

**ADTRAN, Inc. Reports Third Quarter 2006 Results and Declares Quarterly Cash Dividend**

2,290 words
16 October 2006
20:01
Business Wire
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English
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HUNTSVILLE, Ala. - (BUSINESS WIRE) - ADTRAN, Inc. (NASDAQ:ADTN) reported results for the third quarter of 2006. Sales were \$132,650,000 for the quarter compared to \$149,170,000 for the third quarter of 2005. For the third quarter 2006, GAAP net income was \$24,208,000 and GAAP earnings per share, assuming dilution, were \$0.33. Non-GAAP net income was \$26,012,000 for the quarter and non-GAAP earnings per share, assuming dilution, were \$0.35 for the quarter. For the third quarter 2005, GAAP net income was \$33,015,000 and GAAP earnings per share, assuming dilution, were \$0.42. Non-GAAP net income and non-GAAP earnings per share for the third quarter of 2006 exclude the effect of stock compensation expense resulting from the application of Statement of Financial Accounting Standards No. 123R, Share-Based Payment ("SFAS 123R"). SFAS 123R was adopted on a prospective basis effective January 1, 2006.

See the table below for reconciliation between non-GAAP and GAAP net income and earnings per share.

ADTRAN Chief Executive Officer Tom Stanton stated, "During the quarter, we continued to see sequential revenue increases in both our traditional and primary growth areas. Our market position improved through market share expansion within existing customers along with key customer approvals in our primary growth product areas."

The Company also announced that its Board of Directors declared a cash dividend for the third quarter of 2006. The quarterly cash dividend is \$0.09 per common share to be paid to holders of record at the close of business on November 2, 2006. The ex-dividend date is October 31, 2006 and the payment date is November 16, 2006.

The Company also confirmed that its third quarter conference call will be held Tuesday, October 17 at 9:30 a.m. Central Time. Guidance for the fourth quarter will be issued during this conference call. This conference call will be web cast live through StreetEvents.com. To listen, simply visit the Investor Relations site at <http://www.adtran.com> or <http://streetevents.com> approximately 10 minutes prior to the start of the call and click on the conference call link provided.

An online replay of the conference call will be available for seven days at <http://streetevents.com>. In addition, an online replay of the conference call, as well as the text of the Company's earnings release, will be available on the Investor Relations site at <http://www.adtran.com> for at least 12 months following the call.

ADTRAN, Inc. is one of the world's most successful network access equipment suppliers, with an 18-year history of profitability and a portfolio of more than 1,400 solutions for use in the last mile of today's telecommunications networks. Widely deployed by carriers and enterprises alike, ADTRAN solutions enable voice, data, video, and Internet communications across copper, fiber, and wireless network infrastructures. ADTRAN solutions are currently in use by every major U.S. service provider and many global ones, as well as by thousands of public, private and governmental organizations worldwide.

For more information, contact the company at 800 9ADTRAN (800 923-8726) or via email at info@adtran.com. On the Web, visit www.adtran.com.

This press release contains forward-looking statements which reflect management's best judgment based on factors currently known. However, these statements involve risks and uncertainties, including the successful

development and market acceptance of new products, the degree of competition in the market for such products, the product and channel mix, component costs, manufacturing efficiencies, and other risks detailed in our annual report on Form 10-K for the year ended December 31, 2005. These risks and uncertainties could cause actual results to differ materially from those in the forward-looking statements included in this press release.

This release includes non-GAAP net income, non-GAAP earnings per share data, and other non-GAAP line items from the Non-GAAP Information table in this release, including costs of sales, gross profit, selling, general and administrative expenses, research and development expenses, profit from operations, income before provision for income taxes and provision for income taxes. These measures exclude the effect of stock compensation expense for employee stock options associated with the application of SFAS 123R, which ADTRAN adopted effective January 1, 2006. These measures are not in accordance with, or an alternative for, generally accepted accounting principles and may be different from non-GAAP measures used by other companies. ADTRAN believes that the presentation of the non-GAAP measures, when shown in conjunction with the corresponding GAAP measures, provides useful information to management and investors regarding financial and business trends relating to its financial condition and results of operations. ADTRAN further believes that where adjustments used in calculating non-GAAP net income and non-GAAP earnings per share are based on specific, identified charges that impact different line items in the statements of income, it is useful to investors to know how these specific line items are affected by these adjustments. In particular, as ADTRAN applies SFAS 123R, it believes that it is useful to investors to understand how the expenses associated with the application of SFAS 123R are reflected in its results of operations. The presentation of these non-GAAP measures permits both investors and management to more readily compare past results, which do not include the impact of SFAS 123R, with future results, and to better understand ADTRAN's performance over the periods presented.

Condensed Balance Sheet
September 30, 2006
Unaudited
(In thousands)

| | September 30, 2006 |
|---|-----------------------|
| | ----- |
| Assets | |
| Cash & cash equivalents | \$ 30,381 |
| Short-term investments | 114,833 |
| Accounts receivable (net) | 73,498 |
| Other receivables | 7,071 |
| Inventory (net) | 47,455 |
| Prepaid expenses and other current assets | 9,192 |
| | ----- |
| Total current assets | 282,430 |
| Equipment (net) | 18,822 |
| Land | 4,263 |
| Bldg. & land improvements (net) | 58,477 |
| Other assets | 517 |
| Long-term investments | 197,697 |
| | ----- |
| Total long-term assets | 279,776 |
| | ----- |
| Total assets | \$ 562,206 |
| | ===== |
| Liabilities and stockholders' equity | |
| Accounts payable | \$ 35,077 |

| | |
|--|------------|
| Accrued wages and benefits | 7,708 |
| Accrued liabilities | 14,282 |
| | ----- |
| Total current liabilities | 57,067 |
| Deferred tax liabilities | 1,167 |
| Other non-current liabilities | 4,388 |
| Long term-debt | 48,812 |
| | ----- |
| Total long-term liabilities | 54,367 |
| Total liabilities | 111,434 |
| Stockholders' equity | 450,772 |
| | ----- |
| Total liabilities and stockholders' equity | \$ 562,206 |
| | ===== |

Condensed Statements of Income
For the three and nine month periods ended September 30, 2006 and 2005
(In thousands, except per share data)
Unaudited

| | Three Months Ended | | Nine Months Ended | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2006 | September 30, 2005 | September 30, 2006 | September 30, 2005 |
| | ----- | ----- | ----- | ----- |
| Sales | \$132,650 | \$149,170 | \$363,594 | \$372,620 |
| Cost of Sales | 54,015 | 59,856 | 148,020 | 153,532 |
| | ----- | ----- | ----- | ----- |
| Gross Profit | 78,635 | 89,314 | 215,574 | 219,088 |
| Selling, general and administrative expenses | 26,012 | 25,011 | 77,222 | 72,257 |
| Research and development expenses | 18,346 | 15,087 | 53,581 | 47,797 |
| | ----- | ----- | ----- | ----- |
| Profit from operations | 34,277 | 49,216 | 84,771 | 99,034 |
| Interest expense | (633) | (693) | (1,900) | (1,901) |
| Other income, net | 3,619 | 3,107 | 12,132 | 8,950 |
| | ----- | ----- | ----- | ----- |

Income before
provision for

| | | | | |
|----------------------------|----------|----------|----------|----------|
| income taxes | 37,263 | 51,630 | 95,003 | 106,083 |
| Provision for income taxes | (13,055) | (18,615) | (33,726) | (37,129) |
| Net income (1) | \$24,208 | \$33,015 | \$61,277 | \$68,954 |
| Weighted average shares | | | | |
| Basic | 71,688 | 75,710 | 74,537 | 75,602 |
| Diluted (2) | 73,478 | 78,213 | 76,550 | 77,675 |
| Earnings per common share | | | | |
| Basic | \$0.34 | \$0.44 | \$0.82 | \$0.91 |
| Diluted (2) | \$0.33 | \$0.42 | \$0.80 | \$0.89 |

(1) Net income for the three and nine months ended September 30, 2006 included stock-based compensation expense recognized related to stock options, net of tax, of \$1.8 million and \$5.3 million, respectively, under SFAS 123(R). There was no stock-based compensation expense related to stock options under SFAS 123 in the three and six month period ended September 30, 2005 because we did not adopt the recognition provisions of SFAS 123.

(2) Assumes exercise of dilutive stock options calculated under the treasury stock method.

Non-GAAP Information (1) (2)
For the three and nine month periods ended September 30, 2006 and 2005
(In thousands, except per share data)
Unaudited

| | Non-GAAP (excludes effects of SFAS 123R) | Effects of SFAS 123R | GAAP | GAAP |
|---|---|--|--|--|
| | Three Months Ended September 30, 2006 | Three Months Ended September 30, 2006 | Three Months Ended September 30, 2006 | Three Months Ended September 30, 2005 |
| Sales | \$132,650 | \$0 | \$132,650 | \$149,170 |
| Cost of Sales (a) | 53,925 | 90 | 54,015 | 59,856 |
| Gross Profit (a) | 78,725 | 90 | 78,635 | 89,314 |
| Selling, general and administrative | | | | |

| | | | | |
|--|-----------|-----------|-----------|-----------|
| expenses (a) | 25,020 | 992 | 26,012 | 25,011 |
| Research and development expenses (a) | 17,363 | 983 | 18,346 | 15,087 |
| Profit from operations (a) | 36,342 | 2,065 | 34,277 | 49,216 |
| Interest expense | (633) | 0 | (633) | (693) |
| Other income, net | 3,619 | 0 | 3,619 | 3,107 |
| Income before provision for income taxes (a) | 39,328 | 2,065 | 37,263 | 51,630 |
| Provision for income taxes (b) | (13,316) | (261) | (13,055) | (18,615) |
| Net income (a) (b) | \$26,012 | \$1,804 | \$24,208 | \$33,015 |
| Weighted average shares | | | | |
| Basic | 71,688 | 71,688 | 71,688 | 75,710 |
| Diluted (3) | 73,282 | 73,478 | 73,478 | 78,213 |
| Earnings per common share | | | | |
| Basic | \$0.36 | (\$0.02) | \$0.34 | \$0.44 |
| Diluted (3) | \$0.35 | (\$0.02) | \$0.33 | \$0.42 |

| | Non-GAAP (excludes effects of SFAS 123R) Nine Months Ended September 30, 2006 | Effects of SFAS 123R Nine Months Ended September 30, 2006 | GAAP Nine Months Ended September 30, 2006 | GAAP Nine Months Ended September 30, 2005 |
|-------------------------|--|--|---|---|
| Sales | \$363,594 | \$0 | \$363,594 | \$372,620 |
| Cost of Sales (a) | 147,760 | 260 | 148,020 | 153,532 |
| Gross Profit (a) | 215,834 | 260 | 215,574 | 219,088 |
| Selling, general and | | | | |

| | | | | |
|--|----------|----------|----------|----------|
| administrative expenses (a) | 74,270 | 2,952 | 77,222 | 72,257 |
| Research and development expenses (a) | 50,699 | 2,882 | 53,581 | 47,797 |
| | ----- | ----- | ----- | ----- |
| Profit from operations (a) | 90,865 | 6,094 | 84,771 | 99,034 |
| Interest expense | (1,900) | 0 | (1,900) | (1,901) |
| Other income, net | 12,132 | 0 | 12,132 | 8,950 |
| | ----- | ----- | ----- | ----- |
| Income before provision for income taxes (a) | 101,097 | 6,094 | 95,003 | 106,083 |
| Provision for income taxes (b) | (34,500) | (774) | (33,726) | (37,129) |
| | ----- | ----- | ----- | ----- |
| Net income (a) (b) | \$66,597 | \$5,320 | \$61,277 | \$68,954 |
| | ===== | ===== | ===== | ===== |
| Weighted average shares | | | | |
| Basic | 74,537 | 74,537 | 74,537 | 75,602 |
| Diluted (3) | 76,440 | 76,550 | 76,550 | 77,675 |
| Earnings per common share | | | | |
| Basic | \$0.89 | (\$0.07) | \$0.82 | \$0.91 |
| Diluted (3) | \$0.87 | (\$0.07) | \$0.80 | \$0.89 |

(1) A reconciliation between net income on a GAAP basis and non-GAAP net income including items (a) through (b) is provided in the table below.

(2) There was no stock-based compensation expense recorded in fiscal 2005, as we had adopted the footnote disclosure only provision of SFAS 123.

(3) Assumes exercise of dilutive stock options calculated under the treasury stock method.

RECONCILIATION OF GAAP TO NON-GAAP NET INCOME AND EARNINGS PER SHARE
(In thousands)

| | Three Months Ended | | Nine Months Ended | |
|-----------------|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2006 | September 30, 2005 | September 30, 2006 | September 30, 2005 |
| GAAP Net Income | \$24,208 | \$33,015 | \$61,277 | \$68,954 |

(a) Stock-based

| | | | | |
|---|----------|----------|----------|----------|
| compensation expense related to stock options (1) | 2,065 | 0 | 6,094 | 0 |
| (b) Income tax effect of stock-based compensation expense | (261) | 0 | (774) | 0 |
| Non-GAAP Net Income | \$26,012 | \$33,015 | \$66,597 | \$68,954 |
| GAAP Earnings per common share - diluted | \$0.33 | \$0.42 | \$0.80 | \$0.89 |
| Per share effect of stock-based compensation expense | \$0.02 | N/A | \$0.07 | N/A |
| Non-GAAP Earnings per common share - diluted | \$0.35 | \$0.42 | \$0.87 | \$0.89 |

(1) For the three months ended September 30, 2006, stock-based compensation expense was allocated as follows: \$90 to cost of sales expense, \$992 to selling, general and administrative expense, and \$983 to research and development expense.

For the nine months ended September 30, 2006, stock-based compensation expense was allocated as follows: \$260 to cost of sales expense, \$2,952 to selling, general and administrative expense, and \$2,882 to research and development expense.

COMPARISON OF NET INCOME INCLUDING THE EFFECT OF STOCK-BASED
COMPENSATION EXPENSE
RELATED TO EMPLOYEE STOCK OPTIONS UNDER SFAS 123(R) and SFAS 123 (1)
(In thousands)

| | Three Months Ended | | Nine Months Ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2006 | September 30, 2005 | September 30, 2006 | September 30, 2005 |
| Net Income as reported | \$24,208 | \$33,015 | \$61,277 | \$68,954 |
| Plus: total stock-based compensation | | | | |

| | | | | |
|--|----------|----------|----------|----------|
| included in the determination of reported net income, net of tax | 1,804 | 266 | 5,320 | 266 |
| Less: total stock-based compensation expense determined under fair value based method for all awards, net of tax | (1,804) | (1,425) | (5,320) | (5,695) |
| ----- | | | | |
| Non-GAAP net income for calculation of diluted earnings per share | \$24,208 | \$31,856 | \$61,277 | \$63,525 |
| ===== | | | | |
| Earnings per share | | | | |
| Diluted - as reported | \$0.33 | \$0.42 | \$0.80 | \$0.89 |
| Diluted - non-GAAP | n/a | \$0.41 | n/a | \$0.82 |

(1) Stock-based compensation expense prior to January 1, 2006 is based on the pro forma application of SFAS 123. Net income and net income per share prior to January 1, 2006 did not include stock-based compensation for stock options because ADTRAN did not adopt the recognition provisions of SFAS 123.

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