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ADTRAN INC

Form 10-Q

November 06, 2018

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0000926282 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember 2017-01-01
2017-09-30 0000926282
adtn:UnvestedStockOptionsPerformanceStockUnitsRestrictedStockUnitsAndRestrictedStockMember 2018-01-01
2018-09-30 adtn:Segment 0000926282 adtn:NetworkSolutionsMember 2017-07-01 2017-09-30 0000926282
adtn:ServicesAndSupportMember 2017-07-01 2017-09-30 0000926282 adtn:NetworkSolutionsMember 2017-01-01
2017-09-30 0000926282 adtn:ServicesAndSupportMember 2017-01-01 2017-09-30 adtn:Category 0000926282
adtn:AccessAndAggregationsMember 2018-07-01 2018-09-30 0000926282 adtn:AccessAndAggregationsMember
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adtn:AccessAndAggregationsMember 2017-01-01 2017-09-30 0000926282 adtn:CustomerDevicesMember
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adtn:TraditionalAndOtherProductsMember 2017-07-01 2017-09-30 0000926282
adtn:TraditionalAndOtherProductsMember 2017-01-01 2017-09-30 0000926282 2018-06-30 0000926282 2017-06-30
0000926282 adtn:InvestmentCommitmentsMember 2018-09-30 adtn:EquityUnit 0000926282
us-gaap:PrivateEquityFundsMember 2018-09-30 0000926282 us-gaap:SubsequentEventMember 2018-10-16
2018-10-16 0000926282 us-gaap:ScenarioForecastMember 2018-11-14 0000926282
us-gaap:SubsequentEventMember 2018-11-05 2018-11-06 0000926282 us-gaap:SubsequentEventMember
2018-11-06

UNITED STATES

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 30, 2018

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: 000-24612

ADTRAN, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
901 Explorer Boulevard

63-0918200

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

Huntsville, Alabama
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (256) 963-8000

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer Accelerated filer

Non-accelerated filer Small reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 October 26, 2018, the registrant had 47,650,245 shares of common stock, \$0.01 par value per share, outstanding.

ADTRAN, Inc.

Quarterly Report on Form 10-Q

For the Three and Nine Months Ended September 30, 2018

Table of Contents

Item		Page
Number		Number
	<u>PART I. FINANCIAL INFORMATION</u>	
1	<u>Financial Statements:</u>	
	<u>Consolidated Balance Sheets as of September 30, 2018 and December 31, 2017 – (Unaudited)</u>	3
	<u>Consolidated Statements of Income for the – (Unaudited)</u>	4
	<u>Consolidated Statements of Comprehensive Income for the – (Unaudited)</u>	5
	<u>Consolidated Statements of Cash Flows for the – (Unaudited)</u>	6
	<u>Notes to Consolidated Financial Statements – (Unaudited)</u>	7
2	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	31
3	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	39
4	<u>Controls and Procedures</u>	40
	<u>PART II. OTHER INFORMATION</u>	
1A	<u>Risk Factors</u>	41
2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	41
6	<u>Exhibits</u>	42
	<u>SIGNATURE</u>	43

FORWARD LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of ADTRAN. ADTRAN and its representatives may from time to time make written or oral forward-looking statements, including statements contained in this report, our other filings with the Securities and Exchange Commission (SEC) and other communications with our stockholders. Generally, the words, “believe”, “expect”, “intend”, “estimate”, “anticipate”, “will”, “may”, “could” and similar expressions identify forward-looking statements. We caution you that any forward-looking statements made by us or on our behalf are subject to uncertainties and other factors that could cause such statements to be wrong. A list of factors that could materially affect our business, financial condition or operating results is included under “Factors that Could Affect Our Future Results” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained in Item 2 of Part I of this report. They have also been discussed in Item 1A of Part I in our most recent Annual Report on Form 10-K for the year ended December 31, 2017, filed on February 23, 2018 with the SEC. Though we have attempted to list comprehensively these important factors, we caution investors that other factors may prove to be important in the future in affecting our operating results. New factors emerge from time to time, and it is not possible for us to predict all of these factors, nor can we assess the impact each factor or a combination of factors may have on our business.

You are further cautioned not to place undue reliance on these forward-looking statements because they speak only of our views as of the date that the statements were made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ADTRAN, INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except per share amounts)

	September 30, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 94,173	\$ 86,433
Short-term investments	5,912	16,129
Accounts receivable, less allowance for doubtful accounts of \$— at September 30, 2018 and December 31, 2017	101,865	144,150
Other receivables	30,084	26,578
Inventory, net	106,060	122,542
Prepaid expenses and other current assets	10,428	17,282
Total Current Assets	348,522	413,114
Property, plant and equipment, net	81,457	85,079
Deferred tax assets, net	39,595	23,428
Goodwill	3,492	3,492
Other assets	31,523	13,725
Long-term investments	144,241	130,256
Total Assets	\$ 648,830	\$ 669,094
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 65,032	\$ 60,632
Unearned revenue	17,004	13,070
Accrued expenses	14,548	13,232
Accrued wages and benefits	12,604	15,948
Income tax payable	14,340	3,936
Total Current Liabilities	123,528	106,818
Non-current unearned revenue	3,846	4,556
Other non-current liabilities	32,255	34,209
Bonds payable	25,600	25,600
Total Liabilities	185,229	171,183
Commitments and contingencies (see Note 15)		
Stockholders' Equity		
Common stock, par value \$0.01 per share; 200,000 shares authorized; 79,652 shares issued and 47,711 shares outstanding at September 30, 2018 and 79,652 shares issued and 48,485 shares outstanding at December 31, 2017	797	797

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Additional paid-in capital	265,757		260,515
Accumulated other comprehensive loss	(9,564)	(3,295)
Retained earnings	900,324		922,178
Less treasury stock at cost: 31,941 and 31,167 shares at September 30, 2018 and			
December 31, 2017, respectively	(693,713)	(682,284)
Total Stockholders' Equity	463,601		497,911
Total Liabilities and Stockholders' Equity	\$ 648,830		\$ 669,094

See accompanying notes to consolidated financial statements.

ADTRAN, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30, 2018	2017	September 30, 2018	2017
Sales				
Products	\$ 121,043	\$ 145,467	\$ 341,359	\$ 444,607
Services	19,292	39,645	47,830	95,457
Total Sales	140,335	185,112	389,189	540,064
Cost of Sales				
Products	69,943	73,534	208,184	229,861
Services	11,944	25,087	32,828	65,377
Total Cost of Sales	81,887	98,621	241,012	295,238
Gross Profit	58,448	86,491	148,177	244,826
Selling, general and administrative expenses	30,750	34,676	96,361	104,171
Research and development expenses	29,877	33,588	93,455	99,116
Operating Income (Loss)	(2,179)	18,227	(41,639)	41,539
Interest and dividend income	825	952	2,604	2,857
Interest expense	(134)	(139)	(398)	(417)
Net investment gain	4,507	1,009	5,400	2,869
Other income (expense), net	201	(842)	(73)	(1,427)
Gain on bargain purchase of a business	—	—	11,322	—
Income (Loss) Before Provision for Income Taxes	3,220	19,207	(22,784)	45,421
(Provision) benefit for income taxes	4,369	(3,309)	11,889	(10,471)
Net Income (Loss)	\$ 7,589	\$ 15,898	\$ (10,895)	\$ 34,950
Weighted average shares outstanding – basic	47,710	47,870	47,927	48,110
Weighted average shares outstanding – diluted	47,834	48,531	47,927	48,618
Earnings (loss) per common share – basic	\$ 0.16	\$ 0.33	\$ (0.23)	\$ 0.73
Earnings (loss) per common share – diluted	\$ 0.16	\$ 0.33	\$ (0.23)	\$ 0.72
Dividend per share	\$ 0.09	\$ 0.09	\$ 0.27	\$ 0.27

See accompanying notes to consolidated financial statements.

ADTRAN, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
Net Income (Loss)	\$7,589	\$15,898	\$(10,895)	\$34,950
Other Comprehensive Income (Loss), net of tax				
Net unrealized gains (losses) on available-for-sale securities	(32)	804	(3,340)	2,512
Net unrealized gains (losses) on cash flow hedges	—	142	—	(196)
Defined benefit plan adjustments	37			