

JABIL CIRCUIT INC
Form 10-Q
April 05, 2017
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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 February 28, 2017

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)
(727) 577-9749
(Registrant's telephone number, including area code)

38-1886260
(I.R.S. Employer
Identification No.)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of March 27, 2017, there were 182,290,457 shares of the registrant's Common Stock outstanding.

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| | February 28, 2017 (Unaudited) | August 31, 2016 |
|---|--|----------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 755,098 | \$ 912,059 |
| Accounts receivable, net of allowance for doubtful accounts of \$12,635 at February 28, 2017 and \$11,094 at August 31, 2016 | 1,433,676 | 1,359,610 |
| Inventories | 2,498,137 | 2,456,612 |
| Prepaid expenses and other current assets | 949,610 | 1,120,100 |
| Total current assets | 5,636,521 | 5,848,381 |
| Property, plant and equipment, net of accumulated depreciation of \$2,904,556 at February 28, 2017 and \$2,721,972 at August 31, 2016 | 3,177,728 | 3,331,879 |
| Goodwill | 591,682 | 594,773 |
| Intangible assets, net of accumulated amortization of \$249,618 at February 28, 2017 and \$232,618 at August 31, 2016 | 285,414 | 296,954 |
| Deferred income taxes | 175,300 | 148,859 |
| Other assets | 148,183 | 101,831 |
| Total assets | \$ 10,014,828 | \$ 10,322,677 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Current installments of notes payable, long-term debt and capital lease obligations | \$ 47,324 | \$ 45,810 |
| Accounts payable | 3,301,826 | 3,593,195 |
| Accrued expenses | 1,952,056 | 1,929,051 |
| Total current liabilities | 5,301,206 | 5,568,056 |
| Notes payable, long-term debt and capital lease obligations, less current installments | 2,055,545 | 2,074,012 |
| Other liabilities | 85,301 | 78,018 |
| Income tax liabilities | 96,080 | 90,804 |
| Deferred income taxes | 49,598 | 54,290 |
| Total liabilities | 7,587,730 | 7,865,180 |

| | | |
|---|---------------|---------------|
| Commitments and contingencies | | |
| Equity: | | |
| Jabil Circuit, Inc. stockholders' equity: | | |
| Preferred stock, \$0.001 par value, authorized 10,000,000 shares; no shares issued and no shares outstanding | | |
| Common stock, \$0.001 par value, authorized 500,000,000 shares; 252,553,308 and 249,763,699 shares issued and 182,349,673 and 186,998,472 shares outstanding at February 28, 2017 and August 31, 2016, respectively | 253 | 250 |
| Additional paid-in capital | 2,060,742 | 2,034,525 |
| Retained earnings | 1,738,823 | 1,660,820 |
| Accumulated other comprehensive loss | (8,679) | (39,877) |
| Treasury stock at cost, 70,203,635 and 62,765,227 shares at February 28, 2017 and August 31, 2016, respectively | (1,379,831) | (1,217,547) |
| Total Jabil Circuit, Inc. stockholders' equity | 2,411,308 | 2,438,171 |
| Noncontrolling interests | 15,790 | 19,326 |
| Total equity | 2,427,098 | 2,457,497 |
| Total liabilities and equity | \$ 10,014,828 | \$ 10,322,677 |

See accompanying notes to Condensed Consolidated Financial Statements.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except for per share data)

(Unaudited)

| | Three months ended | | Six months ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | February 28, 2017 | February 29, 2016 | February 28, 2017 | February 29, 2016 |
| Net revenue | \$ 4,445,637 | \$ 4,403,594 | \$ 9,550,535 | \$ 9,611,571 |
| Cost of revenue | 4,083,733 | 4,004,161 | 8,757,125 | 8,728,603 |
| Gross profit | 361,904 | 399,433 | 793,410 | 882,968 |
| Operating expenses: | | | | |
| Selling, general and administrative | 217,943 | 224,905 | 431,995 | 476,451 |
| Research and development | 7,085 | 8,465 | 14,708 | 16,757 |
| Amortization of intangibles | 8,766 | 8,599 | 17,088 | 16,439 |
| Restructuring and related charges | 44,927 | 2,535 | 80,829 | 3,888 |
| Operating income | 83,183 | 154,929 | 248,790 | 369,433 |
| Other expense | 3,371 | 2,167 | 8,051 | 3,933 |
| Interest income | (2,289) | (2,287) | (4,744) | (4,351) |
| Interest expense | 33,800 | 34,262 | 66,644 | 67,297 |
| Income before income tax | 48,301 | 120,787 | 178,839 | 302,554 |
| Income tax expense | 28,177 | 42,354 | 72,014 | 92,206 |
| Net income | 20,124 | 78,433 | 106,825 | 210,348 |
| Net loss attributable to noncontrolling interests, net of tax | (541) | (497) | (1,867) | (467) |
| Net income attributable to Jabil Circuit, Inc. | \$ 20,665 | \$ 78,930 | \$ 108,692 | \$ 210,815 |
| Earnings per share attributable to the stockholders of Jabil Circuit, Inc. | | | | |
| Basic | \$ 0.11 | \$ 0.41 | \$ 0.59 | \$ 1.11 |
| Diluted | \$ 0.11 | \$ 0.41 | \$ 0.58 | \$ 1.09 |
| Weighted average shares outstanding: | | | | |
| Basic | 182,632 | 190,957 | 183,970 | 190,656 |
| Diluted | 185,010 | 193,294 | 186,463 | 193,429 |

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| | | | | | | | | |
|--|----|------|----|------|----|------|----|------|
| Cash dividends declared per common share | \$ | 0.08 | \$ | 0.08 | \$ | 0.16 | \$ | 0.16 |
|--|----|------|----|------|----|------|----|------|

See accompanying notes to Condensed Consolidated Financial Statements.

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

| | Three months ended | | Six months ended | |
|--|---------------------------|---------------------|-------------------------|---------------------|
| | February 28, | February 29, | February 28, | February 29, |
| | 2017 | 2016 | 2017 | 2016 |
| Net income | \$ 20,124 | \$ 78,433 | \$ 106,825 | \$ 210,348 |
| Other comprehensive income: | | | | |
| Foreign currency translation adjustment | 27,123 | (3,625) | 3,504 | (24,167) |
| Changes in fair value of derivative instruments, net of tax | 2,423 | (12,904) | 10,656 | (13,813) |
| Reclassification of net losses realized and included in net income related to derivative instruments, net of tax | 7,797 | 11,886 | 11,394 | 22,950 |
| Unrealized gain (loss) on available for sale securities | 6,893 | (4,836) | 5,644 | (3,127) |
| Total other comprehensive income (loss) | 44,236 | (9,479) | 31,198 | (18,157) |
| Comprehensive income | \$ 64,360 | \$ 68,954 | \$ 138,023 | \$ 192,191 |
| Comprehensive loss attributable to noncontrolling interests | (541) | (497) | (1,867) | (467) |
| Comprehensive income attributable to Jabil Circuit, Inc. | \$ 64,901 | \$ 69,451 | \$ 139,890 | \$ 192,658 |

See accompanying notes to Condensed Consolidated Financial Statements.

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(in thousands, except for share data)

(Unaudited)

| | Jabil Circuit, Inc. Stockholders' Equity | | | Common Stock | | | | Equity | |
|--|---|--------------|-------------------|----------------------|---------------|-----------------|-----------------------|---------------|--|
| | | | | Accumulated | | Other | | | |
| | | | | Comprehensive | | (Loss) | | | |
| | Shares | Par | Additional | Retained | (Loss) | Treasury | Noncontrolling | Total | |
| | Outstanding | Value | Paid-in | Earnings | Income | Stock | Interests | Equity | |
| Balance at August 31, 2016 | 186,998,472 | \$ 250 | \$ 2,034,525 | \$ 1,660,820 | \$ (39,877) | \$ (1,217,547) | \$ 19,326 | \$ 2,457,497 | |
| Shares issued upon exercise of stock options | 38,707 | | | | | | | | |
| Shares issued under employee stock purchase plan | 710,761 | 1 | 11,250 | | | | | 11,251 | |
| Vesting of restricted stock awards | 2,040,141 | 2 | (2) | | | | | | |
| Purchases of treasury stock under employee stock plans | (499,803) | | | | | (10,796) | | (10,796) | |
| Treasury shares purchased | (6,938,605) | | | | | (151,488) | | (151,488) | |
| Recognition of stock-based compensation | | | 14,969 | | | | | 14,969 | |
| Declared dividends | | | | (30,689) | | | | (30,689) | |
| Comprehensive income | | | | 108,692 | 31,198 | | (1,867) | 138,023 | |
| Declared dividends to noncontrolling | | | | | | | (1,500) | (1,500) | |

interests
 Foreign
 currency
 adjustments
 attributable to
 noncontrolling
 interests

(169)

(169)