

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 quarterly period ended September 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 (IRS Employer Identification No.)
incorporation or organization)

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 No

The number of shares outstanding of the registrant's common stock, par value
\$1.00 per share, at November 1, 1995 was 82,625,936.

<TABLE>
<CAPTION>

ITEM 1. FINANCIAL STATEMENTS

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

| | September 30, 1995 (Unaudited) | December 31, 1994 |
|---|-----------------------------------|----------------------|
| | ----- | ----- |
| <S> | <C> | <C> |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 21,611 | \$ 29,139 |
| Marketable securities | 30,308 | 49,109 |
| Trade accounts receivable | 161,841 | 142,087 |
| Inventories: | | |
| Raw material | 24,003 | 25,198 |
| Semi-finished goods | 27,859 | 26,046 |
| Finished goods | 49,345 | 36,976 |
| Deferred advertising | 31,327 | 27,770 |
| Deferred income taxes | 24,946 | 25,647 |
| Prepaid expenses and other current assets | 59,001 | 58,894 |
| | ----- | ----- |
| Total current assets | 430,241 | 420,866 |
| | ----- | ----- |
| LONG-TERM INVESTMENTS | 46,265 | 45,091 |
| PROPERTY, PLANT AND EQUIPMENT | | |
| Land | 42,803 | 38,286 |
| Buildings and improvements | 292,402 | 284,131 |
| Machinery and equipment | 581,918 | 544,092 |
| Construction in progress | 15,987 | 3,225 |
| | ----- | ----- |
| Total | 933,110 | 869,734 |
| Less accumulated depreciation | 436,032 | 407,916 |
| | ----- | ----- |
| Property, plant, and equipment - net | 497,078 | 461,818 |
| INTANGIBLES | | |
| Cost in excess of net assets acquired - net | 308,906 | 284,420 |
| Other intangible assets - net | 61,900 | 44,077 |
| | ----- | ----- |
| Total intangibles | 370,806 | 328,497 |
| | ----- | ----- |
| TOTAL ASSETS | \$1,344,390 | \$1,256,272 |
| | ----- | ----- |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 66,371 | \$ 65,033 |
| Accrued liabilities: | | |
| Wages, including vacation pay | 58,750 | 50,366 |
| Employee profit sharing and pension | 42,823 | 57,915 |
| Accrued rebates | 31,580 | 28,741 |
| Income taxes | 7,181 | 5,394 |
| Other | 72,107 | 67,313 |
| Short-term debt | 86,754 | 11,219 |
| Long-term debt due within one year | 4,916 | 4,479 |
| | ----- | ----- |
| Total current liabilities | 370,482 | 290,460 |
| | ----- | ----- |
| LONG-TERM DEBT | 114,438 | 110,867 |
| | ----- | ----- |
| DEFERRED INCOME TAXES | 37,908 | 40,552 |
| SHAREHOLDERS' EQUITY | | |
| Common shares - \$1 par value (authorized 500,000,000 shares; issued: 82,511,562) | 82,512 | 82,375 |
| Additional paid-in capital | 5,891 | 1,694 |
| Retained earnings | 733,449 | 732,158 |
| Cumulative translation adjustment | 1,243 | 369 |
| Unearned compensation | (765) | (149) |
| Net unrealized change - marketable securities | (768) | (2,054) |
| | ----- | ----- |

| | | |
|--|-------------|-------------|
| Total shareholders' equity | 821,562 | 814,393 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$1,344,390 | \$1,256,272 |

</TABLE>

See Notes to Consolidated Financial Statements

<TABLE>
<CAPTION>

DELUXE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in Thousands Except per Share Amounts)
(Unaudited)

| | QUARTER ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER | |
|--|-----------------------------|------------|-----------------------------|-------------|
| | 1995 | 1994 | 1995 | 1994 |
| 30, | | | | |
| - | | | | |
| <S> | <C> | <C> | <C> | <C> |
| NET SALES | \$449,526 | \$426,654 | \$1,357,633 | \$1,268,986 |
| OPERATING EXPENSES | | | | |
| Cost of sales | 203,322 | 195,914 | 616,079 | 581,813 |
| Selling, general, and administrative | 171,463 | 160,601 | 515,511 | 457,935 |
| Employee profit sharing and pension | 14,972 | 15,383 | 44,934 | 45,826 |
| Employee bonus and stock purchase discount | 5,240 | 4,946 | 17,936 | 17,615 |
| Restructuring credit | | (10,000) | | |
| (10,000) | | | | |
| Total | 394,997 | 366,844 | 1,194,460 | 1,093,189 |
| INCOME FROM OPERATIONS | 54,529 | 59,810 | 163,173 | 175,797 |
| OTHER INCOME (EXPENSE) | | | | |
| Investment and other income | 1,369 | 1,535 | 9,359 | 7,065 |
| Interest expense | (3,589) | (2,534) | (10,042) | |
| (8,695) | | | | |
| INCOME BEFORE INCOME TAXES | 52,309 | 58,811 | 162,490 | 174,167 |
| PROVISION FOR INCOME TAXES | 22,933 | 25,536 | 69,542 | 73,294 |
| NET INCOME | \$ 29,376 | \$ 33,275 | \$ 92,948 | \$ 100,873 |
| AVERAGE COMMON SHARES OUTSTANDING | 82,486,220 | 82,332,373 | 82,435,645 | |
| 82,396,913 | | | | |
| NET INCOME PER COMMON SHARE | \$0.36 | \$0.40 | \$1.13 | |
| \$1.22 | | | | |
| CASH DIVIDENDS PER COMMON SHARE | \$0.37 | \$0.37 | \$1.11 | |
| \$1.09 | | | | |

</TABLE>

See Notes to Consolidated Financial Statements

<TABLE>
<CAPTION>

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 1995 and 1994
(Dollars in Thousands)
(Unaudited)

| | 1995 | 1994 |
|--|-----------|-----------|
| | ---- | ---- |
| <S> | <C> | <C> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 92,948 | \$100,873 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 50,027 | 43,717 |
| Amortization of intangibles | 25,252 | 19,551 |
| Stock purchase discount | 6,134 | 6,274 |
| Deferred income taxes | (754) | (1,036) |
| Changes in assets and liabilities, net of effects from acquisitions: | | |
| Trade accounts receivable | (16,403) | (10,337) |
| Inventories | (12,445) | (21,139) |
| Accounts payable | (2,757) | 8,531 |
| Other assets and liabilities | (11,185) | (33,552) |
| | ----- | ----- |
| Net cash provided by operating activities | 130,817 | 112,882 |
| 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 | 20,317 | 43,500 |
| Net change in marketable securities with maturities of 3 months or less | | 20,000 |
| Purchases of property, plant, and equipment | (91,904) | (74,203) |
| Payments for acquisitions, net of cash acquired | (37,313) | (52,196) |
| Other | (2,190) | (21,816) |
| | ----- | ----- |
| Net cash used in investing activities | (111,090) | (97,830) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on long-term debt | (7,094) | (2,632) |
| Payments to retire common stock | (21,979) | (33,135) |
| Proceeds from issuing stock under employee plans | 18,917 | 18,900 |
| Proceeds from short-term debt | 74,558 | 18,000 |
| Cash dividends paid to shareholders | (91,657) | (89,951) |
| | ----- | ----- |
| Net cash used in financing activities | (27,255) | (88,818) |
| | ----- | ----- |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (7,528) | (73,766) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 29,139 | 114,103 |
| | ----- | ----- |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$21,611 | \$40,337 |
| | ----- | ----- |

</TABLE>

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The consolidated balance sheet as of September 30, 1995, the related consolidated statements of income for the three-month and nine-month periods ended September 30, 1995 and 1994 and the consolidated statements of cash flows for the nine-month periods ended September 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 \$189.5 million

available at variable interest rates. As of September 30, 1995, \$7.5 million was drawn on those lines at a weighted average interest rate of 6.8%. Also, the company has in place a \$150 million committed line of credit as support for commercial paper. As of September 30, 1995, \$79.3 million of commercial paper was issued and outstanding at a weighted average interest rate of 5.9%. During the third quarter of 1995, the Company filed a shelf registration for a \$300 million medium term note program. As of September 30, 1995, no such notes were issued or outstanding.

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 - NINE MONTHS ENDED SEPTEMBER 30, 1995 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1994

Net sales were \$1,357.6 million for the first nine months of 1995, up 7.0% (2.9% excluding the impact of the acquisitions of NRC Holding 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 nine months of 1994, when sales were \$1,269.0 million.

The Payment Systems segment revenue for the first nine months of 1995 increased 7.1% from the first nine 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 46.3% increase in revenue from the Company's Electronic Payment Systems division, which was due in part to the acquisitions of NRC Holding Corporation, The Software Partnership Ltd., and Financial Alliance Processing Services, Inc. The Business Systems segment posted a 12.8% increase in revenue for the first nine months of 1995 over the first nine months of 1994, due to the growth in domestic and international business forms units and the acquisition of T/Maker Company. Revenue for the Consumer Specialty Products segment decreased 1.3% due to decreased advertising and lower product demand.

Selling, general, and administrative expenses increased \$57.6 million or 12.6% for the first nine months of 1995 over the first nine months of 1994. The Business Systems segment's expenses increased approximately \$23.0 million, due to the acquisition of T/Maker Company, increased selling expenses in the international operations, and product development costs. The Electronic Payments Systems division's expenses increased approximately \$28.1 million, due primarily to the acquisitions of NRC Holding Corporation, Financial Alliance Processing Services, Inc., and The Software Partnership Ltd. and increased product development costs. Net income was \$92.9 million for the first nine months of 1995, or 6.8% of sales, compared to \$100.9 million for the first nine 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. 1994 net income included a \$10 million pretax credit to reduce the Company's 1993 restructuring charge.

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

Net sales were \$449.5 million for the third quarter of 1995, up 5.4% (3.5% excluding the acquisition Financial Alliance Processing Services Inc.) over the third quarter of 1994, when sales were \$426.7 million. The Payment Systems segment's revenue increased 6.0% over the third quarter of 1994. This included a 33.5% increase in revenue from the Company's Electronic Payment Systems division. A significant portion of the Electronic Payment Systems division increase was due to the acquisition of Financial Alliance Processing Services, Inc. The Company's Business Systems segment posted an 11.0% increase in revenue, primarily due to increased revenue in domestic and United Kingdom business forms units. Revenue for the Consumer Specialty Products segment decreased 5.5% due to decreased advertising and lower product demand.

Selling, general and administrative expenses increased \$10.9 million or 6.8% in second quarter 1995 over second quarter 1994. The Electronic Payments Systems division expenses increased approximately \$9.2 million, primarily due to the acquisition of Financial Alliance Processing Services, Inc. and increased product development costs. The Business Systems segment's expenses increased approximately \$6.4 million, primarily due to product development and process improvement costs. Net income was \$29.4 million in the third quarter of 1995, or 6.5% of sales, compared to \$33.3 million in 1994 or 7.8% of sales. 1994 net income included a \$10 million pretax credit to reduce the Company's 1993 restructuring charge.

<TABLE>
<CAPTION>

Exhibit 12.1

Deluxe Corporation
Computation of Ratio of Earnings to Fixed Charges

| | Nine Months Ended | Years Ended December 31, | | | | |
|---|----------------------|--------------------------|------------------|------------------|------------------|------------------|
| | Sept 30, 1995 | 1994 | 1993 | 1992 | 1991 | 1990 |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| EARNINGS | | | | | | |
| Income before income taxes | \$162,490 | \$240,886 | \$235,913 | \$324,783 | \$295,493 | \$282,506 |
| Interest expense (excluding capitalized interest) | 10,042 | 9,740 | 10,070 | 15,371 | 8,220 | 1,427 |
| Portion of rent expense under long-term operating leases representative of an interest factor | \$9,964 | 13,554 | 13,259 | 12,923 | 11,807 | 10,849 |
| Amortization of debt expense | 63 | 84 | 84 | 84 | 71 | 0 |
| TOTAL EARNINGS | \$182,559 | \$264,264 | \$259,326 | \$353,161 | \$315,591 | \$294,782 |
| FIXED CHARGES | | | | | | |
| Interest Expense (including capitalized interest) | 11,047 | 10,499 | 10,555 | 15,824 | 8,990 | 1,860 |
| Portion of rent expense under long-term operating leases representative of an interest factor | 9,964 | 13,554 | 13,259 | 12,923 | 11,807 | 10,849 |
| Amortization of debt expense | 63 | 84 | 84 | 84 | 71 | 0 |
| TOTAL FIXED CHARGES | \$21,074 | \$24,137 | \$23,898 | \$28,831 | \$20,868 | \$12,709 |
| RATIO OF EARNINGS TO FIXED CHARGES: | 8.7 | 10.9 | 10.9 | 12.2 | 15.1 | 23.2 |

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5

<MULTIPLIER> 1,000

| <S> | <C> |
|------------------------------|-------------|
| <PERIOD-TYPE> | 9-MOS |
| <FISCAL-YEAR-END> | DEC-31-1995 |
| <PERIOD-START> | JAN-01-1995 |
| <PERIOD-END> | SEP-30-1995 |
| <CASH> | 21,611 |
| <SECURITIES> | 30,308 |
| <RECEIVABLES> | 161,841 |
| <ALLOWANCES> | 0 |
| <INVENTORY> | 101,207 |
| <CURRENT-ASSETS> | 430,241 |
| <PP&E> | 933,110 |
| <DEPRECIATION> | 436,032 |
| <TOTAL-ASSETS> | 1,344,390 |
| <CURRENT-LIABILITIES> | 370,482 |
| <BONDS> | 114,438 |
| <COMMON> | 82,512 |
| <PREFERRED-MANDATORY> | 0 |
| <PREFERRED> | 0 |
| <OTHER-SE> | 739,050 |
| <TOTAL-LIABILITY-AND-EQUITY> | 1,344,390 |
| <SALES> | 1,357,633 |
| <TOTAL-REVENUES> | 1,357,633 |
| <CGS> | 616,079 |
| <TOTAL-COSTS> | 1,194,460 |
| <OTHER-EXPENSES> | 0 |
| <LOSS-PROVISION> | 0 |
| <INTEREST-EXPENSE> | 10,042 |
| <INCOME-PRETAX> | 162,490 |
| <INCOME-TAX> | 69,542 |
| <INCOME-CONTINUING> | 0 |
| <DISCONTINUED> | 0 |
| <EXTRAORDINARY> | 0 |
| <CHANGES> | 0 |
| <NET-INCOME> | 92,948 |
| <EPS-PRIMARY> | 1.13 |
| <EPS-DILUTED> | 1.13 |

</TABLE>