

JABIL CIRCUIT INC
Form 10-Q
July 06, 2007
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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 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.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES

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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, 2007	May 31, 2006	May 31, 2007	May 31, 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	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
Net cash provided by financing activities	774,296	108,979
Effect of exchange rate changes on cash		