

SUNTRON CORP
Form 10-Q
November 13, 2002

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 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: **SEPTEMBER 29, 2002**

TRANSITION REPORT PURSUANT SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____.

Commission file number: **0-49651**

SUNTRON CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

86-1038668

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

**2501 West Grandview Road
Phoenix, Arizona 85023**

(Address of principal executive offices)

(602) 789-6600

(Issuer's telephone number)

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 No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

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Common Stock, par value \$0.01

(Class of Common Stock)

27,409,388 shares

(Outstanding as of October 31, 2002)

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UNAUDITED CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands, Except Per Share Amounts)

	December 31, 2001	September 29, 2002
ASSETS		
Current Assets:		
Cash and equivalents		
\$14,172	\$82	
Trade receivables, net of allowance for doubtful accounts of \$5,636 and \$2,599, respectively		
31,029	40,122	
Inventories		
106,768	73,331	
Prepaid expenses and other		
2,037	2,706	
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Total current assets		
154,006	116,241	
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Property, Plant and Equipment:		
Land		
4,798	4,798	
Buildings and improvements		
27,094	25,679	
Manufacturing machinery and equipment		
54,163	52,920	
Furniture, computer equipment and software		
32,928	32,846	
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Total		
118,983	116,243	

Less accumulated depreciation and
amortization
(37,559) (50,917)

Net property, plant and equipment
81,424 65,326

Intangible and Other Assets:

Goodwill
82,604 6,987
Identifiable intangible assets, net of
accumulated amortization of \$3,329
and \$3,842, respectively
2,383 1,871
Debt issuance costs, net
1,806 1,322
Deposits and other
416 416

Total intangible and other assets
87,209 10,596

\$322,639 \$192,163

The Accompanying Notes Are an Integral Part of These Consolidated Financial Statements.

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**SUNTRON CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS, Continued
(Dollars in Thousands, Except Per Share Amounts)**

	December 31, 2001	September 29, 2002
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	\$28,391	\$42,936
Accrued compensation and benefits	8,197	6,176
Accrued interest expense	1,721	74
Payable to affiliates	1,730	267
Current portion of accrued exit costs related to facility closures	1,900	3,495
Accrued property taxes	1,347	1,503
Outstanding checks in excess of cash balances	900	2,417
Other accrued liabilities	4,290	4,199
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Total current liabilities	48,476	61,067
Long-term Liabilities:		
Long-term debt, net of current maturities:		
Banks	31,628	5,289
Former parent of K*TEC	12,202	
Accrued exit costs related to facility closures	6,906	
Other	201	239
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Total liabilities
 92,507 73,501

Stockholders Equity:

Preferred stock, \$.01 par value.
 Authorized 10,000,000 shares;
 none issued

Common stock, \$.01 par value.
 Authorized 50,000,000 shares;
 issued and outstanding
 27,409,589 and 27,409,388
 shares, respectively

274 274

Additional paid-in capital
 380,000 379,998

Deferred stock compensation
 cost
 (205) (173)

Accumulated deficit
 (149,937) (261,437)

Total stockholders equity
 230,132 118,662

\$322,639 \$192,163

The Accompanying Notes Are an Integral Part of These Consolidated Financial Statements.

Total operating costs and expenses
 9,475 8,239 31,806 25,615

Operating loss
 (8,745) (24,627) (21,747) (42,193)

Other Income (Expense):

Interest expense
 (1,726) (411) (8,305) (2,122)
 Reduction of interest expense due to settlement of dispute
 1,029
 Gain (loss) on sale of assets
 43 (5) 781 (162)
 Other, net
 404 525 471 687

Loss before income taxes and cumulative effect of change in
 accounting
 (10,024) (24,518) (28,800) (42,761)

Income Tax Benefit (Expense)
 (146) 40 (164) 276

Loss before cumulative effect of change in accounting
 (10,170) (24,478) (28,964) (42,485)

Cumulative Effect of Change in Accounting for Goodwill
(69,015)

Net loss
\$(10,170) \$(24,478) \$(28,964) \$(111,500)

**Basic and Diluted Net Loss Applicable to Common
Stockholders:**

Loss before cumulative effect of change in accounting
\$(10,170) \$(24,478) \$(29,514) \$(42,485)
Cumulative effect of change in accounting for goodwill
(69,015)

Net loss applicable to common stockholders
\$(10,170) \$(24,478) \$(29,514) \$(111,500)

Basic and Diluted Net Loss Per Share Applicable to Common Stockholders:

Loss before cumulative effect of change in accounting
\$(0.37) \$(0.89) \$(1.28) \$(1.55)
Cumulative effect of change in accounting for goodwill
(2.52)

Net loss per share applicable to common stockholders
\$(0.37) \$(0.89) \$(1.28) \$(4.07)

Number of Shares Used for Computation-

Basic and Diluted
27,405,000 27,409,000 22,973,000 27,409,000

The Accompanying Notes Are an Integral Part of These Consolidated Financial Statements.

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SUNTRON CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	For the Nine Months Ended	
	September 30, 2001	September 29, 2002
Cash Flows from Operating Activities:		
Net loss		
\$(28,964)		\$(111,500)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Cumulative effect of change in accounting for goodwill	69,015	
Depreciation and amortization	18,671	16,558
Amortization of debt issuance costs	767	793
Impairment of property, plant and equipment	1,153	2,671
Change in accrued severance, retention and lease exit costs	(1,296)	8,757
Accrued interest on convertible notes	2,217	
Loss (gain) on sale of assets	(781)	162
Reduction of interest expense due to settlement	(1,029)	
Stock-based compensation and services expense	56	32
Changes in operating assets and liabilities, net of effects of purchase of business:		
Decrease (increase) in:		
Trade receivables	61,638	(5,944)
Inventories	67,625	36,992