

ADTRAN INC
Form 10-Q
May 09, 2012
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended March 31, 2012

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 0-24612

ADTRAN, INC.

(Exact name of Registrant as specified in its charter)

Edgar Filing: ADTRAN INC - Form 10-Q

Delaware
(State of Incorporation)

63-0918200
(I.R.S. Employer

Identification No.)

901 Explorer Boulevard, Huntsville, Alabama 35806-2807

(Address of principal executive offices, including zip code)

(256) 963-8000

(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 twelve 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 Regulations S-T (232.405 of this chapter) during the preceding 12 months (or for 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 definition 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

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

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date:

Class
Common Stock, \$.01 Par Value

Outstanding at April 23, 2012
63,715,605 shares

Table of Contents**ADTRAN, INC.****Quarterly Report on Form 10-Q****For the Three Months Ended March 31, 2012****Table of Contents**

Item Number		Page Number
<u>PART I. FINANCIAL INFORMATION</u>		
1	<u>Financial Statements:</u>	3
	<u>Consolidated Balance Sheets as of March 31, 2012 and December 31, 2011 (Unaudited)</u>	3
	<u>Consolidated Statements of Income for the three months ended March 31, 2012 and 2011 (Unaudited)</u>	4
	<u>Consolidated Statements of Comprehensive Income for the three months ended March 31, 2012 and 2011 (Unaudited)</u>	5
	<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2011 (Unaudited)</u>	6
	<u>Notes to Consolidated Financial Statements (Unaudited)</u>	7
2	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21
3	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	30
4	<u>Controls and Procedures</u>	31
<u>PART II. OTHER INFORMATION</u>		
1A	<u>Risk Factors</u>	31
6	<u>Exhibits</u>	31
	<u>SIGNATURE</u>	32
	<u>EXHIBIT INDEX</u>	33
FORWARD LOOKING STATEMENTS		

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of ADTRAN. ADTRAN and its representatives may from time to time make written or oral forward-looking statements, including statements contained in this report, our other filings with the Securities and Exchange Commission (SEC) and other communications with our stockholders. Generally, the words, believe, expect, intend, estimate, anticipate, will, may, could and similar expressions identify forward-looking statements. We caution you that any forward-looking statements made by us or on our behalf are subject to uncertainties and other factors that could cause such statements to be wrong. A list of factors that could materially affect our business, financial condition or operating results is included under

Factors that Could Affect Our Future Results in Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Item 2 of Part I of this report. They have also been discussed in Item 1A of Part I in our most recent Annual Report on Form 10-K for the year ended December 31, 2011 filed on February 29, 2012 with the SEC. Though we have attempted to list comprehensively these important factors, we caution investors that other factors may prove to be important in the future in affecting our operating results. New factors emerge from time to time, and it is not possible for us to predict all of these factors, nor can we assess the impact each factor or a combination of factors may have on our business.

You are further cautioned not to place undue reliance on these forward-looking statements because they speak only of our views as of the date that the statements were made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****ADTRAN, INC.****CONSOLIDATED BALANCE SHEETS****(Unaudited)****(In thousands, except per share amounts)**

	March 31, 2012	December 31, 2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 36,539	\$ 42,979
Short-term investments	161,535	159,347
Accounts receivable, less allowance for doubtful accounts of \$42 and \$8 at March 31, 2012 and December 31, 2011, respectively	74,796	76,130
Other receivables	8,037	9,743
Inventory	95,805	87,800
Prepaid expenses	3,861	3,119
Deferred tax assets, net	12,548	12,125
Total Current Assets	393,121	391,243
Property, plant and equipment, net	76,502	75,295
Deferred tax assets, net	5,633	8,345
Goodwill	3,492	3,492
Other assets	6,831	7,131
Long-term investments	367,474	332,008
Total Assets	\$ 853,053	\$ 817,514
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 31,235	\$ 29,404
Unearned revenue	11,376	9,965
Accrued expenses	6,479	5,876
Accrued wages and benefits	12,158	13,518
Income tax payable, net	10,186	3,169
Total Current Liabilities	71,434	61,932
Other non-current liabilities	21,588	16,951
Bonds payable	46,500	46,500
Total Liabilities	139,522	125,383
Commitments and contingencies (see Note 13)		
Stockholders' Equity		
Common stock, par value \$0.01 per share; 200,000 shares authorized; 79,652 shares issued and 63,898 shares outstanding at March 31, 2012 and 79,652 shares issued and 63,703 shares outstanding at December 31, 2011	797	797
Additional paid-in capital	217,273	213,560

Edgar Filing: ADTRAN INC - Form 10-Q

Accumulated other comprehensive income	20,012	13,102
Retained earnings	846,386	840,206
Less treasury stock at cost: 15,754 and 15,949 shares at March 31, 2012 and December 31, 2011, respectively	(370,937)	(375,534)
Total Stockholders Equity	713,531	692,131
Total Liabilities and Stockholders Equity	\$ 853,053	\$ 817,514

See notes to consolidated financial statements

Table of Contents

ADTRAN, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2012	2011
Sales	\$ 134,735	\$ 165,522
Cost of sales	60,648	66,727
Gross Profit	74,087	98,795
Selling, general and administrative expenses	33,111	29,552
Research and development expenses	24,795	23,637
Operating Income	16,181	45,606
Interest and dividend income	1,861	1,789
Interest expense	(588)	(602)
Net realized investment gain	2,467	2,767
Other income (expense), net	141	(125)
Income before provision for income taxes	20,062	49,435
Provision for income taxes	(7,102)	(15,177)
Net Income	\$ 12,960	\$ 34,258
Weighted average shares outstanding basic	63,809	64,189
Weighted average shares outstanding diluted	64,849	65,957
Earnings per common share basic	\$ 0.20	\$ 0.53
Earnings per common share diluted	\$ 0.20	\$ 0.52
Dividend per share	\$ 0.09	\$ 0.09

See notes to consolidated financial statements

Table of Contents**ADTRAN, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Unaudited)****(In thousands)**

	Three Months Ended March 31,	
	2012	2011
Net Income	\$ 12,960	\$ 34,258
Other Comprehensive Income (Loss), net of tax:		
Net change in unrealized gains (losses) on marketable securities	6,755	(2,651)
Reclassification adjustments for amounts included in net income	2	(159)
Foreign currency translation	153	87
Other Comprehensive Income (Loss), net of tax	6,910	(2,723)
Comprehensive Income	\$ 19,870	\$ 31,535

See notes to consolidated financial statements

Table of Contents**ADTRAN, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(In thousands)**

	Three Months Ended	
	March 31,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 12,960	\$ 34,258
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,095	2,724
Amortization of net premium on available-for-sale investments	2,171	1,299
Net realized gain on long-term investments	(2,467)	(2,767)
Net (gain) loss on disposal of property, plant and equipment	(214)	12
Stock-based compensation expense	2,221	2,089
Deferred income taxes	(2,030)	877
Tax benefit from stock option exercises	1,492	9,942
Excess tax benefits from stock-based compensation arrangements	(1,153)	(8,847)
Changes in operating assets and liabilities:		
Accounts receivable, net	1,334	(13,562)
Other receivables	1,706	(8,725)
Income tax receivable, net		2,741
Inventory	(8,005)	(4,760)
Prepaid expenses and other assets	(710)	(216)
Accounts payable	1,831	10,117
Accrued expenses and other liabilities	5,287	9,606
Income tax payable, net	7,017	1,699
Net cash provided by operating activities	24,535	36,487
Cash flows from investing activities:		
Purchases of property, plant and equipment	(4,086)	(3,045)
Proceeds from disposals of property, plant and equipment	266	
Proceeds from sales and maturities of available-for-sale investments	69,364	161,687
Purchases of available-for-sale investments	(95,646)	(224,459)
Net cash used in investing activities	(30,102)	(65,817)
Cash flows from financing activities:		
Proceeds from stock option exercises	3,560	31,815
Dividend payments	(5,739)	(5,775)
Excess tax benefits from stock-based compensation arrangements	1,153	8,847
Net cash provided by (used in) financing activities	(1,026)	34,887
Net increase (decrease) in cash and cash equivalents	(6,593)	5,557
Effect of exchange rate changes	153	87
Cash and cash equivalents, beginning of period	42,979	31,677