

JABIL CIRCUIT INC
Form 10-Q
July 06, 2007
Table of Contents

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 May 31, 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 June 26, 2007 there were 207,555,899 shares of the Registrant's Common Stock outstanding.

Table of Contents

JABIL CIRCUIT, INC. AND SUBSIDIARIES

INDEX

PART I. FINANCIAL INFORMATION

| | | |
|---------|--|----|
| Item 1. | <u>Financial Statements</u> | |
| | <u>Condensed Consolidated Balance Sheets at May 31, 2007 and August 31, 2006</u> | 3 |
| | <u>Condensed Consolidated Statements of Earnings for the three and nine months ended May 31, 2007 and 2006</u> | 4 |
| | <u>Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended May 31, 2007 and 2006</u> | 5 |
| | <u>Condensed Consolidated Statements of Cash Flows for the nine months ended May 31, 2007 and 2006</u> | 6 |
| | <u>Notes to Condensed Consolidated Financial Statements</u> | 7 |
| Item 2. | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 29 |
| Item 3. | <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 42 |
| Item 4. | <u>Controls and Procedures</u> | 43 |

PART II. OTHER INFORMATION

| | | |
|----------|--|----|
| Item 1. | <u>Legal Proceedings</u> | 44 |
| Item 1A. | <u>Risk Factors</u> | 45 |
| Item 2. | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 58 |
| Item 3. | <u>Defaults Upon Senior Securities</u> | 58 |
| Item 4. | <u>Submission of Matters to a Vote of Security Holders</u> | 58 |
| Item 5. | <u>Other Information</u> | 58 |
| Item 6. | <u>Exhibits</u> | 58 |
| | <u>Signatures</u> | 60 |

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

(in thousands)

(Unaudited)

| | May 31, 2007 | August 31, 2006 |
|--|---------------------|---------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 558,358 | \$ 773,563 |
| Accounts receivable, net of allowance for doubtful accounts of \$10,984 at May 31, 2007 and \$5,801 at August 31, 2006 | 1,336,784 | 1,288,024 |
| Inventories | 1,446,505 | 1,452,737 |
| Prepaid expenses and other current assets | 213,380 | 121,843 |
| Income taxes receivable | 16,363 | 17,507 |
| Deferred income taxes | 22,088 | 25,291 |
| Total current assets | 3,593,478 | 3,678,965 |
| Property, plant and equipment, net of accumulated depreciation of \$900,666 at May 31, 2007 and \$830,240 at August 31, 2006 | | |
| Goodwill | 1,260,677 | 985,262 |
| | 1,123,167 | 608,067 |
| Intangible assets, net of accumulated amortization of \$84,804 at May 31, 2007 and \$77,295 at August 31, 2006 | 155,284 | 80,707 |
| Deferred income taxes | 70,617 | 46,356 |
| Other assets | 16,445 | 12,373 |
| Total assets | \$ 6,219,668 | \$ 5,411,730 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities: | | |
| Current installments of notes payable, long-term debt and long-term lease obligations | \$ 939,571 | \$ 63,813 |
| Accounts payable | 1,901,197 | 2,231,864 |
| Accrued expenses | 419,716 | 363,112 |
| Income taxes payable | 46,351 | 40,240 |
| Deferred income taxes | 2,384 | 2,305 |
| Total current liabilities | 3,309,219 | 2,701,334 |
| Notes payable, long-term debt and long-term lease obligations, less current installments | 384,463 | 329,520 |
| Other liabilities | 71,831 | 78,549 |
| Deferred income taxes | 13,883 | 7,846 |
| Total liabilities | 3,779,396 | 3,117,249 |

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| | | |
|---|------------------|------------------|
| Minority interest | 8,148 | |
| Stockholders' equity: | | |
| Common stock | 212 | 211 |
| Additional paid-in capital | 1,317,536 | 1,265,382 |
| Retained earnings | 1,134,238 | 1,116,035 |
| Accumulated other comprehensive income | 180,389 | 113,104 |
| Treasury stock (at cost) | (200,251) | (200,251) |
| Total stockholders' equity | 2,432,124 | 2,294,481 |
| Total liabilities, minority interest and stockholders' equity | \$ 6,219,668 | \$ 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 | | Nine months ended | |
|---|---------------------------|----------------|--------------------------|----------------|
| | May 31, | May 31, | May 31, | May 31, |
| | 2007 | 2006 | 2007 | 2006 |
| Net revenue | \$ 3,001,896 | \$ 2,592,464 | \$ 9,160,761 | \$ 7,311,833 |
| Cost of revenue | 2,782,907 | 2,404,821 | 8,578,277 | 6,743,720 |
| Gross profit | 218,989 | 187,643 | 582,484 | 568,113 |
| Operating expenses: | | | | |
| Selling, general and administrative | 140,733 | 93,536 | 370,464 | 275,141 |
| Research and development | 10,498 | 9,578 | 26,972 | 24,756 |
| Amortization of intangibles | 8,804 | 7,273 | 20,662 | 18,791 |
| Restructuring and impairment charges | 25,325 | | 41,359 | |
| Operating income | 33,629 | 77,256 | 123,027 | 249,425 |
| Other expense | 3,809 | 3,505 | 3,113 | 8,399 |
| Interest income | (4,042) | (4,977) | (10,312) | (15,605) |
| Interest expense | 28,523 | 5,818 | 61,102 | 15,355 |
| Income before income taxes and minority interest | 5,339 | 72,910 | 69,124 | 241,276 |
| Income tax (benefit) expense | (505) | 8,684 | 8,104 | 31,139 |
| Minority interest | (390) | | (491) | |
| Net income | \$ 6,234 | \$ 64,226 | \$ 61,511 | \$ 210,137 |
| Earnings per share: | | | | |
| Basic | \$ 0.03 | \$ 0.31 | \$ 0.30 | \$ 1.01 |
| Diluted | \$ 0.03 | \$ 0.30 | \$ 0.30 | \$ 0.98 |
| Common shares used in the calculations of earnings per share: | | | | |
| Basic | 203,728 | 210,441 | 203,396 | 207,598 |
| Diluted | 205,772 | 215,861 | 206,233 | 213,358 |

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 | | Nine months ended | |
|---|---------------------------|----------------|--------------------------|----------------|
| | May 31, | May 31, | May 31, | May 31, |
| | 2007 | 2006 | 2007 | 2006 |
| Net income | \$ 6,234 | \$ 64,226 | \$ 61,511 | \$ 210,137 |
| Other comprehensive income: | | | | |
| Foreign currency translation adjustment, net of tax | 41,082 | 31,462 | 67,285 | 34,423 |
| Comprehensive income | \$ 47,316 | \$ 95,688 | \$ 128,796 | \$ 244,560 |

Accumulated foreign currency translation gains were \$199.4 million at May 31, 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)

| | Nine months ended | |
|--|-------------------|-----------------|
| | May 31, 2007 | May 31, 2006 |
| Cash flows from operating activities: | | |
| Net income | \$ 61,511 | \$ 210,137 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 173,829 | 147,793 |
| Recognition of deferred grant proceeds | (10) | (504) |
| Amortization of discount on note receivable | | (1,402) |
| Minority interest | (491) | |
| Recognition of stock-based compensation | 37,628 | 33,137 |
| Deferred income taxes | (17,999) | (16,200) |
| Non-cash restructuring charges | 41,359 | |
| Provision for doubtful accounts | 7,275 | 1,619 |
| Excess tax benefit of options exercised | 324 | (12,425) |
| Loss/(gain) on sale of property | 625 | (2,333) |
| Change in operating assets and liabilities, exclusive of net assets acquired in business acquisitions: | | |
| Accounts receivable | 134,365 | (155,350) |
| Inventories | 118,644 | (354,807) |
| Prepaid expenses and other current assets | (64,437) | (19,675) |
| Other assets | (1,177) | (1,112) |
| Accounts payable and accrued expenses | (554,625) | 424,789 |
| Income taxes payable | 2,204 | 16,530 |
| Net cash (used in) provided by operating activities | (60,975) | 270,197 |
| Cash flows from investing activities: | | |
| Cash paid for business and intangible asset acquisitions, net of cash acquired | (771,361) | (162,836) |
| Acquisition of property, plant and equipment | (214,217) | (184,599) |
| Proceeds from sale of property and equipment | 11,430 | 9,760 |
| Net cash used in investing activities | (974,148) | (337,675) |
| Cash flows from financing activities: | | |
| Borrowings under debt agreements | 3,379,514 | 81,148 |
| Payments toward debt agreements and capital lease obligations | (2,576,328) | (108,299) |
| Dividends paid to stockholders | (43,087) | |
| Net proceeds from issuance of common stock under option and employee purchase plans | 14,521 | 123,705 |
| Excess tax benefit of options exercised | (324) | 12,425 |

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| Net cash provided by financing activities | | 774,296 | 108,979 |
|---|---|---------|------------|
| Effect of exchange rate changes on cash | Royal Bank of Scotland Group PLC, 7.648%, 9/30/31 (g) | | 1,852,560 |
| £2,000 | Santander Issuances S.A. Unipersonal, 7.30%, 7/27/19 (converts to FRN on 9/27/14) | | 3,414,579 |
| | | | 37,641,648 |
| | Diversified Financial Services 3.8% | | |
| \$3,400 | Army Hawaii Family Housing Trust Certificates, 5.524%, 6/15/50 (NPFGC) (a)(b)(c)(j) (acquisition cost-\$3,366,000; purchased 11/18/13) | | 3,642,352 |
| 2,441 | GSPA Monetization Trust, 6.422%, 10/9/29 (a)(b)(c)(j) (acquisition cost-\$2,411,501; purchased 9/23/13) | | 2,533,040 |
| 8,200 | Rio Oil Finance Trust, 6.25%, 7/6/24 (a)(b)(c)(i)(j) (acquisition cost-\$8,199,836; purchased 6/12/14) | | 8,554,568 |
| | | | 14,729,960 |
| | Electric Utilities 4.0% | | |
| 1,138 | Bruce Mansfield Unit, 6.85%, 6/1/34 Red Oak Power LLC, | | 1,269,412 |
| 8,296 | 8.54%, 11/30/19 | | 9,042,992 |
| 5,000 | 9.20%, 11/30/29 | | 5,575,000 |
| | | | 15,887,404 |
| | Insurance 3.9% | | |
| 2,000 | AIG Life Holdings, Inc., 8.125%, 3/15/46 (a)(b)(c)(i)(j) (acquisition cost-\$1,753,150; purchased 7/12/10) | | 2,796,902 |

8 Annual Report | July 31, 2014

Schedule of Investments

PIMCO Income Strategy Fund

July 31, 2014 (continued)

| Principal Amount (000s) | | Value |
|-------------------------------|--|-------------|
| | Insurance (continued) | |
| | American International Group, Inc., | |
| \$7,500 | 6.25%, 3/15/87 (converts to FRN on 3/15/37) (i) | \$8,401,815 |
| 2,893 | 8.175%, 5/15/68 (converts to FRN on 5/15/38) | 4,010,421 |
| | | 15,209,138 |
| | Media 0.6% | |
| 1,700 | Time Warner Cable, Inc., 7.30%, 7/1/38 (i) | 2,271,310 |
| | Oil, Gas & Consumable Fuels 2.5% | |
| 1,600 | Anadarko Petroleum Corp., 7.00%, 11/15/27 | 1,887,365 |
| 7,600 | Pertamina Persero PT, 6.45%, 5/30/44 (a)(c) | 7,980,000 |
| | | 9,867,365 |
| | Telecommunications 2.5% | |
| 1,900 | CenturyLink, Inc., 7.60%, 9/15/39 | 1,909,500 |
| 7,000 | Northwestern Bell Telephone, 7.75%, 5/1/30 | 7,892,248 |
| | | 9,801,748 |
| | | 123,664,492 |
| | Total Corporate Bonds & Notes (cost-\$112,885,966) | |
| | U.S. Government Agency Securities 31.1% | |
| | Fannie Mae, CMO, | |
| 35,156 | 3.50%, 12/25/32-2/25/43, IO | 7,154,001 |
| 10,154 | 4.00%, 11/25/42-1/25/43, IO | 1,970,981 |
| 1,309 | 5.214%, 7/25/43 (b)(l) | 1,002,019 |
| 506 | 5.218%, 12/25/42 (b)(l) | 385,641 |
| 1,892 | 5.768%, 1/25/43 (b)(l) | 1,428,028 |
| 22,264 | 5.995%, 11/25/42-2/25/43, IO (l) | 5,233,431 |
| 6,954 | 6.445%, 4/25/41, IO (l) | 1,228,045 |
| 4,423 | 9.79%, 6/25/43 (b)(l) | 4,506,727 |
| 4,481 | 11.853%, 6/25/43 (b)(l) | 4,622,547 |
| 132 | 14.546%, 12/25/40 (b)(l) | 175,208 |
| | Freddie Mac, CMO, | |
| 117,919 | 2.50%, 10/15/27-1/15/28, IO | 12,335,427 |
| 81,016 | 3.50%, 5/15/39, IO | 13,221,254 |
| 12,614 | 9.556%, 1/15/41 (b)(l) | 12,160,383 |
| 628 | 9.697%, 11/15/40 (b)(l) | 622,382 |
| 2,187 | 11.596%, 8/15/43 (b)(l) | 2,330,328 |
| 13,952 | 11.728%, 3/15/44 (b)(l) | 14,483,367 |
| 17,600 | Freddie Mac Strip, 9.424%, 6/1/44-8/15/44, CMO (b)(d)(f)(l) | 19,940,651 |
| | Ginnie Mae, CMO (b)(l), | |
| 14,714 | 7.207%, 5/16/41 (i) | 14,532,445 |
| 4,100 | 8.592%, 8/20/39 | 4,540,976 |
| | | 121,873,841 |
| | Total U.S. Government Agency Securities (cost-\$123,280,188) | |
| | Mortgage-Backed Securities 18.5% | |
| 102 | Banc of America Alternative Loan Trust, 6.00%, 1/25/36, CMO | 87,920 |
| | Banc of America Funding Trust, CMO, | |
| 3,420 | 6.00%, 8/25/36 | 3,425,849 |
| 1,872 | 6.00%, 3/25/37 | 1,591,854 |
| 3,157 | 6.00%, 8/25/37 | 2,803,294 |

Schedule of Investments**PIMCO Income Strategy Fund**

July 31, 2014 (continued)

| Principal Amount (000s) | | Value |
|-------------------------------|---|-----------|
| \$911 | BCAP LLC Trust, CMO (a)(c)(I), 5.315%, 3/26/37 | \$321,406 |
| 272 | 16.266%, 6/26/36 | 73,789 |
| 724 | Bear Stearns ALT-A Trust, CMO (I), 2.612%, 9/25/35 | 584,440 |
| 346 | 2.663%, 11/25/36 | 243,839 |
| 1,225 | Bear Stearns Mortgage Funding Trust, 7.00%, 8/25/36, CMO | 1,138,182 |
| 10 | Chase Mortgage Finance Trust, CMO, 2.51%, 12/25/35 (I) | 9,045 |
| 954 | 6.00%, 2/25/37 | 857,861 |
| 633 | 6.00%, 7/25/37 | 553,810 |
| 1,785 | 6.25%, 10/25/36 | |