8%.

Selling, general, and administrative expenses increased \$46.7 million or 15.7% for the first six months of 1995 over the first six months of 1994. The Business Systems segment's expenses increased approximately \$16.6 million, due primarily to the acquisition of T/Maker Company, as well as increased selling expenses in the international operations. The Electronic Payments Systems division's expenses increased approximately \$19.0 million, due primarily to the acquisitions of National Revenue Corporation, Financial Alliance Processing Services, Inc., and The Software Partnership Ltd. and product development costs. Net income was \$63.6 million for the first six months of

1995, or 7.0% of sales, compared to \$67.6 million for the first six months of 1994, or 8.0% of sales. Included in the 1995 net income is approximately \$5 million of pretax gain resulting from insurance payments for the 1994 earthquake damage to the Company's facilities.

RESULTS OF OPERATIONS - THREE MONTHS ENDED JUNE 30, 1995
COMPARED TO THREE MONTHS ENDED JUNE 30, 1994

Net sales were \$442.5 million for the second quarter of 1995, up 7.3% (3.9% excluding the acquisitions of National Revenue Corporation, The Software Partnership Ltd., T/Maker Company, and Financial Alliance Processing Services Inc.) over the second quarter of 1994, when sales were \$412.3 million. The Payment Systems segment's revenue increased 6.9% over the second quarter of 1994. This included a 47.0% increase in revenue from the Company's Electronic Payment Systems division, where all business units reported double digit growth. A significant portion of the Electronic Payment Systems division increase was due to the acquisitions of The Software Partnership Ltd., and Financial Alliance Processing Services, Inc. The Company's Business Systems segment posted an 11.0% increase in revenue in the second quarter of 1995 over second quarter 1994 primarily due to increased revenue in domestic and United Kingdom business forms units, and the acquisition of T/Maker Company.

Selling, general and administrative expenses increased \$15.4 million or 10.3% in second quarter 1995 over second quarter 1994. The Electronic Payments Systems division expenses increased approximately \$8.7 million, primarily due to the acquisitions noted above (except National Revenue Corporation, which was acquired on April 15, 1994). The Business Systems segment's expenses increased approximately \$4.5 million, primarily due to the acquisition of T/Maker Company, as well as increased selling expenses in the international operations. Net income was \$29.7 million in the second quarter of 1995, or 6.7% of sales, compared to \$29.6 million in 1994 or 7.2% of sales.

FINANCIAL CONDITION - LIQUIDITY

Cash provided by operations was \$75.8 million for the first six months of 1995, compared with \$60.9 million for the first six months of 1994. This represents the Company's primary source of working capital for financing capital expenditures and paying cash dividends. The Company's working capital on June 30, 1995 was \$74.6 million, compared to \$130.4 million on December 31, 1994. The decrease in 1995 is primarily the result of the acquisition of Financial Alliance Processing Services, Inc. The current ratio was 1.2 to 1 on June 30, 1995 and 1.4 to 1 on December 31, 1994.

FINANCIAL CONDITION - CAPITAL RESOURCES

Purchases of property, plant, and equipment totaled \$62.5 million for the six months of 1995, compared to \$47.6 million for the comparable prior year period.

In February 1991, the Company issued \$100 million of notes, payable in 2001 under its 1989 shelf registration of debt securities. The Company has uncommitted bank lines of credit of \$180 million. As of June 30, 1995, \$6.0 million was drawn on those lines. In addition, the Company has in place a \$150 million committed line of credit as support for commercial paper. As of June 30, 1995, \$78.8 million of commercial paper was issued and outstanding. The company intends to pursue additional

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medium or long-term debt financing to be used for general corporate purposes, including working capital, repayment or repurchase of outstanding indebtedness and other securities of the Company, capital expenditures and possible acquisitions. Cash dividends totaled \$61.1 million for the first six months of 1995 compared to \$59.5 million for the first six months of 1994.

OUTLOOK

On May 1, 1995, J.A. (Gus) Blanchard III succeeded Harold V. Haverty as President and Chief Executive Officer of the Company. In addition, Mr. Blanchard was elected to the Company's Board of Directors following its annual meeting held on May 8, 1995. In connection with the recent management change, the Company is undertaking a comprehensive evaluation of its businesses and

strategy and may, in the future, determine to adjust its business strategy and to pursue acquisitions of complimentary businesses or products or dispositions of certain businesses or products of the Company and its subsidiaries. The Company currently has no commitments to make any such acquisitions or dispositions.

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PART II. OTHER INFORMATION

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its annual shareholders' meeting on May 8, 1995: 70,991,076 shares were represented (85.98% of the 82,568,415 shares outstanding).

1. Election of Directors:

The nominees listed in the proxy statement were: Haverty, Olson, Twogood, MacMillan, Renier, Grogan and Jacobson. The results were as follows:

for all nominees:	70,061,959
Withheld as to all nominees:	675,954
Withheld as to fewer than all nominees:	253,163
Broker Non-Vote:	0

2. Ratification of appointment of Deloitte & Touche LLP as independent auditors:

For:	70,530,670
Against:	154,626
Abstain:	305,780
Broker Non-Vote:	0

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PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The following exhibit is filed as part of this report:

(27) Financial Data Schedule

(b) The Company did not, and was not required to file any reports on Form 8-K during the quarter for which this report is filed.

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SIGNATURES

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 thereunto duly authorized.

DELUXE CORPORATION
(Registrant)

Date August 14, 1995

/s/ J.A. Blanchard III

J.A. Blanchard III, President
and Chief Executive Officer
(Principal Executive Officer)

Date August 14, 1995

/s/ C.M. Osborne

C.M. Osborne, Senior Vice President
and Chief Financial Officer
(Principal Financial Officer)

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