

JABIL CIRCUIT INC
Form 10-Q
June 30, 2011

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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, 2011

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)

(727) 577-9749

(Registrant's telephone number, including area code)

38-1886260

(I.R.S. Employer
Identification No.)

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 June 22, 2011, there were 218,597,347 shares of the registrant's Common Stock outstanding.

**JABIL CIRCUIT, INC. AND SUBSIDIARIES
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JABIL CIRCUIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	May 31, 2011 (Unaudited)	August 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 911,145	\$ 744,329
Trade accounts receivable, net of allowance for doubtful accounts of \$6,789 at May 31, 2011 and \$13,939 at August 31, 2010	1,045,238	1,408,319
Inventories	2,257,984	2,094,135
Prepaid expenses and other current assets	807,666	349,165
Income taxes receivable	35,467	35,560
Deferred income taxes	19,040	22,510
 Total current assets	 5,076,540	 4,654,018
 Property, plant and equipment, net of accumulated depreciation of \$1,322,531 at May 31, 2011 and \$1,166,807 at August 31, 2010	 1,593,406	 1,451,392
Goodwill	33,943	28,455
Intangible assets, net of accumulated amortization of \$124,274 at May 31, 2011 and \$112,687 at August 31, 2010	95,137	104,113
Deferred income taxes	69,051	55,101
Other assets	87,491	74,668
 Total assets	 \$ 6,955,568	 \$ 6,367,747
 LIABILITIES AND EQUITY		
Current liabilities:		
Current installments of notes payable and long-term debt	\$ 80,449	\$ 167,566
Accounts payable	2,752,668	2,741,719
Accrued expenses	863,887	672,252
Income taxes payable	34,270	19,236
Deferred income taxes	4,584	4,401
 Total current liabilities	 3,735,858	 3,605,174
 Notes payable and long-term debt, less current installments	 1,107,195	 1,018,930
Other liabilities	69,713	63,058
Income tax liability	86,718	86,351
Deferred income taxes	6,709	1,462
 Total liabilities	 5,006,193	 4,774,975

Commitments and contingencies

Equity:

Jabil Circuit, Inc. stockholders' equity:

Common stock, \$0.001 par value, authorized 500,000,000 shares;

223,671,180 and 219,532,908 shares issued and 213,954,794 and

210,496,989 shares outstanding at May 31, 2011 and August 31, 2010,

respectively

Additional paid-in capital

Retained earnings

Accumulated other comprehensive income

Treasury stock at cost, 9,716,386 shares at May 31, 2011 and 9,035,919

shares at August 31, 2010

Total Jabil Circuit, Inc. stockholders' equity

Noncontrolling interests

Total equity

Total liabilities and equity

	224	220
	1,619,003	1,541,507
	342,725	123,303
	190,188	122,062
	(218,785)	(209,046)
	1,933,355	1,578,046
	16,020	14,726
	1,949,375	1,592,772
	\$ 6,955,568	\$ 6,367,747

See accompanying notes to Condensed Consolidated Financial Statements.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except for per share data)
(Unaudited)

	Three months ended		Nine months ended	
	May 31, 2011	May 31, 2010	May 31, 2011	May 31, 2010
Net revenue	\$ 4,227,688	\$ 3,455,578	\$ 12,238,532	\$ 9,548,478
Cost of revenue	3,909,312	3,193,464	11,313,165	8,831,842
Gross profit	318,376	262,114	925,367	716,636
Operating expenses:				
Selling, general and administrative	154,112	151,409	438,368	429,226
Research and development	6,544	6,331	18,825	21,453
Amortization of intangibles	5,187	6,206	16,821	19,954
Restructuring and impairment charges		1,635	628	5,705
Settlement of receivables and related charges			13,607	
Loss on disposal of subsidiaries			23,944	15,722
Operating income	152,533	96,533	413,174	224,576
Other expense	1,771	960	2,418	3,123
Interest income	(897)	(626)	(2,486)	(2,177)
Interest expense	25,149	19,503	73,088	59,649
Income before income tax	126,510	76,696	340,154	163,981
Income tax expense	22,222	24,009	72,737	52,591
Net income	104,288	52,687	267,417	111,390
Net (loss) income attributable to noncontrolling interests, net of income tax expense	(407)	656	642	1,241
Net income attributable to Jabil Circuit, Inc.	\$ 104,695	\$ 52,031	\$ 266,775	\$ 110,149
Earnings per share attributable to the stockholders of Jabil Circuit, Inc.:				
Basic	\$ 0.49	\$ 0.24	\$ 1.24	\$ 0.51
Diluted	\$ 0.47	\$ 0.24	\$ 1.21	\$ 0.51
Weighted average shares outstanding:				
Basic	215,705	213,881	215,092	214,051
Diluted	222,337	216,522	220,773	218,089
Cash dividends declared per common share	\$ 0.07	\$ 0.07	\$ 0.21	\$ 0.21

See accompanying notes to Condensed Consolidated Financial Statements.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(Unaudited)

	Three months ended		Nine months ended	
	May 31, 2011	May 31, 2010	May 31, 2011	May 31, 2010
Net income	\$ 104,288	\$ 52,687	\$ 267,417	\$ 111,390
Other comprehensive income:				
Foreign currency translation adjustment	25,552	(45,338)	61,548	(70,643)
Change in fair value of derivative instruments, net of tax	4,340	(1,711)	6,869	(1,877)
Amortization of (gain) loss on hedge arrangements, net of tax	(923)	641	(291)	3,178
Comprehensive income	133,257	6,279	335,543	42,048
Comprehensive (loss) income attributable to noncontrolling interests	(407)	656	642	1,241
Comprehensive income attributable to Jabil Circuit, Inc.	\$ 133,664	\$ 5,623	\$ 334,901	\$ 40,807

Accumulated foreign currency translation adjustments were \$230.0 million at May 31, 2011 and \$168.4 million at August 31, 2010. Foreign currency translation adjustments primarily consist of adjustments to consolidate subsidiaries that use a foreign currency as their functional currency.

See accompanying notes to Condensed Consolidated Financial Statements.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
(in thousands, except for share data)
(Unaudited)
Jabil Circuit, Inc. Stockholders Equity

	Common Stock		Additional	Accumulated					
	Shares	Par	Paid-in	Retained	Comprehensive	Treasury	Noncontrolling	Total	
	Outstanding	Value	Capital	Earnings	Income	Stock	Interests	Equity	
Balance at August 31, 2010	210,496,989	\$ 220	\$ 1,541,507	\$ 123,303	\$ 122,062	\$ (209,046)	\$ 14,726	\$ 1,592,772	
Shares issued upon exercise of stock options	857,664	1	12,128					12,129	
Shares issued under employee stock purchase plan	506,250	1	5,648					5,649	
Issuance and vesting of restricted stock awards	2,774,115	2	(2)						
Purchases of treasury stock under employee stock plans	(680,224)					(9,739)		(9,739)	
Recognition of stock-based compensation			59,660					59,660	
Tax benefit of options exercised			62					62	
Declared dividends				(47,353)				(47,353)	
Comprehensive income				266,775	68,126		642	335,543	
Foreign currency adjustments attributable to noncontrolling interests							652	652	
Balance at May 31, 2011	213,954,794	\$ 224	\$ 1,619,003	\$ 342,725	\$ 190,188	\$ (218,785)	\$ 16,020	\$ 1,949,375	

See accompanying notes to Condensed Consolidated Financial Statements.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Nine months ended	
	May 31, 2011	May 31, 2010
Cash flows from operating activities:		
Net income	\$ 267,417	\$ 111,390
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	234,312	211,943
Recognition of deferred grant proceeds	(1,466)	(1,467)
Amortization of loss on hedge arrangement	2,963	2,963
Amortization of debt issuance costs and discount	3,990	2,770
Write-off of debt issuance costs	219	
Recognition of stock-based compensation expense	59,854	67,980
Deferred income taxes	(2,305)	(8,230)
Restructuring and impairment charges	628	5,705
Provision for allowance for doubtful accounts and notes receivable	1,150	(222)
Excess tax benefit from options exercised	(178)	(118)
Loss on sale of property	3,061	4,607
Settlement of receivables and related charges	12,673	
Loss on disposal of subsidiaries	23,944	12,756
Change in operating assets and liabilities, exclusive of net assets acquired:		
Trade accounts receivable	100,226	(70,093)
Inventories	(187,146)	(607,742)
Prepaid expenses and other current assets	(145,384)	(126,005)
Other assets	(10,011)	1,556
Accounts payable and accrued expenses	148,289	509,838
Income taxes payable	12,181	24,545
Net cash provided by operating activities	524,417	142,176
Cash flows from investing activities:		
Cash paid for business and intangible asset acquisitions, net of cash acquired	3,985	
Acquisition of property, plant and equipment	(320,965)	(245,118)
Proceeds from sale of property, plant and equipment	13,669	7,257
Cost of receivables acquired, net of cash collections	(521)	
Proceeds on disposal of available for sale investments	5,800	
Net cash used in investing activities	(298,032)	(237,861)
Cash flows from financing activities:		
Borrowings under debt agreements	5,706,610	3,703,460
Payments toward debt agreements	(5,714,853)	(3,812,960)

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Net proceeds from exercise of stock options and issuance of common stock under employee stock purchase plan	17,778	6,210
Treasury stock minimum tax withholding related to vesting of restricted stock	(9,739)	(5,487)
Dividends paid to stockholders	(45,306)	(44,901)
Bond issuance costs	(14,549)	
Net proceeds from issuance of ordinary shares of certain subsidiaries		586
Bank overdraft of subsidiary		9,665
Excess tax benefit from options exercised	179	118
Net cash used in financing activities	(59,880)	(143,309)
Effect of exchange rate changes on cash and cash equivalents	311	(36,929)
Net increase (decrease) in cash and cash equivalents	166,816	(275,923)
Cash and cash equivalents at beginning of period	744,329	876,272
Cash and cash equivalents at end of period	\$ 911,145	\$ 600,349

See accompanying notes to Condensed Consolidated Financial Statements.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary to present fairly the information set forth therein have been included. The accompanying unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and footnotes included in the Annual Report on Form 10-K of Jabil Circuit, Inc. (the Company) for the fiscal year ended August 31, 2010. Results for the three month and nine month periods ended May 31, 2011 are not necessarily an indication of the results that may be expected for the full fiscal year ending August 31, 2011.

Certain amounts in the prior periods financial statements have been reclassified to conform to the current period s presentation.

Note 2. Inventories

The components of inventories consist of the following (in thousands):

	May 31, 2011	August 31, 2010
Raw materials	\$ 1,577,751	\$ 1,509,886
Work in process	402,572	390,069
Finished goods	277,661	194,180
Total inventories	\$ 2,257,984	\$ 2,094,135

Note 3. Earnings Per Share and Dividends***a. Earnings Per Share***

The Company calculates its basic earnings per share by dividing net income attributable to Jabil Circuit, Inc. by the weighted average number of common shares and participating securities outstanding during the period. In periods of a net loss, participating securities are not included in the basic loss per share calculation as such participating securities are not contractually obligated to fund losses. The Company s diluted earnings per share is calculated in a similar manner, but includes the effect of dilutive securities. To the extent these securities are anti-dilutive, they are excluded from the calculation of diluted earnings per share. The following table sets forth the calculations of basic and diluted earnings per share attributable to the stockholders of Jabil Circuit, Inc. (in thousands, except earnings per share data):