

JABIL CIRCUIT INC
Form 10-Q
May 24, 2007
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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 the quarterly period ended February 28, 2007

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: 001-14063

JABIL CIRCUIT, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

incorporation or organization)

10560 Dr. Martin Luther King, Jr. Street North, St. Petersburg, Florida 33716

(Address of principal executive offices) (Zip Code)

38-1886260
(I.R.S. Employer

Identification No.)

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(727) 577-9749

(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 periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

Indicate by checkmark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by checkmark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 30, 2007 there were 205,997,124 shares of the Registrant's Common Stock outstanding.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES

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Explanatory Note

As previously disclosed in our Annual Report on Form 10-K for the fiscal year ended August 31, 2006, we undertook a review of certain of our historical stock option grants and our recognition of revenue for certain historical transactions. For a further discussion of our review of these items, please see our Annual Report on Form 10-K for the fiscal year ended August 31, 2006.

Due to the time required to complete these reviews, we were unable to timely file this Quarterly Report on Form 10-Q for our fiscal quarter ended February 28, 2007 (in addition to being unable to timely file our Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2006 and our Annual Report on Form 10-K for the fiscal year ended August 31, 2006).

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1: FINANCIAL STATEMENTS****JABIL CIRCUIT, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands)****(Unaudited)**

	February 28, 2007	August 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 554,687	\$ 773,563
Accounts receivable, net of allowance for doubtful accounts of \$8,169 at February 28, 2007 and \$5,801 at August 31, 2006	1,341,052	1,288,024
Inventories	1,532,728	1,452,737
Prepaid expenses and other current assets	210,303	121,843
Income taxes receivable	18,893	17,507
Deferred income taxes	23,753	25,291
Total current assets	3,681,416	3,678,965
Property, plant and equipment, net of accumulated depreciation of \$875,597 at February 28, 2007 and \$830,240 at August 31, 2006	1,231,544	985,262
Goodwill	1,015,588	608,067
Intangible assets, net of accumulated amortization of \$76,200 at February 28, 2007 and \$77,295 at August 31, 2006	247,777	80,707
Deferred income taxes	60,092	46,356
Other assets	16,113	12,373
Total assets	\$ 6,252,530	\$ 5,411,730
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current installments of notes payable, long-term debt and long-term lease obligations	\$ 1,006,773	\$ 63,813
Accounts payable	1,910,048	2,231,864
Accrued expenses	388,469	363,112
Income taxes payable	54,729	40,240
Deferred income tax	2,472	2,305
Total current liabilities	3,362,491	2,701,334
Notes payable, long-term debt and long-term lease obligations, less current installments	400,992	329,520
Other liabilities	76,677	78,549
Deferred income taxes	12,927	7,846
Total liabilities	3,853,087	3,117,249

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Minority interest	15,472	
Stockholders' equity:		
Common stock	212	211
Additional paid-in capital	1,302,182	1,265,382
Retained earnings	1,142,521	1,116,035
Unearned compensation		
Accumulated other comprehensive income	139,307	113,104
Treasury stock (at cost)	(200,251)	(200,251)
Total stockholders' equity	2,383,971	2,294,481
Total liabilities, minority interest and stockholders' equity	\$ 6,252,530	\$ 5,411,730

See accompanying notes to condensed consolidated financial statements.

Table of Contents**JABIL CIRCUIT, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS****(in thousands, except for per share data)****(Unaudited)**

	Three months ended		Six months ended	
	February 28, 2007	February 28, 2006	February 28, 2007	February 28, 2006
Net revenue	\$ 2,934,862	\$ 2,314,962	\$ 6,158,865	\$ 4,719,369
Cost of revenue	2,763,352	2,130,314	5,795,370	4,338,899
Gross profit	171,510	184,648	363,495	380,470
Operating expenses:				
Selling, general and administrative	119,975	87,063	229,731	181,605
Research and development	7,766	8,577	16,474	15,178
Amortization of intangibles	6,092	5,662	11,858	11,518
Restructuring and impairment charges	997		16,034	
Operating income	36,680	83,346	89,398	172,169
Other expense (income)	4,049	2,860	(696)	4,894
Interest income	(3,769)	(5,643)	(6,270)	(10,628)
Interest expense	21,072	5,279	32,579	9,537
Income before income taxes and minority interest	15,328	80,850	63,785	168,366
Income tax expense	1,529	11,829	8,609	22,455
Minority interest, net of tax	(101)		(101)	
Net income	\$ 13,900	\$ 69,021	\$ 55,277	\$ 145,911
Earnings per share:				
Basic	\$ 0.07	\$ 0.33	\$ 0.27	\$ 0.71
Diluted	\$ 0.07	\$ 0.32	\$ 0.27	\$ 0.69
Common shares used in the calculations of earnings per share:				
Basic	203,377	207,622	203,227	206,152
Diluted	205,925	214,158	206,133	212,387

See accompanying notes to condensed consolidated financial statements.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(Unaudited)

	Three months ended		Six months ended	
	February 28, 2007	February 28, 2006	February 28, 2007	February 28, 2006
Net income	\$ 13,900	\$ 69,021	\$ 55,277	\$ 145,911
Other comprehensive income (loss):				
Foreign currency translation adjustment, net of tax	(3,733)	18,351	26,203	2,961
Comprehensive income	\$ 10,167	\$ 87,372	\$ 81,480	\$ 148,872

Accumulated foreign currency translation gains were \$158.3 million at February 28, 2007 and \$132.1 million at August 31, 2006. Foreign currency translation adjustments primarily consist of adjustments to consolidate subsidiaries that use a local currency as their functional currency.

See accompanying notes to condensed consolidated financial statements.

Table of Contents**JABIL CIRCUIT, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(Unaudited)**

	Six months ended	
	February 28, 2007	February 28, 2006
Cash flows from operating activities:		
Net income	\$ 55,277	\$ 145,911
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	109,977	97,263
Recognition of deferred grant proceeds	(7)	(501)
Amortization of discount on note receivable		(1,202)
Minority interest, net of tax	(101)	
Recognition of stock-based compensation	23,362	24,289
Deferred income taxes	(10,885)	(4,208)
Non-cash restructuring charges	16,034	
Provision for doubtful accounts	3,060	1,022
Excess tax benefit of options exercised		(6,927)
Loss/(gain) on sale of property	273	(28)
Change in operating assets and liabilities, exclusive of net assets acquired in business acquisitions:		
Accounts receivable	115,141	(112,517)
Inventories	21,420	(164,496)
Prepaid expenses and other current assets	(63,818)	(37,215)
Other assets	1,202	729
Accounts payable and accrued expenses	(531,716)	197,578
Income taxes payable	8,217	9,709
Net cash (used in) provided by operating activities	(252,564)	149,407
Cash flows from investing activities:		
Cash paid for business and intangible asset acquisitions, net of cash acquired	(743,003)	(11,347)
Acquisition of property, plant and equipment	(126,178)	(119,578)
Proceeds from sale of property and equipment	7,278	2,631
Net cash used in investing activities	(861,903)	(128,294)
Cash flows from financing activities:		
Borrowings under debt agreements	2,563,793	3,365
Payments toward debt agreements and capital lease obligations	(1,672,925)	(595)
Dividends paid to stockholders	(28,673)	
Net proceeds from issuance of common stock under option and employee purchase plans	13,344	94,649