

BRIGHTPOINT INC
Form 10-Q
August 04, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2010

1-12845
(Commission File no.)

Brightpoint, Inc.
(Exact name of registrant as specified in its charter)

Indiana

35-1778566

State or other jurisdiction of
incorporation or organization

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

7635 Interactive Way, Suite 200, Indianapolis, Indiana

46278

(Address of principal executive offices)

(Zip Code)

(317) 707-2355

(Registrant's telephone number, including area code)

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 or a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting
company ☐

(Do not check if a smaller
reporting company)

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)
Yes ☐ No ☒

The number of shares of Common Stock outstanding as of August 2, 2010: 69,913,518

PART 1 FINANCIAL INFORMATION**Item 1. Financial Statements****Brightpoint, Inc.****Consolidated Statements of Operations**

(Amounts in thousands, except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenue				
Distribution revenue	\$713,079	\$616,700	\$1,427,448	\$1,218,645
Logistic services revenue	75,541	90,961	156,458	177,749
Total revenue	788,620	707,661	1,583,906	1,396,394
Cost of revenue				
Cost of distribution revenue	679,235	596,077	1,359,974	1,172,556
Cost of logistic services revenue	38,385	51,530	80,754	103,419
Total cost of revenue	717,620	647,607	1,440,728	1,275,975
Gross profit	71,000	60,054	143,178	120,419
Selling, general and administrative expenses	53,697	48,738	110,353	99,052
Amortization expense	3,631	3,905	7,524	7,653
Restructuring charge	704	3,735	1,834	8,821
Operating income from continuing operations	12,968	3,676	23,467	4,893
Interest, net	1,906	2,416	3,696	4,722
Other income	(137)	(3,623)	(376)	(1,308)
Income from continuing operations before income taxes	11,199	4,883	20,147	1,479
Income tax expense	3,930	1,737	8,152	459
Income from continuing operations	7,269	3,146	11,995	1,020
Discontinued operations, net of income taxes:				
Loss from discontinued operations	(5,112)	(550)	(8,455)	(2,595)
Gain (loss) on disposal of discontinued operations	835	(2,429)	900	(1,331)

Total discontinued operations, net of income taxes	(4,277)	(2,979)	(7,555)	(3,926)
Net income (loss) attributable to common shareholders	\$ 2,992	\$ 167	\$ 4,440	\$ (2,906)
Earnings per share attributable to common shareholders basic:				
Income from continuing operations	\$ 0.10	\$ 0.04	\$ 0.17	\$ 0.01
Discontinued operations, net of income taxes	(0.06)	(0.04)	(0.11)	(0.05)
Net income (loss)	\$ 0.04	\$ 0.00	\$ 0.06	\$ (0.04)
Earnings per share attributable to common shareholders diluted:				
Income from continuing operations	\$ 0.10	\$ 0.04	\$ 0.17	\$ 0.01
Discontinued operations, net of income taxes	(0.06)	(0.04)	(0.11)	(0.05)
Net income (loss)	\$ 0.04	\$ 0.00	\$ 0.06	\$ (0.04)
Weighted average common shares outstanding:				
Basic	69,662	79,235	70,168	79,150
Diluted	70,432	81,730	71,159	81,591

See accompanying notes

Brightpoint, Inc.**Consolidated Balance Sheets**

(Amounts in thousands, except per share data)

	June 30, 2010 (Unaudited)	December 31, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 17,885	\$ 81,050
Accounts receivable (less allowance for doubtful accounts of \$11,195 in 2010 and \$12,205 in 2009)	310,378	382,973
Inventories	177,387	212,909
Other current assets	64,258	76,656
Total current assets	569,908	753,588
Property and equipment, net	79,763	82,328
Goodwill	51,779	51,877
Other intangibles, net	78,609	98,136
Other assets	28,238	28,062
Total assets	\$ 808,297	\$ 1,013,991
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 340,151	\$ 486,584
Accrued expenses	109,261	118,552
Total current liabilities	449,412	605,136
Long-term liabilities:		
Lines of credit, long-term	30,949	
Long-term debt	90,564	97,017
Other long-term liabilities	30,482	34,911
Total long-term liabilities	151,995	131,928
Total liabilities	601,407	737,064
Commitments and contingencies		
Shareholders equity:		
Preferred stock, \$0.01 par value: 1,000 shares authorized; no shares issued or outstanding	903	893

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Common stock, \$0.01 par value: 100,000 shares authorized; 90,345 issued in 2010 and 89,293 issued in 2009

Additional paid-in-capital	637,453	631,027
Treasury stock, at cost, 20,343 shares in 2010 and 10,309 shares in 2009	(148,126)	(84,639)
Retained deficit	(281,652)	(286,092)
Accumulated other comprehensive income (loss)	(1,688)	15,738
Total shareholders' equity	206,890	276,927

Total liabilities and shareholders' equity	\$ 808,297	\$ 1,013,991
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See accompanying notes

Brightpoint, Inc.**Consolidated Statements of Cash Flows**

(Amounts in thousands)

(Unaudited)

	Six Months Ended June 30,	
	2010	2009
Operating activities		
Net income (loss)	\$ 4,440	\$ (2,906)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	17,491	16,998
Non-cash compensation	5,577	3,334
Restructuring charge	1,834	9,607
Change in deferred taxes	2,670	(2,820)
Other non-cash	1,114	288
Changes in operating assets and liabilities, net of effects from acquisitions and divestitures:		
Accounts receivable	45,778	154,183
Inventories	18,313	99,826
Other operating assets	1,590	1,837
Accounts payable and accrued expenses	(117,487)	(178,466)
Net cash provided by (used in) operating activities	(18,680)	101,881
Investing activities		
Capital expenditures	(9,686)	(8,882)
Decrease (increase) in other assets	292	(745)
Net cash used in investing activities	(9,394)	(9,627)
Financing Activities		
Net proceeds from (repayments on) lines of credit	32,535	(1,536)
Repayments on Global Term Loans		(75,752)
Deferred financing costs paid		(392)
Purchase of treasury stock	(63,487)	(399)
Deficient tax benefit from equity based compensation	(518)	(993)
Proceeds from common stock issuances under employee stock option plans	1,291	
Net cash used in financing activities	(30,179)	(79,072)
Effect of exchange rate changes on cash and cash equivalents	(4,912)	7,007
Net increase (decrease) in cash and cash equivalents	(63,165)	20,189
Cash and cash equivalents at beginning of period	81,050	57,226

Cash and cash equivalents at end of period	\$ 17,885	\$ 77,415
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See accompanying notes

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Brightpoint, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation**General**

The accompanying unaudited Consolidated Financial Statements have been prepared in conformity with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities Exchange Act of 1934. Accordingly, they do not include all of the information and footnotes necessary for fair presentation of financial position, results of operations and cash flows in conformity with U.S. generally accepted accounting principles. Operating results from interim periods are not necessarily indicative of results that may be expected for the fiscal year as a whole. The Company is subject to seasonal patterns that generally affect the wireless device industry. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates, but management does not believe such differences will materially affect Brightpoint, Inc.'s financial position or results of operations. The Consolidated Financial Statements reflect all adjustments considered, in the opinion of management, necessary to fairly present the results for the periods. Such adjustments are of a normal recurring nature.

For further information, including the Company's significant accounting policies, refer to the audited Consolidated Financial Statements and the notes thereto for the year ended December 31, 2009. As used herein, the terms

Brightpoint, Company, we, our and us mean Brightpoint, Inc. and its consolidated subsidiaries.

Earnings Per Share

Basic earnings per share is based on the weighted average number of common shares outstanding during each period, and diluted earnings per share is based on the weighted average number of common shares and dilutive common share equivalents outstanding during each period. The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations (in thousands, except per share data):

	Three Months Ended June 30, 2010		Six Months Ended June 30, 2010	
		2009		2009
Income from continuing operations attributable to common shareholders	\$ 7,269	\$ 3,146	\$ 11,995	\$ 1,020
Discontinued operations, net of income taxes	(4,277)	(2,979)	(7,555)	(3,926)
Net income (loss) attributable to common shareholders	\$ 2,992	\$ 167	\$ 4,440	\$ (2,906)
 Earnings per share – basic:				
Income from continuing operations attributable to common shareholders	\$ 0.10	\$ 0.04	\$ 0.17	\$ 0.01
Discontinued operations, net of income taxes	(0.06)	(0.04)	(0.11)	(0.05)
Net income (loss) attributable to common shareholders	\$ 0.04	\$ 0.00	\$ 0.06	\$ (0.04)

Earnings per share – diluted:

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Income from continuing operations attributable to common shareholders	\$ 0.10	\$ 0.04	\$ 0.17	\$ 0.01
Discontinued operations, net of income taxes	(0.06)	(0.04)	(0.11)	(0.05)
Net income (loss) attributable to common shareholders	\$ 0.04	\$ 0.00	\$ 0.06	\$ (0.04)
Weighted average shares outstanding for basic earnings per share	69,662	79,235	70,168	79,150
Net effect of dilutive share options, restricted share units, and restricted shares based on the treasury share method using average market price	770	2,495	991	2,441
Weighted average shares outstanding for diluted earnings per share	70,432	81,730	71,159	81,591

Recently Issued Accounting Pronouncements

In October 2009, the FASB issued ASC update No. 2009-13, *Revenue Recognition*, (ASC Update No. 2009-13), which addresses the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. Specifically, the guidance amends the criteria in FASB ASC Subtopic 605-25, *Revenue Recognition-Multiple-Element Arrangements*, for separating consideration in multiple-deliverable arrangements. The guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is based on: (a) vendor-specific objective evidence; (b) third-party evidence; or (c) estimates. The guidance also eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. In addition, the guidance significantly expands required disclosures related to a vendor's multiple-deliverable revenue arrangements. ASC Update No. 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The adoption of ASC Update No. 2009-13 is not expected to have any impact on the Company's consolidated financial statements.

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets*, which was codified under ASC update No. 2009-16, *Transfers and Servicing*, (ASC Update No. 2009-16). The update amended ASC Topic 860 to improve the disclosures that a reporting entity provides in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement in transferred financial assets. This update is effective January 1, 2010 and must be applied to transfers occurring on or after the effective date. The pronouncement had no effect on the Company's consolidated financial statements.

Other Comprehensive Income (Loss)

The components of comprehensive income (loss) for the three and six months ended June 30, 2010 and 2009 are as follows (in thousands, net of tax):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net income (loss) attributable to common shareholders	\$ 2,992	\$ 167	\$ 4,440	\$ (2,906)
Unrealized gain on derivative instruments:				
Net gain (loss) arising during period	(700)	691	(107)	668
Reclassification adjustment for losses included in net income		(128)		(128)
Pension benefit obligation		(248)		(248)
Foreign currency translation:				
Net loss arising during period	(14,214)	18,584	(19,335)	10,371
Reclassification adjustment for gains included in net income	824	(739)	2,016	(1,683)
Comprehensive income (loss)	\$ (11,098)	\$ 18,327	\$ (12,986)	\$ 6,074

Derivative Instruments and Hedging Activities

The Company is exposed to certain risks related to its ongoing business activities. The primary risks managed by the use of derivative instruments are interest rate risk and foreign currency fluctuation risk. Interest rate swaps are entered into in order to manage interest rate risk associated with the Company's variable rate borrowings. Forward contracts are entered into to manage the foreign currency risk associated with various commitments arising from trade accounts receivable, trade accounts payable and fixed purchase obligations. The Company holds the following types of derivatives at June 30, 2010 that have been designated as hedging instruments:

Derivative

Interest rate swaps
 Forward foreign currency contracts

Risk Being Hedged

Cash flows of interest payments on variable rate debt
 Cash flows of forecasted inventory purchases denominated in foreign currency

Derivatives are held only for the purpose of hedging such risks, not for speculation. Generally, the Company enters into hedging relationships such that the cash flows of items and transactions being hedged are expected to be offset by corresponding changes in the values of the derivatives. At June 30, 2010, a hedging relationship exists related to \$50.0 million of the Company's variable rate debt. These swaps are accounted for as cash flow hedges. These interest rate swap transactions effectively lock in a fixed interest rate for variable rate interest payments that are expected to be made from July 1, 2010 through January 31, 2012. Under the terms of the swaps, the Company will pay a fixed rate and will receive a variable rate based on the three month USD LIBOR rate plus a credit spread. The unrealized gain associated with the effective portion of the interest rate swaps included in other comprehensive income was \$0.2 million and \$0.3 million for the three and six months ended June 30, 2010.

The Company enters into foreign currency forward contracts with the objective of reducing exposure to cash flow volatility from foreign currency fluctuations associated with anticipated purchases of inventory. Certain of these contracts are accounted for as cash flow hedges. The unrealized loss associated with the effective portion of these contracts included in other comprehensive income was approximately \$0.9 million and \$0.4 million for the three and six months ended June 30, 2010, all of which is expected to be reclassified into earnings within the next 12 months. The fair value of interest rate swaps in the Consolidated Balance Sheets is a liability of \$2.9 million. The fair value of the interest rate swap maturing within one year is included in *Accrued expenses* in the Consolidated Balance Sheets. The fair value of the interest rate swap maturing after one year is included in *Other long-term liabilities* in the Consolidated Balance Sheets. The fair value of forward foreign currency contracts for forecasted inventory purchases denominated in foreign currency is an asset of \$0.9 million included in *Other current assets* in the Consolidated Balance Sheets as well as a liability of \$1.6 million included in *Accrued expenses* in the Consolidated Balance Sheets.

Fair Value of Financial Instruments

The carrying amounts at June 30, 2010 and December 31, 2009, of cash and cash equivalents, accounts receivable, other current assets, accounts payable, and accrued expenses approximate their fair values because of the short maturity of those instruments. The carrying amount at June 30, 2010 and December 31, 2009 of the Company's borrowings approximate their fair value because these borrowings bear interest at a variable (market) rate.

The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value of certain financial assets and financial liabilities into three broad levels. As of June 30, 2010 and December 31, 2009, the Company classified its financial assets and financial liabilities as Level 2. The financial assets and liabilities were measured using quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

The following table summarizes the bases used to measure certain financial assets and financial liabilities at fair value on a recurring basis in the balance sheet (in thousands):

	Balance at June 30, 2010	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)
Financial instruments classified as assets			
Forward foreign currency contracts	\$ 925	\$	\$ 925
Financial instruments classified as liabilities			
Interest rate swaps	\$ 2,886	\$	\$ 2,886
Forward foreign currency contracts	1,619		1,619
	Balance at December 31, 2009	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)
Financial instruments classified as assets			
Forward foreign currency contracts	\$ 499	\$	\$ 499
Financial instruments classified as liabilities			
Interest rate swaps	\$ 3,417	\$	\$ 3,417
Forward foreign currency contracts	469		469

2. Restructuring

The restructuring reserve balance as of December 31, 2009 was \$6.0 million, which related to severance payments to be made as part of the global workforce reduction initiative included in the 2009 Spending and Debt Reduction Plan. The most significant reductions in the reserve were made in the Europe, Middle East and Africa (EMEA) division due to payments made related to the Company's centralization and consolidation of services for the entities in that region. Reserve activity for the six months ended June 30, 2010 for continuing operations is as follows (in thousands):

	Employee Terminations	Lease Termination Costs	Total
Balance at December 31, 2009	\$ 5,634	\$	\$ 5,634
Restructuring charge	1,733	101	1,834
Cash usage	(3,584)	(101)	(3,685)
Foreign currency translation	(380)		(380)
Balance at June 30, 2010	\$ 3,403	\$	\$ 3,403

Restructuring charge was \$1.8 million for the six months ended June 30, 2010. The restructuring charge consists of the following:

\$1.7 million of severance charges in connection with additional workforce reduction that was included as part of the Company's previously announced 2009 Spending and Debt Reduction Plan.

\$0.1 million of charges for the termination of an operating lease for our facility in Austria.

The Company continues to focus on optimizing the operating and financial structure of its EMEA division, which will result in additional opportunities to improve financial performance in this region. A main strategic component of this plan revolves around consolidating our current warehouse facilities and creating strategically located hubs or Centers of Excellence (supply chain delivery centers) to streamline operations. Additionally, the Company continues to centralize and migrate many business support (or back office) functions in the EMEA region into a Shared Services Center. Both of these initiatives could result in future reductions in workforce that would result in additional restructuring charges.

3. Income Taxes

Income tax expense was \$3.9 million and \$8.2 million for the three and six months ended June 30, 2010 compared to income tax expense of \$1.7 million and \$0.5 million for the same periods in the prior year.

Income tax expense for the three months ended June 30, 2010 included \$0.3 million of income tax expense related to discrete income tax expenses.

Income tax expense for the six months ended June 30, 2010 included \$0.8 million of income tax expense related to valuation allowances on deferred tax assets resulting from previous net operating losses in certain countries that are no longer expected to be utilized as well as \$1.1 million of other income tax expense related to income tax return to provision adjustments and other discrete income tax expenses.

Excluding these charges, the effective income tax rate for the three and six months ended June 30, 2010 was 32.7% and 30.9%.

4. Discontinued Operations

The consolidated statements of operations reflect the reclassification of the results of operations of the Company's operations in Italy and France to discontinued operations for all periods presented in accordance with U.S. generally accepted accounting principles. The Company abandoned its Italy operation in the first quarter of 2010 and its France operation in the third quarter of 2009. There were no material impairments of tangible or intangible assets related to these discontinued operations. Discontinued operations for the three and six months ended June 30, 2010 is as follows (in thousands):

	Three Months Ended June 30, 2010		Six Months Ended June 30, 2009	
Revenue	\$	\$ 15,794	\$ 798	\$ 37,814
Loss from discontinued operations before income taxes	\$ (5,147)	\$ (14)	\$ (8,490)	\$ (1,966)
Income tax expense (benefit)	35	(536)	35	(629)
Loss from discontinued operations	\$ (5,112)	\$ (550)	\$ (8,455)	\$ (2,595)
Gain (loss) on disposal from discontinued operations (1)	835	(2,429)	900	(1,331)
Total discontinued operations, net of income taxes	\$ (4,277)	\$ (2,979)	\$ (7,555)	\$ (3,926)

(1) Gain (loss) on disposal of discontinued operations for

the three and six
months ended
June 30, 2010
primarily relates
to cumulative
currency
translation
adjustments.

5. Borrowings

At June 30, 2010, the Company and its subsidiaries were in compliance with the covenants in each of their credit agreements. Interest expense includes interest on outstanding debt, charges for accounts receivable factoring programs, fees paid for unused capacity on credit lines and amortization of deferred financing fees.

The table below summarizes the borrowing capacity that was available to the Company as of June 30, 2010 (in thousands):

	Gross Availability	Outstanding	Letters of Credit & Guarantees	Net Availability
Global Term Loans	\$ 90,564	\$ 90,564	\$	\$
Global Credit Facility	300,000	17,040	757	282,203
Other	46,500	13,909	2,096	32,591
Total	\$437,064	\$121,513	\$ 2,853	\$314,794

The Company had \$2.1 million of guarantees that do not impact the Company's net availability.

The Company has no required principal payments on its Global Term Loans until September 2011.

Additional details on the above available borrowings are discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

6. Guarantees

Guarantees are recorded at fair value and disclosed, even when the likelihood of making any payments under such guarantees is remote.

The Company has issued certain guarantees on behalf of its subsidiaries and affiliates with regard to lines of credit.

The nature of these guarantees and the amounts outstanding are described in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

The Company has entered into indemnification agreements with its officers and directors, to the extent permitted by law, pursuant to which the Company has agreed to reimburse its officers and directors for legal expenses in the event of certain litigation and regulatory matters. The terms of these indemnification agreements provide for no limitation to the maximum potential future payments. The Company has a directors and officers insurance policy that may, in certain instances, mitigate the potential liability and payments.

7. Operating Segments

The Company has operation centers and/or sales offices in various countries including Australia, Austria, Belgium, Colombia, Denmark, El Salvador, Finland, Germany, Guatemala, Hong Kong, India, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovakia, South Africa, Spain, Sweden, Switzerland, the United Arab Emirates, the United Kingdom and the United States. All of the Company's operating entities generate revenue from the provision of logistic services and/or the distribution of wireless devices and accessories. The Company identifies its reportable segments based on management responsibility of its three geographic divisions: the Americas, Asia-Pacific, and EMEA. The Company's operating components have been aggregated into these three geographic reporting segments. The Company evaluates the performance of and allocates resources to these segments based on income from continuing operations before income taxes (excluding corporate selling, general and administrative expenses and other unallocated expenses). A summary of the Company's continuing operations by segment is presented below (in thousands) for the three and six months ended June 30, 2010 and 2009:

	Americas	Asia-Pacific	EMEA	Corporate and Reconciling Items	Total
Three Months Ended June 30, 2010:					
Distribution revenue	\$ 96,824	\$193,246	\$423,009	\$	\$ 713,079
Logistic services revenue	51,326	7,402	16,813		75,541
Total revenue from external customers	\$148,150	\$200,648	\$439,822	\$	\$ 788,620
Income (loss) from continuing operations before income taxes					
	\$ 11,638	\$ 5,310	\$ 4,977	\$ (10,726)	\$ 11,199
Depreciation and amortization	2,599	467	4,990	479	8,535
Capital expenditures	1,581	326	2,655	682	5,244
Three Months Ended June 30, 2009:					
Distribution revenue	\$102,537	\$188,851	\$325,312	\$	\$ 616,700
Logistic services revenue	44,869	7,598	38,494		90,961
Total revenue from external customers	\$147,406	\$196,449	\$363,806	\$	\$ 707,661
Income (loss) from continuing operations before income taxes					
	\$ 14,510	\$ 5,348	\$ (4,113)	\$ (10,862)	\$ 4,883
Depreciation and amortization	2,422	537	5,097	429	8,485
Capital expenditures	1,474	1,316	940	774	4,504
Six Months Ended June, 30 2010:					
Distribution revenue	\$196,730	\$425,026	\$805,692	\$	\$1,427,448
Logistic services revenue	107,114	15,203	34,141		156,458
Total revenue from external customers	\$303,844	\$440,229	\$839,833	\$	\$1,583,906
Income (loss) from continuing operations before income taxes					
	\$ 24,245	\$ 10,416	\$ 5,754	\$ (20,268)	\$ 20,147
	5,352	1,023	9,997	920	17,292

**Depreciation and
amortization**

Capital expenditures	2,973	416	4,422	1,875	9,686
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Six Months Ended June 30,
2009:

Distribution revenue	\$ 213,839	\$ 363,635	\$ 641,171	\$	\$ 1,218,645
Logistic services revenue	90,965	15,845	70,939		177,749

Total revenue from external customers	\$ 304,804	\$ 379,480	\$ 712,110	\$	\$ 1,396,394
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Income (loss) from continuing operations before income taxes	\$ 24,445	\$ 7,602	\$ (11,763)	\$ (18,805)	\$ 1,479
Depreciation and amortization	5,354	944	9,628	814	16,740
Capital expenditures	3,037	1,509	2,740	1,596	8,882

Additional segment information is as follows (in thousands):

	June 30, 2010 (Unaudited)	December 31, 2009
Total segment assets:		
Americas	\$ 213,322	\$ 244,103
Asia-Pacific	138,125	199,357
EMEA	438,146	550,258
Corporate	18,704	20,273
	\$ 808,297	\$ 1,013,991

8. Legal Proceedings and Contingencies

LN Eurocom

On June 11, 2008 LN Eurocom (LNE) filed a lawsuit in the City Court of Frederiksberg, Denmark against Brightpoint Smartphone A/S and Brightpoint International A/S, each a wholly-owned subsidiary of the Company (collectively,

Smartphone). The lawsuit alleges that Smartphone breached a contract relating to call center services performed or to be performed by LNE. The total amount now claimed is approximately 13 million DKK (approximately \$2.1 million as of June 30, 2010). Smartphone disputes this claim and intends to vigorously defend this matter.

Fleggaard group of companies

The former headquarters of Dangaard Telecom was located in premises rented from a member of the Fleggaard group of companies, which was a former shareholder of Dangaard Telecom. A fire in March 2006 caused by another tenant in the building destroyed the headquarters and Dangaard Telecom had to leave the building while awaiting renovation of its space. Because of Fleggaard s failure to renovate the space, Dangaard Telecom terminated the lease. Fleggaard has disputed the lease termination and has claimed \$1.4 million in damages. Dangaard Telecom continues to dispute this claim and intends to vigorously defend this matter.

Norwegian tax authorities

Dangaard Telecom s subsidiary, Dangaard Telecom Norway AS Group, received notice from the Norwegian tax authorities regarding tax claims in connection with certain capital gains. The Norwegian tax authorities have claimed \$2.7 million. Dangaard Telecom Norway AS Group has disputed this claim; however, the Norwegian Tax Authorities ruled against Dangaard Telecom Norway AS in April 2008. On February 3, 2009, the Norwegian Tax Authorities determined that the capital gains were within Brightpoint Norway s core business and, therefore, that Brightpoint Norway was responsible for tax on the gain in the amount of 8.1 million NOK (approximately \$1.2 million as of June 30, 2010). On February 19, 2010 the magistrate hearing the appeal ruled in favor of the Norwegian Tax Authorities. Brightpoint Norway has filed its appeal of this determination by the initiation of court proceedings to a higher authority. The former shareholders of Dangaard Telecom agreed to indemnify Dangaard Holding with respect to 80% of this claim when Dangaard Holding acquired Dangaard Telecom, and Dangaard Holding agreed in the purchase agreement with the Company to transfer and assign these indemnification rights to the Company (or enforce them on our behalf if such transfer or assignment is not permitted).

German tax authorities

Dangaard Telecom s subsidiary, Dangaard Telecom Germany Holding GmbH, received notice from the German tax authorities regarding tax claims in connection with the deductibility of certain stock adjustments and various fees during the period 1998 to 2002. Dangaard Telecom Germany Holding GmbH agreed to pay part of the claim, and the current amount in dispute is \$1.8 million. Dangaard Telecom Germany Holding GmbH continues to dispute this claim and intends to defend this matter vigorously. The former shareholders of Dangaard Telecom are obliged to indemnify Dangaard Holding with respect to any such tax claims. Due to the claim s limited size, however, it will be below an agreed upon threshold, therefore the indemnification would not be activated by this claim if no other claims for indemnification have been or are asserted.

Sofaer Global Hedge Fund

In September 2009, Sofaer Global Hedge Fund (Sofaer GHF) filed a complaint against Brightpoint, Inc. and Brightpoint s CEO Robert Laikin (Laikin) in the U.S. District Court in Indiana alleging that Laikin made materially false and misleading statements to Michael Sofaer (Sofaer), the head of Sofaer GHF. The central allegation is that Sofaer GHF reasonably and detrimentally relied upon Laikin s statements in making a \$10 million loan to Chinatron Group Holdings Ltd., a company that owed money to Brightpoint and in which John Maclean Arnott is the Managing Director. Sofaer GHF brought the action for damages resulting from Brightpoint s alleged fraudulent misrepresentations and based upon their alleged detrimental reliance (promissory estoppel) upon these statements, from which Brightpoint is claimed to have benefited. The Company disputes these claims and intends to vigorously defend this matter.

Drillisch

On January 29, 2010, Drillisch AG (Drillisch) commenced litigation against Brightpoint Germany GmbH (Brightpoint Germany) with the Krefeld District Court seeking approximately EUR 1.8 million (approximately

\$2.2 million as of June 30, 2010) in damages. Drillisch claims Brightpoint Germany failed to provide Drillisch credits for Brightpoint Germany's alleged failure to achieve certain outbound shipping service levels it claims Brightpoint Germany owed to it and several of its affiliates in connection with Brightpoint Germany's performance of logistics services. Brightpoint Germany disputes this claim and intends to vigorously defend this matter.

DiBardi/Bardi/Fortis

In July 2009, Fortis Commercial Finance, SPA (Fortis) commenced proceedings against Brightpoint Italy, Srl (Brightpoint Italy) in the Courts of Milan, Italy. Fortis sought a declaration of debt and an injunction decree requiring precautionary payment by Brightpoint Italy Srl in the amount of EUR 840,000 (approximately \$1.0 million as of June 30, 2010). Fortis claims that Brightpoint Italy failed to pay amounts owed under a supply agreement with Di Bardi, Srl (DiBardi) and that this debt claim was then assigned by DeBardi to Fortis. In April 2010 the Courts of Milan ruled in favor of Fortis on its claim for precautionary payment ahead of a hearing on the merits. At the current time, Fortis' claim for precautionary payment is fully enforceable against Brightpoint Italy but has not been paid. A hearing on the merits of the claim is scheduled for December 2010 and Brightpoint Italy intends to vigorously defend this matter.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.
OVERVIEW AND RECENT DEVELOPMENTS

This discussion and analysis should be read in conjunction with the accompanying Consolidated Financial Statements and related notes. Our discussion and analysis of the financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in conformity with U.S. generally accepted accounting principles. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis we review our estimates and assumptions. Our estimates were based on our historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ from those estimates but we do not believe such differences will materially affect our financial position or results of operations. Our critical accounting estimates, the estimates we believe are most important to the presentation of our financial statements and require the most difficult, subjective and complex judgments are outlined in our Annual Report on Form 10-K for the year ended December 31, 2009, and have not changed significantly. Certain statements made in this report may contain forward-looking statements. For a description of risks and uncertainties relating to such forward-looking statements, see the cautionary statements contained in Exhibit 99.1 to this report and our Annual Report on Form 10-K for the year ended December 31, 2009. Brightpoint, Inc. is a global leader in providing supply chain solutions to the wireless industry. We provide customized logistic services including procurement, inventory management, software loading, kitting and customized packaging, fulfillment, credit services and receivables management, call center and activation services, website hosting, e-fulfillment solutions, reverse logistics, transportation management and other services within the global wireless industry. Our customers include mobile network operators, mobile virtual network operators (MVNOs), resellers, retailers and wireless equipment manufacturers. We provide value-added distribution channel management and other supply chain solutions for wireless products manufactured by companies such as Apple, High Tech Computer Corp., Kyocera, LG Electronics, Motorola, Nokia, Research in Motion, Samsung and Sony Ericsson. We have operations centers and/or sales offices in various countries including Australia, Austria, Belgium, Colombia, Denmark, El Salvador, Finland, Germany, Guatemala, Hong Kong, India, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovakia, South Africa, Spain, Sweden, Switzerland, the United Arab Emirates, the United Kingdom, and the United States.

Consolidated revenue for the three and six months ended June 30, 2010 increased 11% and 13% compared to the same periods in the prior year. Consolidated revenue was \$788.6 million and \$1.6 billion for the three and six months ended June 30, 2010. The increase was primarily driven by an 18% and 20% increase in wireless devices handled. Revenue increased in our EMEA and Asia-Pacific divisions as a result of expanded distribution relationships with wireless device manufacturers.

During the second quarter of 2010, we incurred \$0.7 million of restructuring costs which were primarily related to the global workforce reduction plan that was included as part of the 2009 Spending and Debt Reduction Plan. SG&A expenses totaled \$53.7 million and \$110.4 million for the three and six months ended June 30, 2010, which is an increase of \$5.0 million and \$11.3 million from the same periods in the prior year. The primary reason for the increase in SG&A expenses is due to the reinstatement of previously avoided expenses that had been temporarily suspended as part of our 2009 Spending and Debt Reduction Plan. In 2009, the Company suspended first half staff bonuses, full year merit increases, executive cash bonuses, and temporarily held down spending on other expenses such as travel and marketing. SG&A expenses were also higher by \$0.6 million and \$5.0 million for the three and six months ended June 30, 2010 compared to the same periods in the prior year due to fluctuations in foreign currencies.

RESULTS OF OPERATIONS**Revenue and wireless devices handled by division and service line**

		Three Months Ended June 30,			
	2010	% of Total	2009	% of Total	Change
(Amounts in 000s)					
<i>Distribution revenue</i>					
Americas	\$ 96,824	14%	\$ 102,537	17%	(6)%
Asia-Pacific	193,246	27%	188,851	31%	2%
EMEA	423,009	59%	325,312	52%	30%
Total	\$ 713,079	100%	\$ 616,700	100%	16%
<i>Logistic services revenue</i>					
Americas	\$ 51,326	68%	\$ 44,869	49%	14%
Asia-Pacific	7,402	10%	7,598	8%	(3)%
EMEA	16,813	22%	38,494	43%	(56)%
Total	\$ 75,541	100%	\$ 90,961	100%	(17)%
<i>Total revenue</i>					
Americas	\$ 148,150	19%	\$ 147,406	21%	1%
Asia-Pacific	200,648	25%	196,449	28%	2%
EMEA	439,822	56%	363,806	51%	21%
Total	\$ 788,620	100%	\$ 707,661	100%	11%

		Three Months Ended June 30,			
	2010	% of Total	2009	% of Total	Change
(Amounts in 000s)					
<i>Wireless devices sold through distribution</i>					
Americas	635	14%	710	18%	(11)%
Asia-Pacific	1,322	29%	1,418	36%	(7)%
EMEA	2,565	57%	1,843	46%	39%
Total	4,522	100%	3,971	100%	14%

***Wireless devices handled through
logistic services***

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Americas	15,597	88%	13,005	88%	20%
Asia-Pacific	609	3%	593	4%	3%
EMEA	1,566	9%	1,258	8%	25%
Total	17,772	100%	14,856	100%	20%

Total wireless devices handled

Americas	16,232	73%	13,715	73%	18%
Asia-Pacific	1,931	9%	2,011	11%	(4)%
EMEA	4,131	18%	3,101	16%	33%
Total	22,294	100%	18,827	100%	18%

		Six Months Ended June 30,			
	2010	% of Total	2009	% of Total	Change
(Amounts in 000s)					
<i>Distribution revenue</i>					
Americas	\$ 196,730	14%	\$ 213,839	18%	(8)%
Asia-Pacific	425,026	30%	363,635	30%	17%
EMEA	805,692	56%	641,171	52%	26%
Total	\$1,427,448	100%	\$1,218,645	100%	17%
<i>Logistic services revenue</i>					
Americas	\$ 107,114	68%	\$ 90,965	51%	18%
Asia-Pacific	15,203	10%	15,845	9%	(4)%
EMEA	34,141	22%	70,939	40%	(52)%
Total	\$ 156,458	100%	\$ 177,749	100%	(12)%
<i>Total revenue</i>					
Americas	\$ 303,844	19%	\$ 304,804	22%	0%
Asia-Pacific	440,229	28%	379,480	27%	16%
EMEA	839,833	53%	712,110	51%	18%
Total	\$1,583,906	100%	\$1,396,394	100%	13%

		Six Months Ended June 30,			
	2010	% of Total	2009	% of Total	Change
(Amounts in 000s)					
<i>Wireless devices sold through distribution</i>					
Americas	1,271	14%	1,505	18%	(16)%
Asia-Pacific	2,796	31%	3,028	37%	(8)%
EMEA	4,961	55%	3,718	45%	34%
Total	9,028	100%	8,251	100%	9%
<i>Wireless devices handled through logistic services</i>					
Americas	31,236	87%	25,874	89%	21%
Asia-Pacific	1,295	4%	1,037	4%	25%

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EMEA	3,240	9%	2,243	7%	44%
Total	35,771	100%	29,154	100%	23%

Total wireless devices handled

Americas	32,507	73%	27,379	73%	19%
Asia-Pacific	4,091	9%	4,065	11%	1%
EMEA	8,201	18%	5,961	16%	38%
Total	44,799	100%	37,405	100%	20%

The following table presents the percentage changes in revenue for the three and six months ended June 30, 2010 by service line compared to the same periods in the prior year, including the impact to revenue from changes in wireless devices handled, average selling price and foreign currency.

	2010 Percentage Change in Revenue vs. 2009				
	Wireless devices handled (1)	Average Selling Price (2)	Non-handset based revenue (3)	Foreign Currency	Total Percentage Change in Revenue
<i>Three months ended June 30, 2010:</i>					
Distribution	17%	3%	(3)%	(1)%	16%
Logistic services	6%	(5)%	(18)%	0%	(17)%
Total	15%	2%	(5)%	(1)%	11%
<i>Six months ended June 30, 2010:</i>					
Distribution	12%	6%	(3)%	2%	17%
Logistic services	6%	(4)%	(15)%	1%	(12)%
Total	11%	4%	(4)%	2%	13%

(1) Handset-based volume represents the percentage change in revenue due to the change in quantity of wireless devices sold through our distribution business and the change in quantity of wireless devices handled through our logistic services business.

(2) Average selling price represents the percentage change in revenue due to the change in the average selling price of wireless devices

sold through our distribution business and the change in the average fee per wireless device handled through our logistic services business.

- (3) Non-handset distribution revenue represents the percentage change in revenue from accessories sold, freight and non-voice navigation devices sold through our distribution business. Non-handset based logistic services revenue represents the percentage change in revenue from the sale of prepaid airtime, freight billed, and fee based services other than fees earned from wireless devices handled. Changes in non-handset based revenue do not include changes in reported wireless devices.

Revenue and wireless devices handled by division: