

JABIL CIRCUIT INC
Form 10-Q
January 06, 2016
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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 November 30, 2015

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 December 28, 2015, there were 190,549,560 shares of the registrant's Common Stock outstanding.

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(in thousands, except for share data)

	November 30, 2015 (Unaudited)	August 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,130,344	\$ 913,963
Accounts receivable, net of allowance for doubtful accounts of \$11,441 at November 30, 2015 and \$11,663 at August 31, 2015	1,674,438	1,467,247
Inventories	2,503,625	2,507,264
Prepaid expenses and other current assets	1,008,767	898,790
Deferred income taxes		79,045
Total current assets	6,317,174	5,866,309
Property, plant and equipment, net of accumulated depreciation of \$2,367,684 at November 30, 2015 and \$2,239,422 at August 31, 2015	2,876,610	2,804,333
Goodwill	481,303	462,382
Intangible assets, net of accumulated amortization of \$203,559 at November 30, 2015 and \$195,864 at August 31, 2015	302,146	283,536
Deferred income taxes	142,339	85,169
Other assets	101,580	101,478
Total assets	\$ 10,221,152	\$ 9,603,207
LIABILITIES AND EQUITY		
Current liabilities:		
Current installments of notes payable, long-term debt and capital lease obligations	\$ 348,312	\$ 323,833
Accounts payable	3,711,471	3,663,264
Accrued expenses	1,715,548	1,685,589
Deferred income taxes		2,455
Total current liabilities	5,775,331	5,675,141
Notes payable, long-term debt and capital lease obligations, less current installments	1,818,447	1,346,558
Other liabilities	69,543	67,951
Income tax liabilities	102,078	96,379

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Deferred income taxes	54,456	82,167
Total liabilities	7,819,855	7,268,196
Commitments and contingencies		
Equity:		
Jabil Circuit, Inc. stockholders' equity:		
Preferred stock, \$0.001 par value, authorized 10,000,000 shares; no shares issued and no shares outstanding		
Common stock, \$0.001 par value, authorized 500,000,000 shares; 248,398,864 and 246,680,008 shares issued and 190,548,351 and 192,068,068 shares outstanding at November 30, 2015 and August 31, 2015, respectively	248	247
Additional paid-in capital	1,980,153	1,955,104
Retained earnings	1,585,136	1,468,910
Accumulated other comprehensive loss	(59,532)	(50,854)
Treasury stock at cost, 57,850,513 and 54,611,940 shares at November 30, 2015 and August 31, 2015, respectively	(1,123,400)	(1,058,551)
Total Jabil Circuit, Inc. stockholders' equity	2,382,605	2,314,856
Noncontrolling interests	18,692	20,155
Total equity	2,401,297	2,335,011
Total liabilities and equity	\$ 10,221,152	\$ 9,603,207

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	
	November 30,	November 30,
	2015	2014
Net revenue	\$ 5,207,977	\$ 4,550,418
Cost of revenue	4,724,442	4,167,431
Gross profit	483,535	382,987
Operating expenses:		
Selling, general and administrative	251,547	214,380
Research and development	8,292	6,005
Amortization of intangibles	7,840	5,590
Restructuring and related charges	1,353	12,257
Operating income	214,503	144,755
Other expense	1,765	1,694
Interest income	(2,064)	(1,700)
Interest expense	33,035	31,839
Income from continuing operations before tax	181,767	112,922
Income tax expense	49,852	39,788
Income from continuing operations, net of tax	131,915	73,134
Discontinued operations:		
Income from discontinued operations, net of tax		853
Loss on sale of discontinued operations, net of tax		(1,611)
Discontinued operations, net of tax		(758)
Net income	131,915	72,376
Net income attributable to noncontrolling interests, net of tax	30	214
Net income attributable to Jabil Circuit, Inc.	\$ 131,885	\$ 72,162
Earnings per share attributable to the stockholders of Jabil Circuit, Inc.:		
Basic:		
Income from continuing operations, net of tax	\$ 0.69	\$ 0.38

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Discontinued operations, net of tax	\$	0.00	\$	0.00
Net income	\$	0.69	\$	0.37
Diluted:				
Income from continuing operations, net of tax	\$	0.68	\$	0.37
Discontinued operations, net of tax	\$	0.00	\$	0.00
Net income	\$	0.68	\$	0.37
Weighted average shares outstanding:				
Basic		190,355		193,502
Diluted		193,243		195,314
Cash dividends declared per common share	\$	0.08	\$	0.08

See accompanying notes to Condensed Consolidated Financial Statements.

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

	Three months ended	
	November 30,	November 30,
	2015	2014
Net income	\$ 131,915	\$ 72,376
Other comprehensive income:		
Foreign currency translation adjustment	(20,542)	(34,706)
Changes in fair value of derivative instruments, net of tax	(909)	(1,952)
Reclassification of net losses (gains) realized and included in net income related to derivative instruments, net of tax	11,064	(316)
Unrealized gain (loss) on available for sale securities	1,709	(278)
Total other comprehensive loss	(8,678)	(37,252)
Comprehensive income	\$ 123,237	\$ 35,124
Comprehensive income attributable to noncontrolling interests	30	214
Comprehensive income attributable to Jabil Circuit, Inc.	\$ 123,207	\$ 34,910

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)

	Common Stock		Jabil Circuit, Inc. Stockholders Equity					Total Equity
	Shares Outstanding	Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Noncontrolling Interests	
Balance at August 31, 2015	192,068,068	\$ 247	\$ 1,955,104	\$ 1,468,910	\$ (50,854)	\$ (1,058,551)	\$ 20,155	\$ 2,335,011
Shares issued upon exercise of stock options	17,289							
Vesting of restricted stock awards	1,701,567	1	(2)					(1)
Purchases of treasury stock under employee stock plans	(443,644)					(10,282)		(10,282)
Treasury shares purchased	(2,794,929)					(54,567)		(54,567)
Recognition of stock-based compensation			24,792					24,792
Excess tax benefit of stock awards			259					259
Declared dividends				(15,659)				(15,659)
Comprehensive income				131,885	(8,678)		30	123,237
Declared dividends to noncontrolling interests							(1,500)	(1,500)
							7	7

Foreign
currency
adjustments
attributable to
noncontrolling
interests

Balance at
November 30,
2015

190,548,351	248	\$ 1,980,153	\$ 1,585,136	\$(59,532)	\$(1,123,400)	\$ 18,692	\$ 2,401,297
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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)

	Three months ended	
	November 30,	November 30,
	2015	2014
Cash flows from operating activities:		
Net income	\$ 131,915	\$ 72,376
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	161,363	122,380
Recognition of stock-based compensation expense and related charges	24,792	18,043
Deferred income taxes	(13,533)	2,618
Loss on sale of property, plant and equipment	2,155	8,811
Other, net	1,890	8,869
Change in operating assets and liabilities, exclusive of net assets acquired:		
Accounts receivable	(205,916)	(398,334)
Inventories	11,719	(100,831)
Prepaid expenses and other current assets	(84,182)	(1,491)
Other assets	2,434	15,077
Accounts payable, accrued expenses and other liabilities	112,592	441,583
Net cash provided by operating activities	145,229	189,101
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(252,098)	(197,676)
Proceeds from sale of property, plant and equipment	3,027	