

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 July 31, 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: 1-10308

CUC International Inc.  
(Exact name of registrant as specified in its charter)

Delaware 06-0918165  
(State of other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

707 Summer Street 06901  
Stamford, Connecticut (Zip Code)  
(Address of principal executive offices)

(203)324-9261  
(Registrant's telephone number, including area code)

Not applicable  
(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 X No .

APPLICABLE ONLY TO ISSUERS INVOLVED  
IN BANKRUPTCY PROCEEDINGS DURING  
THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No .

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.  
Common Stock, \$.01 par value - 178,559,716 shares as of August 25, 1995

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## PART I. FINANCIAL INFORMATION

CUC INTERNATIONAL INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands)

	July 31, 1995 (Unaudited)	Jan. 31, 1995
Assets	-----	-----
Current Assets		
Cash and cash equivalents	\$135,204	\$180,648
Receivables	224,355	188,185
Membership solicitations in process	51,820	45,636
Prepaid membership materials	35,801	26,503
Prepaid expenses, deferred taxes and other	82,981	62,929
	-----	-----
Total Current Assets	530,161	503,901
Contract renewal rights and intangible assets - net of accumulated amortization of \$80,565 and \$71,646	264,560	195,688
Properties, at cost, less accumulated depreciation of \$60,697 and \$48,918	47,690	35,089
Deferred income taxes	4,127	16,778
Other	23,676	16,696
	-----	-----
	\$870,214	\$768,152
	=====	=====
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued expenses and federal and state income taxes payable	\$102,744	\$109,489
	-----	-----
Total Current Liabilities	102,744	109,489
Deferred membership income, net	194,261	197,010
Zero coupon convertible notes - net of unamortized original issue discount of \$1,434 and \$2,507	14,031	15,046
Other	4,292	3,285
Shareholders' Equity		
Common stock-par value \$.01 per share; authorized 400 million shares and 200 million shares; issued 181,309,664 shares		

4sssharesan174,538,445 shares		
and 174,538,445 shares	1,813	1,745
Additional paid-in capital	264,184	216,286
Retained earnings	305,514	235,796
Treasury stock, at cost, 3,008,859 shares and 2,757,894 shares	(16,625)	(10,505)
	-----	-----
Total Shareholders' Equity	554,886	443,322
	-----	-----
	\$870,214	\$768,152
	=====	=====

See notes to condensed consolidated financial statements.

CUC INTERNATIONAL INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(UNAUDITED)  
(In thousands, except per share amounts)

	Three Months Ended	
	July 31,	
	1995	1994
	-----	-----
REVENUES		
Membership and service fees	\$314,603	\$253,319
Other	1,364	1,624
	-----	-----
Total Revenues	315,967	254,943
EXPENSES		
Operating	83,250	69,150
Marketing	125,952	103,436
General and administrative	45,487	36,359
Interest (income) expense, net and amort. of restricted stock compensation	(128)	601
	-----	-----
Total Expenses	254,561	209,546
	-----	-----
INCOME BEFORE INCOME TAXES	61,406	45,397
Provision for income taxes	23,236	17,434
	-----	-----
NET INCOME	\$38,170	\$27,963
	=====	=====
Net Income Per Common Share	\$0.21	\$0.16
	=====	=====
Weighted Average Number of Common and Dilutive Common Equivalent Shares Outstanding	185,203	175,962
	=====	=====

See notes to condensed consolidated financial statements.

CUC INTERNATIONAL INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(UNAUDITED)  
(In thousands, except per share amounts)

	Six Months Ended	
	July 31,	
	1995	1994
	-----	-----
REVENUES		
Membership and service fees	\$613,275	\$496,170
Other	2,900	3,035
	-----	-----
Total Revenues	616,175	499,205
EXPENSES		
Operating	163,797	136,174
Marketing	244,657	201,408
General and administrative	90,189	72,061
Interest (income) expense, net and amort. of restricted stock compensation	(128)	912
	-----	-----
Total Expenses	498,515	410,555
INCOME BEFORE INCOME TAXES	117,660	88,650
Provision for income taxes	44,770	34,086
NET INCOME	\$72,890	\$54,564
	=====	=====
Net Income Per Common Share	\$0.40	\$0.31
	=====	=====
Weighted Average Number of Common and Dilutive Common Equivalent Shares Outstanding	184,440	175,887
	=====	=====

See notes to condensed consolidated financial statements.

CUC INTERNATIONAL INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH  
FLOWS (UNAUDITED)  
(In thousands)

JULY 31,

SIX MONTHS ENDED	1995	1994
OPERATING ACTIVITIES:	-----	-----
Net income	\$72,890	\$54,564
Adjustments to reconcile net income to net cash provided by operating activities:		
Membership acquisition costs	(186,090)	(159,638)
Amortization of membership acquisition costs	195,203	171,219
Deferred membership income	(19,938)	(23,649)
Amortization of contract renewal rights and excess cost	8,937	7,038
Deferred income taxes	13,927	12,826
Amortization of original issue discount on convertible notes	832	816
Amortization of restricted stock compensation		303
Depreciation	5,753	4,185
	-----	-----
	91,514	67,664
Changes in working capital items, net of acquisitions:		
Increase in receivables	(24,175)	(16,217)
Increase in membership solicitations in process	(6,184)	(2,071)
Increase in prepaid membership materials	(7,265)	(6,188)
Increase in prepaid expenses	(14,548)	(13,466)
Net decrease in accounts payable and accrued expenses and federal and state income taxes payable	(28,623)	(7,253)
Other, net	(7,944)	(1,240)
	-----	-----
Net cash provided by operating activities	2,775	21,229
INVESTING ACTIVITIES:		
Acquisitions, net of cash acquired	(49,674)	(1,133)
Acquisitions of properties	(12,125)	(5,978)
	-----	-----
Net cash used in investing activities	(61,799)	(7,111)
FINANCING ACTIVITIES:		
Issuance of Common Stock	13,580	6,735
	-----	-----
Net cash provided by financing activities	13,580	6,735
	-----	-----
Net (decrease) increase in cash and cash equivalents	(45,444)	20,853
Cash and cash equivalents at beginning of period	180,648	116,937
	-----	-----
Cash and cash equivalents at end of period	\$135,204	\$137,790
	=====	=====

See notes to condensed consolidated financial statements.

CUC INTERNATIONAL INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 -- BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended July 31, 1995 are not necessarily indicative of the results that may be expected for the year ending January 31, 1996. For further information, refer to the financial statements and footnotes thereto included in the Company's Form 10-K filing for the year ended January 31, 1995. The condensed consolidated financial statements at

July 31, 1995 and for the three and six months ended July 31, 1995 and 1994 are unaudited, but have been reviewed by independent accountants and their report is included herein.

NOTE 2 -- DEFERRED MEMBERSHIP INCOME, NET

Deferred membership income included in the condensed consolidated balance sheets is comprised of the following (in thousands):

	July 31, 1995	January 31, 1995
	-----	-----
Deferred membership income	\$ 410,514	\$ 408,426
Less unamortized membership acquisition costs	(216,253)	(211,416)
	-----	-----
Deferred membership income, net	\$ 194,261	\$ 197,010
	=====	=====

NOTE 3 -- MERGER AND ACQUISITIONS

During February 1995, the Company acquired all of the outstanding capital stock of Welcome Wagon International, Inc. ("Welcome Wagon") and substantially all of the assets of a related entity, Gifts International, Inc., for \$19.5 million in cash. Welcome Wagon provides merchant advertising through direct visits by its representatives to consumer households.

During March 1995, the Company acquired all of the outstanding capital stock of the parent of its European licensee, CUC Europe Limited, for \$13 million. The purchase price was satisfied by the payment of \$12 million in cash and the issuance of 42,147 shares of the Company's common stock, par value \$.01 per share ("Common Stock") (fair value of approximately \$1 million).

CUC INTERNATIONAL INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
(Continued)

During March 1995, the Company acquired all of the outstanding capital stock of Credit Card Sentinel (U.K.) Limited ("CCS") for \$22.5 million in cash. CCS is a leading provider of credit card enhancement services, which are generally marketed through European financial institutions.

These acquisitions were accounted for in accordance with the purchase method of accounting and, accordingly, their results of operations have been included in the consolidated results of operations from the respective dates of acquisition. The results of operations for the periods prior to acquisition were not significant to the Company's operations.

During June 1995, the Company acquired all of the outstanding capital stock of GETKO Group Inc. ("GETKO") for approximately 3.7 million shares of Common Stock (fair value of approximately \$100 million). GETKO distributes complimentary welcoming packages to new homeowners throughout the United States and Canada. The acquisition was accounted for as a pooling-of-interests; however, financial statements for periods prior to February 1, 1995 have not been restated due to immateriality.

NOTE 4 -- SHAREHOLDERS' EQUITY

On June 7, 1995, the Company's Board of Directors declared a three-for-two split of the Common Stock, in the nature of a stock dividend, effective June 30, 1995, payable to shareholders of record on June 19, 1995. Accordingly, the financial statements and all common share and per common share data have been retroactively adjusted to reflect the stock split. The par value of the additional shares of Common Stock issued in connection with the stock split was credited to Common Stock and charged to retained earnings.

For the three and six months ended July 31, 1995, \$2 million and \$2.1 million principal of zero coupon convertible notes were converted into 307,362 shares and 317,039 shares of Common Stock, respectively, and the related unamortized original issue discount (\$1.79 million and \$1.84 million, respectively) was charged against additional paid-in capital. The balance of the change in additional paid-in capital and treasury stock relates to stock option activity.

Net income per share, assuming the conversions of the zero coupon convertible notes occurred at the beginning of the periods, would not differ significantly from the Company's actual earnings per share for the three and six month periods ended July 31, 1995.

#### NOTE 5 -- INCOME TAXES

The Company's effective tax rate differs from the Federal statutory rate principally because of state income taxes and non-deductible amortization of the excess of cost over net assets acquired.

CUC INTERNATIONAL INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
(Continued)

#### NOTE 6 -- CONTINGENCIES

There are various claims and tax matters pending against the Company which, in the opinion of management, will not have a material adverse effect on the Company's consolidated financial position or results of operations.

#### NOTE 7 -- SUBSEQUENT EVENT

During August 1995, the Company announced that it had entered into an agreement to acquire by merger all of the outstanding capital stock of North American Outdoor Group, Inc. ("NAOG") for approximately 1.5 million shares of Common Stock (fair value of approximately \$52 million). NAOG is a privately-held hunting, fishing and handyman membership organization. The acquisition, which will be accounted for as a pooling-of-interests, is subject to customary closing conditions, and is expected to be completed during September 1995.

Independent Accountants' Review Report

Shareholders and Board of Directors  
CUC International Inc.

We have reviewed the accompanying condensed consolidated balance sheet of CUC International Inc. as of July 31, 1995, and the related condensed consolidated statements of income and cash flows for the three-month and six-month periods ended July 31, 1995 and 1994. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of CUC International Inc. as of January 31, 1995, and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended, not presented herein, and in our report dated March 21, 1995, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of January 31, 1995, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

ERNST & YOUNG LLP

Stamford, Connecticut  
August 29, 1995

CUC INTERNATIONAL INC. AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

Three Months Ended July 31, 1995 vs.  
Three Months Ended July 31, 1994

The Company's overall membership base continues to grow at a rapid rate (from 32.3 million members at July 31, 1994 to 38 million members at July 31, 1995), which is the largest contributing factor to the 24% increase in revenues (from \$254.9 million for the quarter ended July 31, 1994 to \$316 million for the quarter ended July 31, 1995). While the overall membership base increased by 1.2 million members during the quarter (of which approximately .4 million members came from an acquisition completed during the quarter ("Acquired Members")), the average annual fee collected for the Company's membership services increased by less than 1%. The change in the



average annual fee is principally due to the addition of Acquired Members at a lower average annual fee. The Company divides its memberships into three categories: individual, wholesale and discount coupon program memberships. All of these categories share various aspects of the Company's marketing and operating resources. Compared to the previous year's second quarter, individual, wholesale and discount coupon program memberships grew by 23%, 9% and 16%, respectively. For the quarter ended July 31, 1995, individual, wholesale and discount coupon program memberships represented 70%, 13% and 17% of revenues, respectively. The Company maintains a flexible marketing plan so that it is not dependent on any one service for the future growth of the total membership base.

As the Company's services continue to mature, a greater percentage of the total individual membership base is in its renewal years. This results in increased profit margins for the Company due to the significant decrease in certain marketing costs incurred on renewing members. As a result, operating income before interest, amortization of restricted stock compensation, and taxes ("EBIT") increased from \$46 million to \$61.3 million, and EBIT margins improved from 18% to 19%. The Company has not experienced any difficulty in acquiring or renewing members in the current economic climate.

Individual membership usage continues to increase, which contributes to additional service fees and indirectly contributes to the Company's strong renewal rate. Historically, an increase in overall membership usage has had a favorable impact on renewal rates. The Company records its deferred revenue net of estimated cancellations which are anticipated in the Company's marketing programs.

CUC INTERNATIONAL INC. AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS (continued)

Three Months Ended July 31, 1995 vs.  
Three Months Ended July 31, 1994

Operating costs increased 20% (from \$69.2 million to \$83.3 million). The major components of the Company's operating costs continue to be personnel, telephone, computer processing, participant insurance premiums (the cost of obtaining insurance coverage for members) and travel cash awards. Travel members are entitled to receive cash awards based on travel booked with the Company. For the quarter ended July 31, 1995, these awards represent less than 5% of total operating costs. The increase in overall operating costs is due principally to the variable nature of many of these costs and, therefore, the additional costs incurred to support the growth in the membership base. Historically, the Company has seen a direct correlation between providing a high level of service to its members and improved retention.

Marketing costs decreased as a percentage of revenue (from 41% to 40%). This is primarily due to improved per member acquisition costs and an increase in renewing members. Membership acquisition costs incurred increased 29% (from \$81.3 million to \$104.8 million). Marketing costs include the amortization of membership acquisition costs and other marketing costs, which primarily consist of membership communications and sales expenses. Amortization of membership acquisition costs increased by 16% (from \$86.3 million to \$100.2 million). Other marketing costs increased by 51% (from \$17.1 million to \$25.8 million). These increases resulted primarily from the costs of servicing a larger membership base. The marketing functions for the Company's various consumer services are combined.

The Company routinely reviews all renewal rates and has not seen any material change over the last year in the average renewal rate. Based on current information, the Company does not anticipate that the average renewal rate will change significantly. Renewal rates are calculated by dividing the total number of renewing members not requesting a refund during their renewal year by the total members up for renewal.

General and administrative costs remained constant as a percentage of revenue (14%). Interest (income) expense, net and amortization of restricted stock compensation decreased from \$.6 million to (\$.1 million)

primarily due to the reduced level of amortization associated with the Company's restricted stock and zero coupon convertible notes, and the net interest income from the increased level of cash generated by the Company for investment.

During the first six months of fiscal 1996, the Company completed several acquisitions (the "Acquisitions") (see Note 3 in Notes to Condensed Consolidated Financial Statements). The operating activity of the Acquisitions is included in both revenues and pre-tax profits for the quarter; however, this activity is not included in the prior year's first quarter. These acquisitions were not significant to the Company's results of operations.

CUC INTERNATIONAL INC. AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

Six Months Ended July 31, 1995 vs.  
Six Months Ended July 31, 1994

The Company's overall membership base continues to grow at a rapid rate (from 32.3 million members at July 31, 1994 to 38 million members at July 31, 1995), which is the largest contributing factor to the 23% increase in revenues (from \$499.2 million for the six months ended July 31, 1994 to \$616.2 million for the six months ended July 31, 1995). While the overall membership base increased by 4.2 million members during the six months (of which approximately 2.1 million were Acquired Members), the average annual fee collected for the Company's membership services increased by less than 1%. The change in the average annual fee is principally due to the addition of Acquired Members at a lower average annual fee. The Company divides its memberships into three categories: individual, wholesale and discount coupon program memberships. All of these categories share various aspects of the Company's marketing and operating resources. Compared to the previous year's first six months, individual, wholesale and discount coupon program memberships grew by 17%, 8% and 13%, respectively. For the six months ended July 31, 1995, individual, wholesale and discount coupon program memberships represented 70%, 13% and 17% of revenues, respectively. The Company maintains a flexible marketing plan so that it is not dependent on any one service for the future growth of the total membership base.

As the Company's services continue to mature, a greater percentage of the total individual membership base is in its renewal years. This results in increased profit margins for the Company due to the significant decrease in certain marketing costs incurred on renewing members. As a result, EBIT increased from \$89.6 million to \$117.5 million, and EBIT margins improved from 18% to 19%. The Company has not experienced any difficulty in acquiring or renewing members in the current economic climate.

Individual membership usage continues to increase, which contributes to additional service fees and indirectly contributes to the Company's strong renewal rate. Historically, an increase in overall membership usage has had a favorable impact on renewal rates. The Company records its deferred revenue net of estimated cancellations which are anticipated in the Company's marketing programs.

CUC INTERNATIONAL INC. AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS (continued)

Six Months Ended July 31, 1995 vs.  
Six Months Ended July 31, 1994

Operating costs increased 20% (from \$136.2 million to \$163.8 million). The major components of the Company's operating costs continue to be personnel, telephone, computer processing, participant insurance premiums (the cost of obtaining insurance coverage for members) and travel cash awards. Travel members are entitled to receive cash awards based on travel booked with the Company. For the six months ended July 31, 1995, these awards represent less than 5% of total operating costs. The increase in overall operating

costs is due principally to the variable nature of many of these costs and, therefore, the additional costs incurred to support the growth in the membership base. Historically, the Company has seen a direct correlation between providing a high level of service to its members and improved retention.

Marketing costs remained constant as a percentage of revenue (40%). This is primarily due to improved per member acquisition costs and an increase in renewing members. Membership acquisition costs incurred increased 17% (from \$159.6 million to \$186.1 million). Marketing costs include the amortization of membership acquisition costs and other marketing costs, which primarily consist of membership communications and sales expenses. Amortization of membership acquisition costs increased by 14% (from \$171.2 million to \$195.2 million). Other marketing costs increased by 64% (from \$30.2 million to \$49.5 million). These increases resulted primarily from the costs of servicing a larger membership base. The marketing functions for the Company's various consumer services are combined.

The Company routinely reviews all renewal rates and has not seen any material change over the last year in the average renewal rate. Based on current information, the Company does not anticipate that the average renewal rate will change significantly. Renewal rates are calculated by dividing the total number of renewing members not requesting a refund during their renewal year by the total members up for renewal.

General and administrative costs increased as a percentage of revenue (from 14% to 15%). This is principally due to the acquisitions completed during the six months ended July 31, 1995. Interest (income) expense, net and amortization of restricted stock compensation decreased from \$.9 million to (\$.1 million) primarily due to the reduced level of amortization associated with the Company's restricted stock and zero coupon convertible notes, and the net interest income from the increased level of cash generated by the Company for investment.

During the first six months of fiscal 1996, the Company completed the Acquisitions (see Note 3 in Notes to Condensed Consolidated Financial Statements). The operating activity of the Acquisitions is included in both revenues and pre-tax profits for the six months ended July 31, 1995; however, this activity is not included in the prior year's first six months. These acquisitions were not significant to the Company's results of operations.

CUC INTERNATIONAL INC. AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS (continued)

Membership Information

The following chart sets forth the approximate number of members and net additions for the respective periods.

Period	Number of Members	Net New Member Additions for the Period
Six Months Ended July 31, 1995	38,025,000	4,175,000*
Year Ended January 31, 1995	33,850,000	3,000,000
Six Months Ended July 31, 1994	32,325,000	1,475,000
Year Ended January 31, 1994	30,850,000	3,250,000
Quarter Ended July 31, 1995	38,025,000	1,175,000**
Quarter Ended July 31, 1994	32,325,000	775,000

\*Includes approximately 2.1 million Acquired Members.

\*\*Includes approximately .4 million Acquired Members.

The membership acquisition costs incurred applicable to obtaining a new member, for memberships other than coupon book memberships, generally approximate the initial membership fee. Initial membership fees for coupon book memberships generally exceed the membership acquisition costs incurred applicable to obtaining a new member.

Membership cancellations processed by certain of the Company's clients report membership information only on a net basis. Accordingly, the Company does not receive actual numbers of gross additions and gross cancellations for certain types of memberships. In calculating the number

of members, the Company has deducted its best estimate of cancellations which may occur during the trial membership periods offered in its marketing programs. Typically these periods range from one to three months.

#### Liquidity And Capital Resources; Inflation; Seasonality

Funds for the Company's operations and acquisitions have been provided through cash flow from operations and credit facilities. The Company has a credit agreement with General Electric Capital Corporation that currently provides for a \$100 million revolving credit facility (the "Credit Agreement"). The amount of borrowings available to the Company under the Credit Agreement was \$100 million at July 31, 1995, as there were no borrowings under the Credit Agreement at that date. The Credit Agreement is scheduled to expire June 1, 1997. The Company invested approximately \$49.7 million in acquisitions, net of cash acquired, during the six months ended July 31, 1995. These acquisitions have been integrated into the Company's operations.

#### CUC INTERNATIONAL INC. AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

#### Liquidity And Capital Resources; Inflation; Seasonality (continued)

The Company is not aware of any trends, demands or uncertainties that will have a material effect on the Company's liquidity other than those relating to accounts receivable. The Company anticipates that cash flow from operations and the Credit Agreement will be sufficient to achieve its current long-term objectives. All of the assets of the Company and many of its subsidiaries, and all of the stock of many of the Company's subsidiaries, have been pledged to secure the Credit Agreement. Obligations under the Credit Agreement are guaranteed by certain of the Company's subsidiaries. The Credit Agreement contains certain customary restrictive covenants including, without limitation, financial covenants, as well as restrictions that preclude the payment of cash dividends on shares of Common Stock. The Credit Agreement also contains various event of default provisions including, without limitation, defaults arising from certain changes in corporate structure.

The Company does not anticipate any material capital expenditures for the next year. Total capital expenditures were \$12.1 million for the six months ended July 31, 1995.

The Company intends to continue to review potential acquisitions that it believes would enhance the Company's growth and profitability. Any acquisitions paid in cash will initially be financed through excess cash flow from operations and the Credit Agreement. However, depending on the financing necessary to complete an acquisition, additional funding may be required.

To date, the overall impact of inflation on the Company has not been material. Except for the cash receipts from the sale of discount coupon memberships, the Company's business is not seasonal. Most cash receipts from these memberships are received in the fourth quarter and, to a lesser extent, in the first and the third quarters of each fiscal year.

For the six months ended July 31, 1995, the Company's international businesses represented less than 1% of EBIT. To date, currency exposure has not been a significant competitive factor at the local market operating level. As international operations continue to expand and the number of cross-border transactions increases, the Company intends to continue monitoring its currency exposures closely and take prudent actions as appropriate.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) No reports on Form 8-K were filed during the quarter ended July 31, 1995.

(b) Exhibit No.

3.1 Restated Certificate of Incorporation of the Company, as filed November 21, 1991, as amended June 25, 1992, and as amended June 7, 1995 (filed as Exhibit 3.1 to the Company's Form 10-Q for the period ended April 30, 1995).\*

10. Management Contracts, Compensatory Plans and Arrangements

10.1 Form of Employment Contract with E. Kirk Shelton and Christopher K. McLeod, dated February 1, 1987, as amended November 1, 1991 (filed as Exhibit 10.1 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1994).\*

10.2 Employment Contract with Walter A. Forbes, dated January 1, 1987, as amended January 1, 1991, January 1, 1993 and October 1, 1993 (filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1994) (the "Forbes Employment Agreement").\*

10.3 Fourth Amendment to Forbes Employment Agreement, dated as of June 1, 1994 (filed as Exhibit 10.3 to the Company's Form 10-Q for the period ended July 31, 1994).\*

10.4 Agreement with Cosmo Corigliano, dated February 1, 1994 (filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1995).\*

10.5 Agreement with Amy N. Lipton, dated April 1, 1987, as amended April 21, 1993 and March 2, 1994 (filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1995).\*

10.6 Form of Employee Stock Option under the 1987 Stock Option Plan (filed as Exhibit 10.6 to the Company's Form 10-Q for the period ended April 30, 1995).\*

10.7 Form of Director Stock Option for 1990 and 1992 Directors Stock Option Plans (filed as Exhibit 10.4 to the Company's Annual Report for the fiscal year ended January 31, 1991, as amended December 12, 1991 and December 19, 1991).\*

10.8 Form of Director Stock Option for 1994 Directors Stock Option Plan (filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1995).\*

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K (continued)

10.9 1987 Stock Option Plan, as amended (filed as Exhibit 10.9 to the Company's Form 10-Q for the period ended April 30, 1995).\*

10.10 1990 Directors Stock Option Plan, as amended (filed as Exhibit 10.10 to the Company's Form 10-Q for the period

- ended April 30, 1995).\*
- 10.11 1992 Directors Stock Option Plan, as amended (filed as Exhibit 10.11 to the Company's Form 10-Q for the period ended April 30, 1995).\*
  - 10.12 1994 Directors Stock Option Plan (filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1995).\*
  - 10.13 Restricted Stock Plan and Form of Restricted Stock Plan Agreement (filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1991, as amended December 12, 1991 and December 19, 1991).\*
  - 10.14 Amended and Restated Credit Agreement between the Company and General Electric Capital Corporation dated June 30, 1994 (filed as Exhibit 10.12 to the Company's Form 10-Q for the period ended July 31, 1994).\*
  - 11. Schedule re: Computation of Per Share Earnings (Unaudited)
  - 15. Letter re: Unaudited Interim Financial Information

\*Incorporated by reference

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant had duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CUC International Inc.

September 1, 1995

WALTER A. FORBES  
Walter A. Forbes - Chief Executive Officer  
and Chairman of the Board  
(Principal Executive Officer)

September 1, 1995

COSMO CORIGLIANO

Cosmo Corigliano - Senior Vice President  
and Chief Financial Officer  
(Principal Financial and Accounting Officer)

INDEX TO EXHIBITS

Exhibit No.	Description	Page
3.1	Restated Certificate of Incorporation of the Company, as filed November 21, 1991, as amended June 25, 1992, and as amended June 7, 1995 (filed as Exhibit 3.1 to the Company's Form 10-Q for the period ended April 30, 1995).*	
10.	Management Contracts, Compensatory Plans and Arrangements	
10.1	Form of Employment Contract with E. Kirk Shelton and Christopher K. McLeod, dated February 1, 1987, as amended November 1, 1991 (filed as Exhibit 10.1 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1994).*	
10.2	Employment Contract with Walter A. Forbes, dated January 1, 1987, as amended January 1, 1991, January 1, 1993 and October 1, 1993 (filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1994) (the "Forbes Employment Agreement").*	
10.3	Fourth Amendment to Forbes Employment Agreement, dated as of June 1, 1994 (filed as Exhibit 10.3 to the Company's Form 10-Q for the period ended July 31, 1994).*	
10.4	Agreement with Cosmo Corigliano, dated February 1, 1994 (filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1995).*	
10.5	Agreement with Amy N. Lipton, dated April 1, 1987, as amended April 21, 1993 and March 2, 1994 (filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1995).*	
10.6	Form of Employee Stock Option under the 1987 Stock Option Plan (filed as Exhibit 10.6 to the Company's Form 10-Q for the period ended April 30, 1995).*	
10.7	Form of Director Stock Option for 1990 and 1992 Directors Stock Option Plans (filed as Exhibit 10.4 to the Company's Annual Report for the fiscal year ended January 31, 1991, as amended December 12, 1991 and December 19, 1991).*	
10.8	Form of Director Stock Option for 1994 Directors Stock Option Plan (filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1995).*	
10.9	1987 Stock Option Plan, as amended (filed as Exhibit 10.9 to the Company's Form 10-Q for the period ended April 30, 1995).*	

INDEX TO EXHIBITS (Continued)

Exhibit No.	Description	Page
10.10	1990 Directors Stock Option Plan, as amended (filed as Exhibit 10.10 to the Company's Form 10-Q for the period ended April 30, 1995).*	

- 10.11 1992 Directors Stock Option Plan, as amended (filed as Exhibit 10.11 to the Company's Form 10-Q for the period ended April 30, 1995).\*
- 10.12 1994 Directors Stock Option Plan (filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1995).\*
- 10.13 Restricted Stock Plan and Form of Restricted Stock Plan Agreement (filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1991, as amended December 12, 1991 and December 19, 1991).\*
- 10.14 Amended and Restated Credit Agreement between the Company and General Electric Capital Corporation dated June 30, 1994 (filed as Exhibit 10.12 to the Company's Form 10-Q for the period ended July 31, 1994).\*
- 11. Schedule re: Computation of Per Share Earnings (Unaudited)
- 15. Letter re: Unaudited Interim Financial Information



CUC INTERNATIONAL INC. AND SUBSIDIARIES  
EXHIBIT 11 - COMPUTATION OF PER SHARE EARNINGS (UNAUDITED)  
(In thousands, except per share amounts)

	Three Months Ended July 31,	
	1995	1994
PRIMARY		
Average shares outstanding	173,030	166,428
Net effect of dilutive stock options - based on the treasury stock method using average market price	12,173	9,534
Total	185,203	175,962
Net Income	\$38,170	\$27,963
Net income per common share	\$0.206	\$0.159
FULLY DILUTED		
Average shares outstanding	173,030	166,428
Net effect of dilutive stock options - based on the treasury stock method using the period - end market price, if higher than the average market price	13,294	10,123
Net effect of zero coupon convertible notes - based on the if converted method	2,454	2,760
Total	188,778	179,311
Net Income	\$38,170	\$27,963
Zero Coupon Convertible Notes	252	257
	\$38,422	\$28,220
Net income per common share	\$0.204	\$0.157

CUC INTERNATIONAL INC. AND SUBSIDIARIES  
EXHIBIT 11 - COMPUTATION OF PER SHARE EARNINGS (UNAUDITED)  
(In thousands, except per share amounts)

	Six Months Ended July 31,	
	1995	1994
PRIMARY		
Average shares outstanding	172,414	165,858
Net effect of dilutive stock options - based on the treasury stock method using average market price	12,026	10,029
Total	184,440	175,887
Net Income	\$72,890	\$54,564
Net income per common share	\$0.395	\$0.310
FULLY DILUTED		
Average shares outstanding	172,414	165,858
Net effect of dilutive stock options - based on the treasury stock method using the period - end market price, if higher than the average market price	12,981	10,323
Net effect of zero coupon convertible notes - based on the if converted method	2,557	2,868

Total	187,952	179,049
	=====	=====
Net Income	\$72,890	\$54,564
Zero Coupon Convertible Notes	515	505
	-----	-----
	\$73,405	\$55,069
	=====	=====
Net income per common share	\$0.391	\$0.308
	=====	=====

CUC INTERNATIONAL INC. AND SUBSIDIARIES

EXHIBIT 15-LETTER RE: UNAUDITED INTERIM FINANCIAL INFORMATION

September 1, 1995

Shareholders and Board of Directors  
CUC International Inc.

We are aware of the incorporation by reference in the Registration Statements (Form S-8s: Numbers 2-91291, 33-17247, 33-17248, 33-17249, 33-26875, 33-75682, 33-93322, 33-41823, 33-48175, 33-58896, 33-91656, 33-74068, 33-74066, 33-91658, 33-75684, 33-80834 and 33-93372) of CUC International Inc. for the CUC International Inc. Employee Stock Purchase Plan, the CUC International Inc. 1985 Non-Qualified Stock Option Plan, the CUC International Inc. 1985 Incentive Stock Option Plan, the CUC International Inc. 1987 Performance Share Stock Option Plan, the CUC International Inc. 1987 Stock Option Plan, the CUC International Inc. 1987 Stock Option Plan as amended, the CUC International Inc. 1987 Stock Option Plan as amended, the CUC International Inc. 1990 Directors' Stock Option Plan, the Entertainment Publications, Inc. 1988 Non-Qualified Stock Option Plan, the CUC International Inc. 1992 Bonus and Salary Replacement Stock Option Plan, the CUC International Inc. 1992 Bonus and Salary Replacement Stock Option Plan as amended, the CUC International Inc. 1992 Directors Stock Option Plan, the CUC International Inc. 1992 Employee Stock Option Plan, the CUC International Inc. 1992 Employee Stock Option Plan as amended, the CUC International Inc. 1994 Employee Stock Purchase Plan, the CUC International Inc. Savings Incentive Plan, and the CUC International Inc. 1994 Directors Stock Option Plan, respectively, and in the Registration Statements (Form S-3s: Numbers 33-30306, 33-47271 and 33-58598) of CUC International Inc. for the registration of 738,057 shares, 3,450,000 shares and 331,797 shares, respectively, of its common stock, as adjusted to give effect to the three-for-two stock split effective June 30, 1995 of our report dated August 29, 1995 relating to the unaudited condensed consolidated interim financial statements of CUC International Inc. which are included in its Form 10-Q for the quarter ended July 31, 1995.

Pursuant to Rule 436(c) of the Securities Act of 1933, our report is not a part of the registration statements prepared or certified by accountants within the meaning of Section 7 or 11 of the Securities Act of 1933.

ERNST & YOUNG LLP

Stamford, Connecticut

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In thousands, except per share data.

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