

ModusLink Global Solutions Inc
Form 10-Q
June 09, 2011
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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 April 30, 2011

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 000-23262

ModusLink Global Solutions, Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

04-2921333
(I.R.S. Employer
Identification No.)

1100 Winter Street

Waltham, Massachusetts
(Address of principal executive offices)

02451
(Zip Code)

(781) 663-5001

(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, 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 June 3, 2011, there were 43,815,576 shares issued and outstanding of the registrant's Common Stock, \$.01 par value per share.

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MODUSLINK GLOBAL SOLUTIONS, INC.

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	April 30, 2011	July 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 119,120	\$ 161,364
Available-for-sale securities	130	270
Accounts receivable, trade, net of allowance for doubtful accounts of \$777 and \$919, at April 30, 2011 and July 31, 2010, respectively	135,622	159,768
Inventories, net	83,263	74,096
Prepaid expenses and other current assets	13,803	14,226
Total current assets	351,938	409,724
Property and equipment, net	49,935	52,906
Investments in affiliates	14,073	13,016
Goodwill	3,058	16,207
Other intangible assets, net	5,736	24,173
Other assets	10,402	9,760
Total assets	\$ 435,142	\$ 525,786
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current installments of obligations under capital leases	\$ 38	\$ 40
Accounts payable	111,000	132,098
Current portion of accrued restructuring	1,618	2,632
Accrued income taxes		48
Accrued expenses	40,314	45,729
Other current liabilities	7,995	4,773
Current liabilities of discontinued operations	1,686	1,791
Total current liabilities	162,651	187,111
Long-term portion of accrued restructuring	299	1,000
Obligations under capital leases, less current installments	3	29
Other long-term liabilities	16,122	15,656
Non-current liabilities of discontinued operations	2,241	3,289
Stockholders' equity:		
Preferred stock, \$0.01 par value per share. Authorized 5,000,000 shares; zero issued or outstanding at April 30, 2011 and July 31, 2010		
Common stock, \$0.01 par value per share. Authorized 1,400,000,000 shares; 43,824,651 issued and outstanding shares at April 30, 2011; 44,039,938 issued and 43,729,338 outstanding shares at July 31, 2010	438	440
Additional paid-in capital	7,386,248	7,427,031
Treasury stock, at cost 310,600 shares at July 31, 2010		(1,992)
Accumulated deficit	(7,161,145)	(7,121,015)
Accumulated other comprehensive income	28,285	14,237

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Total stockholders' equity	253,826	318,701
Total liabilities and stockholders' equity	\$ 435,142	\$ 525,786

See accompanying notes to unaudited condensed consolidated financial statements

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	Three Months Ended		Nine Months Ended	
	April 30,		April 30,	
	2011	2010	2011	2010
Net revenue	\$ 207,140	\$ 213,697	\$ 677,668	\$ 695,864
Cost of revenue	186,906	189,090	611,689	603,708
Gross profit	20,234	24,607	65,979	92,156
Operating expenses:				
Selling, general and administrative	20,788	21,395	63,797	68,270
Amortization of intangible assets	1,062	1,657	4,420	4,628
Impairment of goodwill and intangible assets			27,166	
Restructuring and other, net		260	1,201	425
Total operating expenses	21,850	23,312	96,584	73,323
Operating income (loss)	(1,616)	1,295	(30,605)	18,833
Other income (expense):				
Interest income	62	49	191	252
Interest expense	(108)	(130)	(350)	(416)
Other losses, net	(1,641)	(1,153)	(3,938)	(1,732)
Equity in losses of affiliates and impairments	(401)	(211)	(1,417)	(1,923)
Total other income (expense)	(2,088)	(1,445)	(5,514)	(3,819)
Income (loss) from continuing operations before income taxes	(3,704)	(150)	(36,119)	15,014
Income tax expense	1,331	942	3,772	4,997
Income (loss) from continuing operations	(5,035)	(1,092)	(39,891)	10,017
Discontinued operations, net of income taxes:				
Loss from discontinued operations	(91)	(2,334)	(239)	(2,319)
Net income (loss)	\$ (5,126)	\$ (3,426)	\$ (40,130)	\$ 7,698
Basic and diluted earnings (loss) per share:				
Income (loss) from continuing operations	\$ (0.12)	\$ (0.03)	\$ (0.92)	\$ 0.22
Income (loss) from discontinued operations	\$	\$ (0.05)	\$ (0.01)	\$ (0.05)
Net income (loss)	\$ (0.12)	\$ (0.08)	\$ (0.93)	\$ 0.17
Shares used in computing basic earnings per share:	43,303	43,730	43,289	44,256
Shares used in computing diluted earnings per share:	43,303	43,730	43,289	44,408

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See accompanying notes to unaudited condensed consolidated financial statements

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MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	Nine Months Ended April 30,	
	2011	2010
Cash flows from operating activities of continuing operations:		
Net income (loss)	\$ (40,130)	\$ 7,698
Loss from discontinued operations	(239)	(2,319)
Income (loss) from continuing operations	(39,891)	10,017
Adjustments to reconcile income (loss) from continuing operations to net cash provided by continuing operations:		
Depreciation	12,321	12,668
Impairment of goodwill and intangible assets	27,166	
Amortization of intangible assets	4,420	4,628
Share-based compensation	2,619	3,296
Non-operating losses, net	3,938	1,732
Equity in losses of affiliates and impairments	1,417	1,923
Changes in operating assets and liabilities, excluding effects from acquisition:		
Trade accounts receivable, net	32,333	24,204
Inventories	(4,336)	949