

**ADTRAN, Inc. Reports Third Quarter 1998 Results and Announces Approval of Additional Stock Repurchase**

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HUNTSVILLE, Ala.--(BUSINESS WIRE)--Oct. 14, 1998--ADTRAN, Inc. (Nasdaq: ADTN) reported results for both the third quarter and the first nine months ended September 30, 1998. Sales for the quarter increased 9.2% to \$77,044,000 from sales of \$70,579,000 for the quarter ended September 30, 1997. Sales for the nine-month period ended September 30, 1998 increased 11.8% to \$213,526,000 compared to sales of \$190,934,000 for the first nine months of 1997.

Net income for the quarter increased 2.7% to \$11,441,000 from net income of \$11,141,000 for the quarter ended September 30, 1997. Net income for the first nine months of 1998 increased 13.9% to \$31,479,000 compared to net income of \$27,643,000 for the first nine months of 1997. Earnings per share, assuming dilution, for the third quarter increased 4.1% to \$.29 compared to earnings per share of \$.28 for the third quarter of 1997. Earnings per share for the first nine months for 1998 increased 14.9% to \$.80 compared to earnings per share of \$.70 for the first nine months of 1997.

ADTRAN Chairman and Chief Executive Officer Mark C. Smith stated, "Revenues in both of our market segments were strong during the third quarter. Telco revenue (58% of the total) increased 12.7% sequentially due to the continuing ramp of conversions to our Total Reach(R) 64 kilobit technology and the continuing strength of our HDSL products. CPE had another record revenue quarter (up 28% over the third quarter of 1997) primarily due to continued strength in the T1 market. We are pleased that ATLAS, our flexible integrated access device, continues its revenue ramp while serving the additional role of acting as a pull-through product for the rest of our CPE offerings."

Commenting further on the financial results, Mr. Smith noted that shipments were linear throughout the period with no month accounting for more than 37% of revenues for the quarter. He also noted that the primary factor causing the substantial increase in inventories during the quarter was new business relating to Total Reach(R) technology and new HDSL orders which will commence shipping in the fourth quarter. Additional amounts were on hand at the end of the third quarter to ensure that adequate quantities are available to assure smooth customer transitions. The Company expects inventory to move back to more normal levels as these transitions are accomplished.

Mr. Smith also announced that ADTRAN has completed the repurchase of 1,000,000 shares of its common stock and that the Board of Directors has authorized the repurchase of an additional 2,000,000 shares of common stock through open market purchases from time to time as conditions warrant. He stated that management believes the repurchase of shares at current depressed price levels represents an excellent use of available cash to enhance shareholder value.

ADTRAN, Inc. designs, develops, and markets a broad range of high-speed digital transmission products utilized by Telcos, corporate end users and OEMs to implement digital data service over existing telephone networks.

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, 1997. Such risks and uncertainties could cause actual results to differ materially from those in the forward-looking statements included in this press release.

Condensed Balance Sheet
September 30, 1998
Unaudited

| | |
|---------------------------------------|---------------|
| Assets | |
| Cash & cash equivalents | \$13,109,385 |
| Short-term investments | 56,753,013 |
| Accounts receivable | 48,260,625 |
| Other receivables | 747,121 |
| Inventory | 60,655,793 |
| Prepaid expenses | 4,086,594 |
| | ----- |
| Total current assets | 183,612,531 |
| Equipment (net) | 30,995,129 |
| Land | 4,263,104 |
| Bldg. & land improvements (net) | 37,600,013 |
| Other assets | 220,000 |
| Long-term investments | 55,035,000 |
| | ----- |
| | \$311,725,777 |
| | ===== |
| Liabilities and stockholders' equity | |
| Accounts payable | \$15,250,031 |
| Accrued salaries | 2,311,439 |
| Accrued income taxes | 2,961,614 |
| Accrued taxes other than income taxes | 183,768 |
| Warranty payable | 1,510,259 |
| Accrued vacation | 1,313,414 |
| Interest payable | 190,000 |
| Other payables | 1,065,437 |
| | ----- |
| Total current liabilities | 24,785,962 |
| Long-term liabilities | 52,147,635 |
| | ----- |
| Total liabilities | 76,933,597 |
| Stockholders' equity | 234,792,180 |
| | ----- |
| | \$311,725,777 |
| | ===== |

Condensed Statements of Income
For the quarters ending 9/30/98 and 9/30/97
Unaudited

| | Third Quarter 1998 ---- | Third Quarter 1997 ---- |
|---|----------------------------------|----------------------------------|
| Sales | \$77,043,635 | \$70,578,975 |
| Cost of sales | 34,734,064 | 34,486,972 |
| | ----- | ----- |
| Gross profit | 42,309,571 | 36,092,003 |
| Selling, general and administrative expenses | 16,022,809 | 11,482,374 |
| Research & development expenses | 9,909,567 | 7,831,535 |
| | ----- | ----- |
| Profit from operations | 16,377,195 | 16,778,094 |
| Interest expense | (582,667) | (521,449) |
| Other income (primarily interest) | 1,426,290 | 1,150,447 |
| | ----- | ----- |

| | | |
|---|--------------|--------------|
| Income before income taxes | 17,220,818 | 17,407,092 |
| Provision for income taxes | (5,779,562) | (6,266,553) |
| | ----- | ----- |
| Net income | \$11,441,256 | \$11,140,539 |
| | ===== | ===== |
| Weighted average shares outstanding assuming dilution(1) | 39,138,763 | 39,693,383 |
| Earnings per common share assuming dilution(1) | \$0.29 | \$0.28 |
| Earnings per common share | \$0.29 | \$0.28 |
| (1) Assumes exercise of dilutive stock options calculated under the treasury stock method. | | |

Condensed Statements of Income
For the periods ending 9/30/98 and 9/30/97
Unaudited

| | | |
|---|--------------------------------|--------------------------------|
| | Nine Months 1998 ---- | Nine Months 1997 ---- |
| Sales | \$213,526,321 | \$190,934,367 |
| Cost of sales | 96,364,654 | 94,418,912 |
| | ----- | ----- |
| Gross profit | 117,161,667 | 96,515,455 |
| Selling, general and administrative expenses | 44,300,674 | 32,640,664 |
| Research & development expenses | 27,759,729 | 22,547,141 |
| | ----- | ----- |
| Profit from operations | 45,101,264 | 41,327,650 |
| Interest expense | (1,693,428) | (1,272,649) |
| Other income (primarily interest) | 4,287,323 | 3,137,314 |
| | ----- | ----- |
| Income before income taxes | 47,695,159 | 43,192,315 |
| Provision for income taxes | (16,216,354) | (15,549,233) |
| | ----- | ----- |
| Net income | \$31,478,805 | \$27,643,082 |
| | ===== | ===== |
| Weighted average shares outstanding assuming dilution(1) | 39,276,989 | 39,611,783 |
| Earnings per common share assuming dilution(1) | \$0.80 | \$0.70 |
| Earnings per common share | \$0.81 | \$0.71 |
| (1) Assumes exercise of dilutive stock options calculated under the treasury stock method. | | |

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