

ADC TELECOMMUNICATIONS INC
Form 10-Q
March 15, 2001

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 2001

OR

TRANSACTION REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from N/A to N/A

Commission file number 0-1424

ADC Telecommunications, Inc.

(Exact name of registrant as specified in its charter)

Minnesota

41-0743912

(State or other jurisdiction of incorporation or
organization)

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

12501 Whitewater Drive, Minnetonka, MN 55343

(Address of principal executive offices) (Zip code)

(952) 938-8080

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 X

NO _____

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, \$.20 par value: 781,598,363 shares as of March 9, 2001.

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

ADC TELECOMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS – UNAUDITED

(In millions)

ASSETS

| | <u>January 31, 2001</u> | <u>October 31, 2000</u> |
|---------------------------------------|-----------------------------|-----------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 153.9 | \$ 217.3 |
| Available for sale securities | 557.8 | 1,136.9 |
| Accounts receivable | 622.9 | 702.7 |
| Inventories | 536.9 | 486.1 |
| Prepaid income taxes and other assets | 406.9 | 107.9 |
| | <u>2,278.4</u> | <u>2,650.9</u> |
| PROPERTY AND EQUIPMENT, net | 682.6 | 608.6 |
| OTHER ASSETS, principally goodwill | 761.0 | 711.0 |
| | <u>\$ 3,722.0</u> | <u>\$ 3,970.5</u> |

LIABILITIES AND SHAREOWNERS' INVESTMENT

| | | |
|--|----------------|----------------|
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 232.1 | \$ 211.3 |
| Accrued liabilities | 357.9 | 435.7 |
| Accrued income taxes | 353.7 | 365.8 |
| Notes payable and current maturities of long-term debt | 186.5 | 28.5 |
| | <u>1,130.2</u> | <u>1,041.3</u> |
| Total current liabilities | 1,130.2 | 1,041.3 |

| | | |
|--|-------------------|-------------------|
| LONG-TERM DEBT, less current maturities | 15.0 | 16.5 |
| | <u> </u> | <u> </u> |
| Total liabilities | 1,145.2 | 1,057.8 |
| SHAREOWNERS' INVESTMENT | | |
| (780.8 and 770.3 shares outstanding, respectively) | 2,576.8 | 2,912.7 |
| | <u> </u> | <u> </u> |
| | \$ 3,722.0 | \$ 3,970.5 |
| | <u> </u> | <u> </u> |

See accompanying notes to consolidated financial statements.

**ADC TELECOMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME – UNAUDITED**

(In millions, except earnings per share)

| | Three Months Ended January 31, | |
|-------------------------------------|-----------------------------------|-------------------|
| | 2001 | 2000 |
| | <u> </u> | <u> </u> |
| NET SALES | \$ 804.8 | \$ 593.9 |
| COST OF PRODUCT SOLD | 496.1 | 315.3 |
| | <u> </u> | <u> </u> |
| GROSS PROFIT | 308.7 | 278.6 |
| | <u> </u> | <u> </u> |
| EXPENSES: | | |
| Research and development | 76.5 | 75.2 |
| Selling and administration | 174.8 | 129.8 |
| Goodwill amortization | 17.6 | 5.6 |
| Non-recurring charges | 33.3 | -- |
| Non-cash stock compensation | 4.9 | 0.6 |
| | <u> </u> | <u> </u> |
| Total expenses | 307.1 | 211.2 |
| | <u> </u> | <u> </u> |
| OPERATING INCOME | 1.6 | 67.4 |
| OTHER INCOME (EXPENSE), NET: | | |
| Interest | 0.9 | 4.5 |
| Other | 1.8 | (3.5) |

| | | | |
|--|----|-------|---------|
| | | | |
| INCOME BEFORE INCOME TAXES | | 4.3 | 68.4 |
| PROVISION FOR INCOME TAXES | | 2.1 | 15.3 |
| NET INCOME | \$ | 2.2 | \$ 53.1 |
| AVERAGE COMMON SHARES OUTSTANDING (BASIC) | | 772.7 | 699.7 |
| EARNINGS PER SHARE (BASIC) | \$ | 0.00 | \$ 0.08 |
| AVERAGE COMMON SHARES OUTSTANDING (DILUTED) | | 803.2 | 730.1 |
| EARNINGS PER SHARE (DILUTED) | \$ | 0.00 | \$ 0.07 |

See accompanying notes to consolidated financial statements.

ADC TELECOMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS – UNAUDITED
(In millions)

| | Three Months Ended January 31, | |
|--|-----------------------------------|---------|
| | 2001 | 2000 |
| OPERATING ACTIVITIES: | | |
| Net income | \$ 2.2 | \$ 53.1 |
| Adjustments to reconcile net income to net cash from operating activities - | | |
| Inventory and fixed asset write-offs | 39.6 | -- |
| Depreciation and amortization | 47.6 | 29.6 |
| Non-cash stock compensation | 4.9 | 0.6 |
| Increase in deferred income taxes | 1.2 | -- |
| Gain on ownership of investments | (3.7) | -- |
| Other | (7.2) | 0.6 |
| Changes in operating assets and liabilities, net of acquisitions | | |
| Accounts receivable | 89.3 | 19.1 |
| Inventories | (51.1) | (36.2) |
| Prepaid income taxes and other assets | (71.7) | (14.8) |
| Accounts payable | 4.2 | (20.5) |
| Accrued liabilities | (142.6) | 2.1 |

| | | |
|---|-----------------|-----------------|
| | (87.3) | 33.6 |
| Total cash (used for) from operating activities | <u>(87.3)</u> | <u>33.6</u> |
| INVESTMENT ACTIVITIES: | | |
| Acquisitions | (48.7) | (18.0) |
| Property and equipment additions | (93.3) | (49.0) |
| Marketable securities and short-term investments | -- | 23.2 |
| Long-term investments | (7.8) | 5.4 |
| | <u>(149.8)</u> | <u>(38.4)</u> |
| Total cash used for investment activities | <u>(149.8)</u> | <u>(38.4)</u> |
| FINANCING ACTIVITIES: | | |
| Borrowings/(Repayments) of debt | 154.4 | (26.3) |
| Common stock issued | 19.0 | 50.7 |
| | <u>173.4</u> | <u>24.4</u> |
| Total cash from financing activities | <u>173.4</u> | <u>24.4</u> |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH | | |
| | 0.3 | (0.6) |
| | <u>0.3</u> | <u>(0.6)</u> |
| DECREASE IN CASH AND CASH EQUIVALENTS | | |
| | (63.4) | 19.0 |
| | <u>(63.4)</u> | <u>19.0</u> |
| CASH AND CASH EQUIVALENTS, beginning of period | | |
| | 217.3 | 279.0 |
| | <u>217.3</u> | <u>279.0</u> |
| CASH AND CASH EQUIVALENTS, end of period | | |
| | \$ 153.9 | \$ 298.0 |
| | <u>\$ 153.9</u> | <u>\$ 298.0</u> |

See accompanying notes to consolidated financial statements

ADC TELECOMMUNICATIONS, INC. AND SUBSIDIARIES
SUPPLEMENTAL FINANCIAL INFORMATION – UNAUDITED
(In millions, except earnings per share)

| | 1st Quarter 2001 | 4th Quarter 2000 | 3rd Quarter 2000 | 2nd Quarter 2000 |
|----------------------|------------------------|------------------------|------------------------|------------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| NET SALES | \$ 804.8 | \$ 1,032.0 | \$ 891.4 | \$ 770.6 |
| COST OF PRODUCT SOLD | <u>496.1</u> | 513.5 | <u>442.9</u> | <u>407.3</u> |

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| | | | | |
|-----------------------------|-------|-------|--------|--------|
| | | — | | |
| GROSS PROFIT | 308.7 | 518.5 | 448.5 | 363.3 |
| | — | — | — | — |
| EXPENSES: | | | | |
| Research and development | 76.5 | 96.0 | 84.1 | 82.8 |
| Selling and administration | 174.8 | 202.4 | 177.3 | 156.0 |
| Goodwill amortization | 17.6 | 14.4 | 7.8 | 6.4 |
| Non-recurring charges | 33.3 | 34.2 | 115.0 | 8.8 |
| Non-cash stock compensation | 4.9 | 42.8 | 2.5 | 1.2 |
| | — | — | — | — |
| Total expenses | 307.1 | 389.8 | 386.7 | 255.2 |
| | — | — | — | — |
| OPERATING INCOME | 1.6 | 128.7 | | |