

SOLECTRON CORP
Form 10-Q
April 05, 2006

Table of Contents

**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 February 24, 2006
- 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 1-11098

SOLECTRON CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
*(State or Other Jurisdiction of
Incorporation or Organization)*

94-2447045
*(I.R.S. Employer
Identification Number)*

**847 Gibraltar Drive
Milpitas, California 95035**
(Address of principal executive offices including zip code)

(408) 957-8500
(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 reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer Accelerated filer Non-accelerated filer

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

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

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At March 30, 2006, 914,430,596 shares of Common Stock of the Registrant were outstanding (including approximately 20.5 million shares of Solectron Global Services Canada, Inc., which are exchangeable on a one-to-one basis for the Registrant's common stock)

SOLECTRON CORPORATION

INDEX TO FORM 10-Q

PART I. FINANCIAL INFORMATION

<u>Item 1.</u>	<u>Financial Statements (unaudited)</u>	3
	<u>Condensed Consolidated Balance Sheets at February 28, 2006 and August 31, 2005</u>	3
	<u>Condensed Consolidated Statements of Operations for the three and six months ended February 28, 2006 and 2005</u>	4
	<u>Condensed Consolidated Statements of Comprehensive Income for the three and six months ended February 28, 2006 and 2005</u>	5
	<u>Condensed Consolidated Statements of Cash Flows for the six months ended February 28, 2006 and 2005</u>	6
	<u>Notes to Condensed Consolidated Financial Statements</u>	7
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	29
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	51
<u>Item 4.</u>	<u>Controls and Procedures</u>	51

PART II. OTHER INFORMATION

<u>Item 1.</u>	<u>Legal Proceedings</u>	51
<u>Item 2.</u>	<u>Purchase of Equity Securities</u>	51
<u>Item 6.</u>	<u>Exhibits</u>	51
<u>Signatures</u>		53
	<u>EXHIBIT 10.1</u>	
	<u>EXHIBIT 31.1</u>	
	<u>EXHIBIT 31.2</u>	
	<u>EXHIBIT 32.1</u>	
	<u>EXHIBIT 32.2</u>	

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****SOLECTRON CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

	February 28 2006	August 31 2005
	(Unaudited)	
	(In millions)	
ASSETS		
Current assets:		
Cash, cash equivalents and short-term investments*	\$ 1,526.8	\$ 1,722.3
Accounts receivable, net	1,177.7	1,180.7
Inventories	1,346.1	1,108.5
Prepaid expenses and other current assets	233.2	211.4
Total current assets	4,283.8	4,222.9
Property and equipment, net	681.7	666.3
Goodwill	147.6	148.8
Other assets	221.8	219.8
Total assets	\$ 5,334.9	\$ 5,257.8
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term debt	\$ 228.5	\$ 165.7
Accounts payable	1,430.3	1,371.2
Accrued employee compensation	143.3	167.0
Accrued expenses and other current liabilities	472.1	509.6
Total current liabilities	2,274.2	2,213.5
Long-term debt	628.0	540.9
Other long-term liabilities	79.6	59.2
Total liabilities	\$ 2,981.8	\$ 2,813.6
Commitments and contingencies		
Stockholders' equity:		
Common stock	1.0	1.0
Additional paid-in capital	7,619.6	7,774.1

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Accumulated deficit	(5,152.1)	(5,206.5)
Accumulated other comprehensive loss	(115.4)	(124.4)
Total stockholders' equity	2,353.1	2,444.2
Total liabilities and stockholders' equity	\$ 5,334.9	\$ 5,257.8

* Includes \$31.2 million and \$13.2 million of restricted cash balances as of February 28, 2006 and August 31, 2005, respectively, and \$15.0 million and \$26.3 million of short term investments as of February 28, 2006 and August 31, 2005, respectively.

See accompanying notes to condensed consolidated financial statements.

Table of Contents**SOLECTRON CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three Months Ended February 28		Six Months Ended February 28	
	2006	2005	2006	2005
	(In millions, except per share data)		(In millions, except per share data)	
	(Unaudited)		(Unaudited)	
Net sales	\$ 2,499.6	\$ 2,756.0	\$ 4,956.0	\$ 5,446.6
Cost of sales	2,370.6	2,598.1	4,701.4	5,133.2
Gross profit	129.0	157.9	254.6	313.4
Operating expenses:				
Selling, general and administrative	104.3	104.7	211.7	200.3
Restructuring and impairment costs	5.6	43.2	6.5	43.9
Operating income	19.1	10.0	36.4	69.2
Interest income	12.3	9.1	24.4	14.9
Interest expense	(6.9)	(16.7)	(13.6)	(33.0)
Other (expense) income net	(1.9)	1.1		5.8
Operating income from continuing operations before income taxes	22.6	3.5	47.2	56.9
Income tax expense	5.5	6.6	9.9	12.5
Income (loss) from continuing operations	\$ 17.1	\$ (3.1)	\$ 37.3	\$ 44.4
Discontinued operations:				
Income from discontinued operations	\$ 13.3	\$ 0.9	\$ 17.1	\$ 13.3
Income tax expense				1.7
Income from discontinued operations	13.3	0.9	17.1	11.6
Net income (loss)	\$ 30.4	\$ (2.2)	\$ 54.4	\$ 56.0
Basic net income (loss) per share				
Continuing operations	\$ 0.02	\$ (0.00)	\$ 0.04	\$ 0.05
Discontinued operations	0.01	0.00	0.02	0.01
Basic net income (loss) per share	\$ 0.03	\$ (0.00)	\$ 0.06	\$ 0.06
Diluted net income (loss) per share				
Continuing operations	\$ 0.02	\$ (0.00)	\$ 0.04	\$ 0.05
Discontinued operations	0.01	0.00	0.02	0.01

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Diluted net income (loss) per share	\$	0.03	\$	(0.00)	\$	0.06	\$	0.06
Shares used to compute basic net income per share		908.8		977.1		917.3		966.7
Shares used to compute diluted net income per share		909.7		977.1		918.1		970.6

See accompanying notes to condensed consolidated financial statements.

Table of Contents**SOLECTRON CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Three Months Ended February 28		Six Months Ended February 28	
	2006	2005	2006	2005
	(In millions)		(In millions)	
	(Unaudited)		(Unaudited)	
Net income (loss)	\$ 30.4	\$ (2.2)	\$ 54.4	\$ 56.0
Other comprehensive income:				
Foreign currency translation adjustments, net	8.6	17.6	9.0	25.8
Comprehensive income	\$ 39.0	\$ 15.4	\$ 63.4	\$ 81.8

Accumulated unrealized foreign currency translation losses were \$105.2 million at February 28, 2006 and \$114.2 million at August 31, 2005. Foreign currency translation adjustments consist of adjustments to consolidate subsidiaries that use the local currency as their functional currency and transaction gains and losses related to intercompany dollar-denominated debt that is not expected to be repaid in the foreseeable future.

See accompanying notes to condensed consolidated financial statements.

Table of Contents

SOLECTRON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended February 28	
	2006	2005
	(In millions)	
	(Unaudited)	
		(Revised)
Cash flows from operating activities:		
Net income	\$ 54.4	\$ 56.0
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Earnings from discontinued operations	(17.1)	(11.6)
Depreciation and amortization	87.5	101.3
Impairment of property, equipment and other long-term assets, net	10.4	40.8
Gain on disposal of property and equipment	(0.1)	(0.1)
Stock based compensation	10.2	1.5
Changes in operating assets and liabilities:		
Accounts receivable, net of allowance	4.5	161.3
Inventories	(237.4)	213.9
Prepaid expenses and other current assets	(27.4)	14.9
Accounts payable	59.0	(55.5)
Accrued expenses and other current liabilities	(14.0)	(45.9)
Net cash (used in) provided by operating activities of continuing operations	(70.0)	476.6
Net cash used in operating activities of discontinued operations	(8.2)	(5.9)
Net cash (used in) provided by operating activities	(78.2)	470.7
Cash flows from investing activities:		
Sale of available for sale securities	11.3	
Change in restricted cash and cash equivalents	(18.0)	(2.9)
Settlement of receivable related to synthetic lease		19.9
Capital expenditures	(109.7)	(66.1)
Proceeds from sale of property and equipment	4.4	9.3
Proceeds from sale of investments		16.0
Dispositions and receipts from discontinued operations	8.9	7.1
Net cash used in investing activities of continuing operations	(103.1)	(16.7)
Net cash provided by investing activities of discontinued operations	17.1	13.0
Net cash used in investing activities	(86.0)	(3.7)
Cash flows from financing activities:		
Net proceeds (repayment) of bank lines of credit and other debt arrangements	0.8	(16.5)

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Proceeds from issuance of debt, net	147.4	
Lyon repurchase	(2.0)	(0.5)
Common stock repurchase	(180.4)	(1.4)
Net proceeds from issuance of common stock		64.3
Net proceeds from stock issued under option and employee purchase plans	5.1	8.1
Net cash (used in) provided by financing activities of continuing operations	(29.1)	54.0
Net cash used in financing activities of discontinued operations	(8.9)	(7.1)
Net cash (used in) provided by financing activities	(38.0)	46.9
Effect of exchange rate changes on cash and cash equivalents		10.7
Net increase (decrease) in cash and cash equivalents	(202.2)	524.6