

**ADTRAN, Inc. Reports Third Quarter 2002 Results**

1,322 words
14 October 2002
05:30

Business Wire

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HUNTSVILLE, Ala.--(BUSINESS WIRE)--Oct. 14, 2002--ADTRAN, Inc. (NASDAQ:ADTN) reported results for the third quarter and nine months ended September 30, 2002. Sales were \$88,180,000 for the quarter compared to \$95,513,000 for the third quarter of 2001, and \$257,307,000 for the nine months compared to \$297,987,000 for the same period in 2001.

GAAP net income was \$3,358,000 for the quarter compared to \$4,949,000 for the third quarter of 2001, and \$12,666,000 for the nine months compared to \$13,545,000 for the same period in 2001. Pro-forma net income was \$10,282,000 for the quarter compared to \$4,983,000 for the third quarter of 2001, and \$20,746,000 for the nine months compared to \$13,642,000 for the same period in 2001. Pro-forma net income excludes the effect of an impairment charge primarily related to other than temporary declines in the fair value of marketable equity securities and write-downs of private securities.

GAAP earnings per share, assuming dilution, were \$.09 for the quarter compared to \$.13 for the third quarter of 2001, and \$0.33 for the nine months compared to \$.35 for the same period in 2001. Pro-forma earnings per share, assuming dilution, were \$0.27 for the quarter compared to \$0.13 for the third quarter of 2001, and \$0.54 for the nine months compared to \$0.35 for the same period last year. Pro-forma earnings per share exclude the effect of an impairment charge primarily related to other than temporary declines in the fair value of marketable equity securities and write-downs of private securities.

Gross margin improved to 51.6% compared to 44.4% in the third quarter of 2001 and 48.5% in the second quarter of 2002. Operating expenses for the quarter decreased \$3.7 million from the third quarter of 2001 and \$1.3 million from the second quarter of 2002. Additionally, the change in effective tax rate for the quarter, and year to date, is a result of our mix of taxable versus tax-exempt income, certain income tax credits, and economic incentive credits.

Net cash provided by operating activities was approximately \$30 million for the quarter. The Company invested \$17.8 million to re-purchase 966,000 shares of ADTRAN common stock during the quarter, as part of a program announced last year to re-purchase two million shares. The total number of shares re-purchased under the program is 1,555,000 as of September 30, 2002. Cash and marketable securities, net of debt, totaled \$246 million at the end of the quarter.

ADTRAN Chairman and Chief Executive Officer Mark Smith stated, "We continue to realize the results of increasing operating efficiencies, and market share gains as we enhance our competitive advantage. These accomplishments have resulted in sequential revenue increases and substantial profitability enhancements in the midst of a very challenging market environment. Our ability to reduce cost and sustain investment in engineering and new product development initiatives, augmented by our financial strength, is serving us well."

ADTRAN, Inc. is an established supplier of advanced transmission products that provide users access to today's expansive telecommunications networks. Widely deployed in carrier, enterprise and global networks worldwide, ADTRAN products support all major digital access technologies. ADTRAN equipment is widely deployed by major Incumbent Local Exchange Carriers, Inter-exchange Carriers, ISPs, Competitive Local Exchange Carriers, international service providers, public and private enterprises, and original equipment manufacturers.

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, 2001. 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, 2002
Unaudited
(Dollars in thousands)

	September 30, 2002
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Assets	
Cash & cash equivalents	\$84,917
Short-term investments	\$39,769
Accounts receivable (net)	\$45,688
Other receivables	\$9,408
Inventory (net)	\$41,446
Prepaid expenses	\$8,712

Total current assets	\$229,940
Equipment (net)	\$36,662
Land	\$4,263
Bldg. & land improvements (net)	\$68,509
Other assets	\$469
Deferred tax assets	\$4,044
Long term investments	\$172,127

Totals	\$516,014
Liabilities and stockholders' equity	
Accounts payable	\$25,953
Accrued wages and benefits	\$7,045
Accrued income taxes	\$8,647
Accrued liabilities	\$2,882

Total current liabilities	\$44,527
Long term liabilities	\$53,996

Total liabilities	\$98,523
Stockholders' equity	\$417,491

Totals	\$516,014

Condensed Statements of Income
For the periods ending 9/30/02 and 9/30/01
(Dollars in thousands, except per share data)

	Nine Months Ended 2002	Nine Months Ended 2001
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Sales	\$257,307	\$297,987
Cost of Sales	\$130,800	\$164,595
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Gross Profit	\$126,507	\$133,392
Selling, general and administrative expenses	\$60,653	\$73,023
Research and development expenses	\$42,480	\$44,954
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Operating Income	\$23,374	\$15,415
Interest expense	(\$1,961)	(\$1,444)

Other income (primarily interest)	\$7,055	\$5,594
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Income before provision for income taxes, excluding item detailed below	\$28,468	\$19,565
Provision for income taxes	(\$7,722)	(\$5,923)
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Income, excluding net realized investment loss	\$20,746	\$13,642
Net realized investment loss (1)	(\$8,080)	(\$97)
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Net income	\$12,666	\$13,545
	=====	=====
Weighted average shares outstanding:		
Basic	38,234,791	38,656,006
Diluted (2)	38,303,667	38,764,304
Earnings per share, excluding net realized investment loss		
Basic	\$0.54	\$0.35
Diluted (2)	\$0.54	\$0.35
Earnings per share		
Basic	\$0.33	\$0.35
Diluted (2)	\$0.33	\$0.35
(1) Amount is comprised of other than temporary declines in the fair value of marketable equity securities and write- downs of private securities.		
Net realized investment loss before tax	(\$12,317)	(\$147)
Income tax effect	\$4,237	\$50
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Net realized investment loss	(\$8,080)	(\$97)
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(2) Assumes exercise of dilutive stock options
calculated under the treasury stock method

Condensed Statements of Income		
For the periods ending 9/30/02 and 9/30/01		
(Dollars in thousands, except per share data)		
	Third Quarter 2002	Third Quarter 2001
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Sales	\$88,180	\$95,513
Cost of Sales	\$42,655	\$53,114
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Gross Profit	\$45,525	\$42,399
Selling, general and administrative expenses	\$19,587	\$22,120
Research and development expenses	\$14,009	\$15,181
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Operating Income	\$11,929	\$5,098
Interest expense	(\$646)	(\$462)
Other income (primarily interest)	\$2,608	\$1,810
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Income before provision for income taxes, excluding item detailed below	\$13,891	\$6,446
Provision for income taxes	(\$3,609)	(\$1,463)
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Income, excluding net realized investment loss	\$10,282	\$4,983
Net realized investment loss (1)	(\$6,924)	(\$34)
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Net income	\$3,358	\$4,949
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Weighted average shares outstanding:		
Basic	37,644,721	38,639,907
Diluted (2)	37,670,734	38,679,763
Earnings per share, excluding net realized investment loss		
Basic	\$0.27	\$0.13
Diluted (2)	\$0.27	\$0.13
Earnings per share		
Basic	\$0.09	\$0.13
Diluted (2)	\$0.09	\$0.13

(1) Amount is comprised of other than temporary declines in the fair value of marketable equity securities and write-downs of private securities.

Net realized investment loss before tax	(\$10,555)	(\$52)
Income tax effect	\$3,631	\$18
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Net realized investment loss	(\$6,924)	(\$34)
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(2) Assumes exercise of dilutive stock options calculated under the treasury stock method

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Timestamp	18 July 2018 10:10