PROQUEST CO
Form 424B4
June 18, 2002
Table of Contents

5,100,000 Shares

Filed Pursuant to Rule 424(b)(4)

Registration No. 333-86434

Common Stock

We are selling 3,000,000 shares of common stock and the selling shareholders are selling an aggregate of 2,100,000 shares of common stock. We will not receive any of the proceeds from the sale of the shares of common stock by the selling shareholders.

Our common stock is listed on The New York Stock Exchange under the symbol PQE. The last reported sale price on June 17, 2002 was $35.64 per share.

The underwriters have an option to purchase a maximum of 765,000 additional shares of our common stock from us and certain selling shareholders to cover over-allotments of shares.

Investing in our common stock involves risks. See Risk Factors on page 7.

	Price to Public	**Underwriting Discounts and Commissions**	**Proceeds to ProQuest**	**Proceeds to Selling Shareholders**
Per Share	$35.40	$1.77	$33.63	$33.63
Total	$180,540,000	$9,027,000	$100,890,00	$70,623,000

Delivery of the shares of common stock will be made on or about June 21, 2002.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse First Boston
Banc of America Securities LLC
Bear, Stearns & Co. Inc.
U.S. Bancorp Piper Jaffray
Jefferies & Company, Inc.

The date of this prospectus is June 17, 2002.

TABLE OF CONTENTS

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

In this prospectus, the Company, ProQuest, we, us and our refer to ProQuest Company and our subsidiaries. ProQuest®, SiteBuilder, Durable Links and XanEdu are our trademarks. Each trademark, trade name or service mark of any other company appearing in this prospectus belongs to its holder.

Our fiscal year ends on the Saturday closest to December 31st in each calendar year. References to 2001 in this prospectus are for the 52 weeks ended December 29, 2001. References to 2000 in this prospectus are for the 52 weeks ended December 30, 2000. References to 1999 in this prospectus are for the 52 weeks ended January 1, 2000. References to the first quarter of fiscal 2002 and the first quarter of fiscal 2001 are for the thirteen weeks ended March 30, 2002 and March 31, 2001, respectively.

Table of Contents

PROSPECTUS SUMMARY

This summary may not contain all of the information that may be important to you. You should read this entire prospectus, including Risk Factors and the additional information, including the financial data and related notes included or incorporated by reference in this prospectus, before making an investment decision.

ProQuest Company

We are a leading provider of value-added information and content to the library and education, and automotive and powersports industries. Formerly known as Bell & Howell, we have a 97-year history with more than 50 years in information and content aggregation. We provide products and services to our customers through two business groups: Information & Learning and Business Solutions. Through our Information & Learning group, which primarily serves the library and education markets, we aggregate and publish value-added content from a wide range of sources, including newspapers, periodicals and books. Our Business Solutions group, formerly known as Bell & Howell Publishing Services, is primarily engaged in the delivery of comprehensive parts information to the automotive market. It also provides dealers in the powersports (motorcycle, marine and RV) markets with management systems that enable them to better manage inventory, customer service and other aspects of their businesses. We have demonstrated strong, stable growth in both revenue and earnings in the last few years with 2001 revenue increasing to $401.6 million from $359.5 million in 1999, and 2001 earnings from continuing operations, before interest, income taxes, equity in loss of affiliate and cumulative effect of a change in accounting principle, increasing to $66.4 million from $36.8 million in 1999.

Our predecessor company, Bell & Howell, has been synonymous with creative and technology-based solutions since 1904. In 2001, we sold our legacy Imaging, Mail and Messaging Technologies and finance-related businesses and changed our name to ProQuest Company.

Information & Learning. Our Information & Learning group transforms information contained in periodicals, newspapers, dissertations, out-of-print books and other scholarly material into easily accessible microfilm, electronic form (including online access and CD-ROM) or print-on-demand. Our ability to provide customers with full image content as it was originally published distinguishes us from many other information providers, which typically store and provide information in a text-only format, omitting essential charts, pictures and other information such as historical context and placement in the original publication. We aggregate information from a broad array of newspapers and periodicals with which we have licensing arrangements, including *The New York Times*, *The Wall Street Journal*, *The Washington Post* and *The Christian Science Monitor*. Through our own unique methods we convert this information to microfilm and electronic form and add professionally prepared proprietary abstracts. The result is an expansive information vault that addresses all major areas of study with content from over 18,000 periodical titles and 7,000 newspaper titles, as well as a unique content collection consisting of approximately 1.0 million dissertations, 144,000 out-of-print books, 550 research collections and 15 million proprietary abstracts. Most of our content is accessible through microfilm. We are in the process of converting our most frequently demanded microfilm content to electronic form. Of our 25,000 periodical and newspaper titles, content from approximately 7,000 titles originating after 1985 is available online. Content from approximately 3,500 of these titles is also accessible by CD-ROM.

Our products are present in most academic libraries in the U.S. Our library customers generally sign one year subscription contracts to access our proprietary database. Over the last three years, we have experienced approximately 90% renewal rates. In both 2001 and the first quarter of fiscal 2002, Information & Learning represented approximately 59% of our total sales.

We have undertaken two significant initiatives in our Information & Learning group. In 1998, through our Digital Vault Initiative, we began converting portions of our microform collection into electronic form, allowing online access to information originally printed prior to 1985 in its original format and context (e.g., the periodical or newspaper in which the text was first printed). Most of this content has never before been available electronically. In mid-2001, we launched XanEdu, which utilizes our content to develop supplemental curriculum materials for the college classroom.

Business Solutions. Our Business Solutions group is the global leader in the development and deployment of parts and service-oriented catalogs and dealer performance applications for the automotive market. Business Solutions pioneered the electronic parts catalog (EPC) in 1985 and now offers information on more automobile brands than any other provider of similar products. It also provides dealer management systems to the powersports markets, which enable dealers in those markets to better manage inventory, customer service and other aspects of their businesses. Our EPC provides a powerful and flexible technical reference system using CD-ROM technology. Over 30,000 automobile dealerships now use our EPCs worldwide. Business Solutions currently publishes EPCs for approximately 30 automobile brands manufactured by GM, Ford, DaimlerChrysler, Honda, Toyota, Volvo, Nissan and Saturn, among others. Our customer contracts are usually three to five years in duration, and we have experienced on average 85% renewal rates over the last three years. Through our Alison business unit, we provide automobile original equipment manufacturers (OEMs) and dealers with management information systems that monitor and evaluate dealer performance in a variety of areas such as product inventory, pricing, territory, margins and OEM support. In both 2001 and the first quarter of fiscal 2002, Business Solutions represented approximately 41% of our total sales.

Our Markets

The library market is diverse and growing. Libraries continually seek out additional resource materials and new methods to access and deliver information to meet their users needs. The total market for library resource materials in the U.S. is estimated to have reached $6.17 billion in 2001, with total purchases of resource materials projected to increase approximately 24% from 2001 to 2005. Continued rapid technological advancements and the emergence of the Internet as a widely used academic and research tool have led libraries to supplement or replace their microform archives with new and more functional means for providing information to users. As in the library market, colleges and universities continue to increase the use of technology-based solutions, with over 60% of all U.S. college courses currently having an online component.

The North American automotive and powersports markets are fragmented. There are over 33,000 automotive dealerships and 10,000 powersports dealerships in the United States and Canada that provide service and repair. These dealerships require the most current information on parts, schematics and availability to provide quality service and efficiently manage their businesses. Electronic parts catalogs and dealer management systems provide a critical link between OEMs and their dealer networks in both the automotive and powersports markets.

Our Competitive Strengths

We believe that the following competitive strengths distinguish us from our competitors and position us to capitalize on the growing demand for effective and efficient delivery of our information resources:

Leading and Defensible Market Position. We are a leading provider of content to academic institutions and public libraries worldwide. Our Business Solutions group has a large, established customer base of over 38,000 automotive and powersports dealerships in the United States and Europe, with many relationships dating back decades.

Vast Collection of Information Content. We have one of the world s largest commercially available information archives used in the library and education markets. We are the sole source, other than the original publisher, of approximately 1,000,000 dissertations, 550 research collections and 144,000 out-of-print books.

Table of Contents

Key Relationships with Content Suppliers. Our business is based upon long-term relationships with our content suppliers, some of which span 50 years. These relationships have enabled us to develop our unique information capabilities and have resulted in the high market penetration of our products in the library and automotive service and repair markets that we serve. We have relationships with approximately 8,000 publishers and most of the world s major automobile manufacturers.

Subscription-Based Model with High Renewal Rates. Both of our business groups generate approximately 78% of their revenues from subscription contracts and benefit from approximately 90% renewal rates. These renewal rates support our belief that we enjoy superior loyalty from our customers.

Robust Technology Capabilities. We augment our broad information resources with extensive technical expertise that allows us to identify and develop product offerings possessing enhanced search features and superior quality, accuracy and functionality in information access. Through our Digital Vault Initiative, we have developed a process to convert microform-based content to electronic content that links both ASCII and PDF formats, providing the reader with the search capabilities of ASCII and the visual benefits of PDF.

Experienced Management Team. Our management team has significant experience in developing and marketing information products to the library and education, and automotive and powersports markets.

Our Growth Strategy

The successful implementation of our growth strategy has increased sales and improved earnings from continuing operations. Key elements of our growth strategy include the following:

Increase Penetration into Existing and New Markets. We are aggressively utilizing the strong presence of our microform business in U.S. libraries to increase sales of our online product offerings. We recently expanded our presence in the higher education market through our XanEdu product offerings, which utilize our content to create supplemental course materials for the college classroom. In addition, we are leveraging our strong presence in the U.S. automotive service and repair market to expand our presence internationally.

Develop New Products. Our extensive information resources together with our over 250-person research and development and software engineering staffs provide significant opportunities to develop unique products. We have recently introduced our Historical Newspapers products, which are online databases of entire publications of leading newspapers, and HeritageQuest, an online genealogical research tool. The new online product offerings will appear in many of our brands and product families, such as ProQuest Online, Chadwyck-Healey and Digital Vault Initiative. We are also digitizing our vast microform vault to create new online products. In our Business Solutions group, we recently introduced TrackerPac, an online performance analysis tool for GM Europe and its dealers.

Further Expand our Content. We intend to increase our information resources by pursuing more revenue generating alliances similar to the existing relationships we have with the publishers of *The Wall Street Journal, The New York Times, The Washington Post* and *The Christian Science Monitor*. Our Business Solutions group was recently selected as the exclusive provider of EPCs for Mazda North America.

Pursue Strategic Acquisitions. Consistent with our recent past, we plan to continue to make strategic acquisitions to enhance our content and distribution channels in both our Information & Learning and Business Solutions groups.

Our principal executive offices are located at 300 North Zeeb Road, Ann Arbor, Michigan 48103, and our telephone number at that location is (734) 761-4700. Our website is located at www.proquestcompany.com. Information on our website is not a part of this prospectus.

Table of Contents

The Offering

Common stock offered by us	3,000,000 shares
Common stock offered by the selling shareholders	2,100,000 shares
Common stock to be outstanding after this offering	27,219,428 shares
Use of proceeds	To repay outstanding indebtedness.
NYSE symbol	PQE

The number of shares of our common stock to be outstanding after this offering is based on the number of shares outstanding as of March 30, 2002 and does not include:

960,480 shares issuable upon exercise of outstanding options under our 1995 Employee Stock Option Plan, which are exercisable as of March 30, 2002 at a weighted average exercise price of $26.06 per share.

54,333 shares issuable upon exercise of outstanding options under our 1995 Directors Stock Option Plan, which are exercisable as of March 30, 2002.

Unless otherwise stated, all information contained in this prospectus assumes no exercise of the underwriters   over-allotment option.

Table of Contents

Summary Consolidated Financial and Operating Data

The following table sets forth continuing operations financial data. This summary consolidated financial and operating data may not be indicative of future performance. You should read this summary consolidated financial and operating data in combination with our Selected Consolidated Financial and Operating Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, and our consolidated financial statements and the accompanying notes included in this prospectus.

	First Quarter		Fiscal		
	2002	2001	2001	2000	1999
	(Unaudited)				
	(Dollars in thousands, except per share data)				
Continuing Operations Data (1) (2):					
Net sales	$ 102,752	$ 95,853	$ 401,628	$ 374,301	$ 359,460
Cost of sales	(47,750)	(47,140)	(186,963)	(189,196)	(182,300)
Gross profit	55,002	48,713	214,665	185,105	177,160
Earnings from continuing operations before interest, income taxes, equity in loss of affiliate and cumulative effect of a change in accounting principle (3)	$ 20,518	$ 14,241	$ 66,426	$ 39,959	$ 36,816
Earnings (loss) from continuing operations before cumulative effect of a change in accounting principle (3)	$ 8,278	$ (573)	$ 12,286	$ (13,889)	$ 15,060
Diluted earnings (loss) from continuing operations before cumulative effect of a change in accounting principle, per common share	$ 0.34	$ (0.02)	$ 0.51	$ (0.59)	$ 0.64
Other Continuing Operations Data:					
Gross profit as a percent of net sales	53.5%	50.8%	53.4%	49.5%	49.3%
EBITDA (4)	32,635	27,956	121,650	93,797	86,407
EBITDA as a percent of net sales	31.8%	29.2%	30.3%	25.1%	24.0%
Capital expenditures	15,588	12,503	52,924	42,623	35,055
Cash flow provided by (used in):					
Operating activities	(14,993)	472	25,641	42,056	29,023
Investing activities	(18,205)	112,497	206,301	(49,717)	(124,254)
Financing activities	34,450	(104,592)	(252,388)	(14,236)	90,527
Pro forma (5):					
Earnings from continuing operations before cumulative effect of a change in accounting principle, pro forma for repayment of debt	$ 9,371		$ 18,489		
Diluted earnings from continuing operations before cumulative effect of a change in accounting principle, per common share, pro forma for repayment of debt	$ 0.34		$ 0.68		

Table of Contents

The following balance sheet table presents our consolidated balance sheet as of March 30, 2002 on (i) an actual basis, and (ii) an as adjusted basis giving effect to our sale of 3,000,000 shares of common stock in this offering at the public offering price of $35.40 per share after deductions for the underwriting discounts and commissions and estimated offering expenses payable by us.

	As of March 30, 2002	
	Actual	As Adjusted
	(Dollars in thousands)	
Balance Sheet Data (2):		
Cash and cash equivalents	$ 1,644	$ 1,644
Total assets	634,877	634,877
Long-term debt, less current maturities	275,000	185,459
Total shareholders equity (deficit)	(32,943)	67,197

(1) In December 1999, we adopted a plan to divest our Imaging, Mail and Messaging Technologies and finance-related businesses. Accordingly, the operating results of these businesses have been segregated from our continuing operations and are separately reported as discontinued operations in our consolidated financial statements.

(2) During fiscal 2000, we changed our method of revenue recognition pursuant to SAB 101. The fiscal 1999 results have not been retroactively restated to reflect the impact of this change. During fiscal 2000, we changed our method of accounting for certain inventory costs from LIFO to FIFO (see Note 1 to our consolidated financial statements included elsewhere in this prospectus). The fiscal 1999 operating and balance sheet data have been retroactively restated to reflect this change in accounting.

(3) These amounts include the following:

	First Quarter		Fiscal		
	2002	2001	2001	2000	1999
			(Dollars in thousands)		
Restructuring charges	$ 0	$ 0	$ 0	$ (5,196)	$ (10,505)
Gain/(loss) on sales of assets	0	0	(2,312)	2,726	5,152

(4) EBITDA is defined as earnings from continuing operations before interest and income taxes, net of equity in loss of affiliate and cumulative effect of a change in accounting principle, and excluding restructuring charges and gain/loss on sales of assets, plus depreciation and amortization of other long-term assets, but excluding the amortization/write-off of deferred financing costs. EBITDA is generally regarded as providing useful information regarding a company s financial performance, but it is not a measure of financial performance under generally accepted accounting principles. EBITDA should not be considered in isolation from or as a substitute for net earnings (loss) as a measure of our profitability, or as an alternative to our cash flow from operating activities determined under generally accepted accounting principles as a measure of liquidity. Additionally, our calculation of EBITDA may not be comparable to other similarly titled measures of other companies. EBITDA has been included as a supplemental disclosure because it provides useful information about how management assesses our ability to service debt and to fund capital expenditures. Our ability to service debt and fund capital expenditures in the future, however, may be affected by other operating or legal requirements.

(5) Pro forma adjustment for (i) the sale of 3,000,000 shares of common stock by us at the public offering price of $35.40 per share, after deductions for the underwriting discounts and commissions and estimated offering expenses payable by us and the application of the estimated net proceeds from the offering to repay debt and (ii) the repayment of debt from the net proceeds of the sales of our discontinued operations as if such sales and the application of the net proceeds therefrom had occurred at the beginning of the periods indicated.

Table of Contents

RISK FACTORS

You should carefully consider the following risk factors in addition to the other information contained and incorporated by reference in this prospectus before purchasing our common stock.

Our sales and profitability depend on our ability to continue to develop new products that appeal to customers and end users.

We compete in markets characterized by continual technological change, product introductions and enhancements, changes in customer demands and evolving industry standards. The technological life cycles of our products are difficult to estimate. The demand for some of our more mature products has begun to migrate to other products. For example, our microform product unit sales have decreased 4 to 8% per year over the past three years due to the development of electronic-based products, such as CD-ROM and online databases. We may be unable to develop products that offset the declining revenues of our mature products. To remain competitive, we must continue to develop new products and invest in technologies that help customers use our products and services, enhance the quality of images being transmitted, increase delivery of our products over the Internet and CD-ROM and reduce the time in which such products are transmitted. For example, most of our content originating prior to 1985 is microfilm only. Based upon our assessment of consumer demand, we are currently developing new products by converting select microfilm content originating prior to 1985 to electronic form, which can be accessed using CD-ROM and online databases. Our focus on product development may result in unanticipated expenditures and capital costs that may not be recovered. We have invested significant resources to develop new products, including XanEdu and our Digital Vault Initiative product offerings, and may be unable to generate sufficient sales of these products to recover our associated costs. Our failure to develop and introduce new or enhanced services and products that achieve customer acceptance in a timely and cost-effective manner would significantly harm our business.

Our products and services currently depend on data access agreements with third parties, and the failure to maintain these agreements on commercially reasonable terms could harm our business.

Our products are in part based on content supplied pursuant to data access agreements with third parties. We may not be able to maintain our current agreements at cost-effective prices. In addition, data used in our products might become unavailable or not be updated as required. If a significant number of our content providers decide to terminate their relationships with us, we may:

- be at a competitive disadvantage with respect to our competitors;
- lose customers that rely on us as a single source of resources; and
- lose revenue generated from particular clients.

Moreover, the content supplied by many of our licensors, such as The New York Times Company, is unique and cannot be replaced. The failure to acquire alternative data access sources could harm our business. Even if we are able to substitute content providers, we may not be able to enter into alternative data access agreements on commercially reasonable terms or on a timely basis. Any of these results could harm our business.

Our products and services must be able to adapt to differing and evolving operating systems.

We must continue to invest in new technologies to ensure that our products can operate in numerous and evolving operating environments. For example, our electronic parts catalogs must run on Windows, Unix and Internet-based systems. As the technological landscape continues to evolve, it may be more difficult to make these necessary changes to our databases and operating systems in a timely and cost-effective manner. If our databases become incompatible with the databases or systems used by our customers or become outdated, then our products could become obsolete and our business will suffer.

Table of Contents

If we are not able to continue to increase our online product offerings, our business will suffer.

We must continue to expand our online product offerings or our business will suffer. Most of our content for our Information & Learning business is available as microfilm, and we are in the process of selectively converting microfilm content, based on current and anticipated demand, so that it is available online and through other electronic media. Our business will suffer if we do not identify and convert the content demanded by end users. In addition, the costs of converting content to electronic form are significant. For example, in 2001 we incurred approximately $9.0 million to convert content into product masters so it is available online, and we anticipate that this amount will increase in the next three years. We may not be able to generate significant sales of our online and CD-ROM products to offset these costs.

Changes in funding for public schools and libraries could cause the demand for our products to decrease.

In 2001, we derived approximately 40% of our revenues from public schools and libraries, which are heavily dependent on federal, state and local government funding. In addition, the government appropriations process is often slow, unpredictable and subject to factors outside of our control. Curtailments, delays or reductions in the funding of schools, colleges or libraries could delay or reduce our revenues. Funding difficulties experienced by schools, colleges or libraries could also cause those institutions to be more resistant to price increases and could slow investments in educational technology and products, which could harm our business.

We face intense competition and may not be able to successfully attract and retain customers.

The market for our products and services is highly competitive. In the Information & Learning group, our main competitors are Gale Group, a division of Thomson Corporation, and EBSCO Company. For distribution of dissertations, we compete with universities, such as Massachusetts Institute of Technology. Information & Learning competitors also include free Internet sites, newspaper and book publishers, software publishers and electronic commerce providers. Barriers to entering the education and library market, especially its online component, are relatively low, and we expect competition in this market to intensify. In the Business Solutions group, we compete with Automatic Data Processing Company, Electronic Data Systems, UCS, Infomedia and the proprietary electronic parts systems of certain OEMs such as DaimlerChrysler, Harley-Davidson and Honda Motor Company.

Many of our current and potential future competitors have substantially greater financial resources, name recognition, experience and larger customer bases than we do. Accordingly, our competitors may respond more quickly to new technologies and changes in customer requirements, have more favorable access to suppliers, and devote greater resources to the development and sale of their products. Our competitors pricing and other operational decisions, like the recent decision of several of our competitors to offer free educational content services to increase their market share, may also adversely affect us. Any of the above results could adversely affect our ability to attract and retain customers and harm our business.

Our products depend on components licensed from third parties, and the failure to maintain these licenses, or the failure of these third parties to improve and maintain these components, could harm our ability to produce and develop products.

Our products incorporate third party technologies. For example, many of our products rely on databases from providers such as Oracle. We may be unable to obtain all of the necessary licenses for the third party technology required by our products on commercially reasonable terms, on a timely basis or at all. In addition, technology used in our products might become unavailable or not be updated as required. We may not be able to develop alternati