

ModusLink Global Solutions Inc  
Form 10-Q  
March 12, 2010  
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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 January 31, 2010

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 000-23262

**ModusLink Global Solutions, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**1100 Winter Street**  
**Waltham, Massachusetts**  
(Address of principal executive offices)

**04-2921333**  
(I.R.S. Employer  
Identification No.)

**02451**  
(Zip Code)

**(781) 663-5001**  
(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 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 5, 2010, there were 44,294,317 shares outstanding of the registrant's Common Stock, \$.01 par value per share.

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**MODUSLINK GLOBAL SOLUTIONS, INC.**

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|   | <b>January 31,<br/>2010</b> | <b>July 31,<br/>2009</b> |
|---|-----------------------------|--------------------------|
| <b>ASSETS</b>   |                             |                          |
| Current assets:   |                             |                          |
| Cash and cash equivalents   | \$ 163,970                  | \$ 168,767               |
| Available-for-sale securities   | 284                         | 440                      |
| Short-term investments  |                             | 10,000                   |
| Accounts receivable, trade, net of allowance for doubtful accounts of \$1,257 and \$3,767, at January 31, 2010 and July 31, 2009, respectively  | 150,311                     | 171,090                  |
| Inventories, net  | 67,107                      | 63,023                   |
| Prepaid expenses and other current assets   | 13,060                      | 12,773                   |
| <b>Total current assets</b>   | <b>394,732</b>              | <b>426,093</b>           |
| Property and equipment, net   | 56,348                      | 61,178                   |
| Investments in affiliates   | 13,180                      | 12,369                   |
| Goodwill  | 42,007                      | 25,708                   |
| Other intangible assets, net  | 27,509                      | 23,120                   |
| Other assets  | 9,741                       | 7,353                    |
| <b>Total assets</b>   | <b>\$ 543,517</b>           | <b>\$ 555,821</b>        |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                             |                          |
| Current liabilities:  |                             |                          |
| Current installments of obligations under capital leases  | \$ 54                       | \$ 152                   |
| Accounts payable  | 112,756                     | 122,125                  |
| Current portion of accrued restructuring  | 7,021                       | 15,098                   |
| Accrued income taxes  | 1,377                       | 1,803                    |
| Accrued expenses  | 43,259                      | 42,277                   |
| Other current liabilities   | 5,817                       | 5,793                    |
| Current liabilities of discontinued operations  | 1,602                       | 1,866                    |
| <b>Total current liabilities</b>  | <b>171,886</b>              | <b>189,114</b>           |
| Long-term portion of accrued restructuring  | 1,686                       | 2,014                    |
| Obligations under capital leases, less current installments   | 64                          | 194                      |
| Other long-term liabilities   | 16,437                      | 16,490                   |
| Non-current liabilities of discontinued operations  | 2,057                       | 2,411                    |
| Stockholders' equity:   |                             |                          |
| Preferred stock, \$0.01 par value per share. Authorized 5,000,000 shares; zero issued or outstanding at January 31, 2010 and July 31, 2009  |                             |                          |
| Common stock, \$0.01 par value per share. Authorized 1,400,000,000 shares; 44,293,804 issued and outstanding shares at January 31, 2010; 45,652,078 issued and 45,086,746 outstanding shares at July 31, 2009 | 443                         | 457                      |
| Additional paid-in capital  | 7,427,477                   | 7,437,877                |

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|   |                |                |
|---|----------------|----------------|
| Treasury stock, at cost 565,332 shares at July 31, 2009 |                | (3,813)        |
| Accumulated deficit                                     | (7,092,103)    | (7,103,228)    |
| Accumulated other comprehensive income                  | 15,570         | 14,305         |
| <b>Total stockholders' equity</b>                       | <b>351,387</b> | <b>345,598</b> |
| Total liabilities and stockholders' equity              | \$ 543,517     | \$ 555,821     |

See accompanying notes to unaudited condensed consolidated financial statements

**Table of Contents****MODUSLINK GLOBAL SOLUTIONS INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share amounts)****(Unaudited)**

|  | <b>Three Months Ended</b> |              | <b>Six Months Ended</b> |              |
|--|---------------------------|--------------|-------------------------|--------------|
|  | <b>January 31,</b>        |              | <b>January 31,</b>      |              |
|  | <b>2010</b>               | <b>2009</b>  | <b>2010</b>             | <b>2009</b>  |
| Net revenue  | \$ 235,488                | \$ 260,461   | \$ 482,167              | \$ 551,874   |
| Cost of revenue  | 203,954                   | 228,240      | 414,619                 | 491,583      |
| Gross profit   | 31,534                    | 32,221       | 67,548                  | 60,291       |
| Operating expenses:  |                           |              |                         |              |
| Selling, general and administrative                          | 23,917                    | 26,003       | 46,874                  | 57,081       |
| Amortization of intangible assets                            | 1,599                     | 1,372        | 2,972                   | 2,740        |
| Impairment of goodwill                                       |                           | 164,682      |                         | 164,682      |
| Restructuring, net   | 36                        | 656          | 165                     | 7,074        |
| Total operating expenses                                     | 25,552                    | 192,713      | 50,011                  | 231,577      |
| Operating income (loss)                                      | 5,982                     | (160,492)    | 17,537                  | (171,286)    |
| Other income (expense):                                      |                           |              |                         |              |
| Interest income  | 82                        | 451          | 203                     | 1,217        |
| Interest expense   | (158)                     | (177)        | (285)                   | (417)        |
| Other gains (losses), net                                    | (289)                     | 5,799        | (580)                   | 1,915        |
| Equity in (losses) of affiliates and impairments             | (848)                     | (10,975)     | (1,712)                 | (11,510)     |
| Total other income (expense)                                 | (1,213)                   | (4,902)      | (2,374)                 | (8,795)      |
| Income (loss) from continuing operations before income taxes | 4,769                     | (165,394)    | 15,163                  | (180,081)    |
| Income tax expense   | 2,174                     | 3,455        | 4,055                   | 7,489        |
| Income (loss) from continuing operations                     | 2,595                     | (168,849)    | 11,108                  | (187,570)    |
| Discontinued operations, net of income taxes:                |                           |              |                         |              |
| Income (loss) from discontinued operations                   | (29)                      | 74           | 16                      | 159          |
| Net income (loss)  | \$ 2,566                  | \$ (168,775) | \$ 11,124               | \$ (187,411) |
| Basic and diluted earnings (loss) per share:                 |                           |              |                         |              |
| Income (loss) from continuing operations                     | \$ 0.06                   | \$ (3.73)    | \$ 0.25                 | \$ (4.12)    |
| Income (loss) from discontinued operations                   | \$                        | \$           | \$                      | \$           |
| Net income (loss)  | \$ 0.06                   | \$ (3.73)    | \$ 0.25                 | \$ (4.12)    |
| Shares used in computing basic earnings (loss) per share:    | 44,208                    | 45,256       | 44,504                  | 45,498       |

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|   |        |        |        |        |
|---|--------|--------|--------|--------|
| Shares used in computing diluted earnings (loss) per share: | 44,301 | 45,256 | 44,623 | 45,498 |
|---|--------|--------|--------|--------|

See accompanying notes to unaudited condensed consolidated financial statements

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**MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

(Unaudited)

|   | <b>Six Months Ended</b> |              |
|---|-------------------------|--------------|
|   | <b>January 31,</b>      |              |
|   | <b>2010</b>             | <b>2009</b>  |
| <b>Cash flows from operating activities of continuing operations:</b>   |                         |              |
| Net income (loss)   | \$ 11,124               | \$ (187,411) |
| Income from discontinued operations   | 16                      | 159          |
| <br>  |                         |              |
| Income (loss) from continuing operations  | 11,108                  | (187,570)    |
| <b>Adjustments to reconcile income (loss) from continuing operations to net cash provided by continuing operations:</b> |                         |              |
| Depreciation  | 8,450                   | 9,446        |
| Impairment of goodwill  |                         | 164,682      |
| Amortization of intangible assets   | 2,972                   | 2,740        |
| Stock-based compensation  | 2,396                   | 3,044        |
| Non-operating losses (gains)  | 580                     | (1,915)      |
| Equity in losses of affiliates and impairments  | 1,712                   | 11,510       |
| <b>Changes in operating assets and liabilities, excluding effects from acquisition:</b>                                 |                         |              |
| Trade accounts receivable, net  | 21,940                  | 9,518        |
| Inventories   | 949                     | (721)        |
| Prepaid expenses and other current assets   | 992                     |              |