

ZEBRA TECHNOLOGIES CORP/DE
Form 10-Q
August 07, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended July 1, 2006

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: 000-19406

Zebra Technologies Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

incorporation or organization)

333 Corporate Woods Parkway, Vernon Hills, IL 60061

(Address of principal executive offices) (Zip Code)

36-2675536
(I.R.S. Employer

Identification No.)

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Registrant's telephone number, including area code: (847) 634-6700

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 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

As of July 28, 2006, shares outstanding were as follows:

Class A Common Stock, \$.01 par value 70,823,333

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ZEBRA TECHNOLOGIES CORPORATION

QUARTER ENDED JULY 1, 2006

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(Amounts in thousands)

	July 1, 2006 (Unaudited)	December 31, 2005 (restated see Note 2) (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 27,627	\$ 25,621
Investments and marketable securities	179,774	518,618
Accounts receivable, net	115,693	111,551
Inventories, net	77,369	63,638
Deferred income taxes	8,419	8,188
Prepaid expenses	6,015	5,098
Total current assets	414,897	732,714
Property and equipment at cost, less accumulated depreciation and amortization	54,684	49,643
Long-term deferred income taxes	8,459	6,216
Goodwill	69,097	69,097
Other intangibles, net	20,700	19,002
Long-term investments and marketable securities	377,446	
Other assets	40,565	41,743
Total assets	\$ 985,848	\$ 918,415
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 24,194	\$ 24,885
Accrued liabilities	32,690	28,928
Income taxes payable	1,326	535
Total current liabilities	58,210	54,348
Deferred rent	570	574
Other long-term liabilities	5,999	5,521
Total liabilities	64,779	60,443
Stockholders' equity:		
Preferred Stock		
Class A Common Stock	722	722
Additional paid-in capital	136,374	139,433
Treasury stock	(50,087)	(64,013)

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Retained earnings	833,216	779,453
Accumulated other comprehensive income	844	2,377
Total stockholders equity	921,069	857,972
Total liabilities and stockholders equity	\$ 985,848	\$ 918,415

See accompanying notes to consolidated financial statements.

Table of Contents**ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF EARNINGS**

(Amounts in thousands, except per share data)

(Unaudited)

	Three Months Ended July 2, 2005 (restated see Note 2)		Six Months Ended July 2, 2005 (restated see Note 2)	
	July 1, 2006	July 1, 2006	July 1, 2006	July 1, 2006
Net sales	\$ 187,421	\$ 176,614	\$ 363,235	\$ 347,342
Cost of sales	97,895	87,467	191,011	171,066
Gross profit	89,526	89,147	172,224	176,276
Operating expenses:				
Selling and marketing	23,510	23,050	45,619	44,615
Research and development	12,382	12,386	24,417	23,437
General and administrative	15,081	17,800	29,730	33,603
Amortization of intangible assets	723	387	1,470	1,034
Exit costs		141		1,658
Total operating expenses	51,696	53,764	101,236	104,347
Operating income	37,830	35,383	70,988	71,929
Other income (expense):				
Investment income	4,987	3,072	10,194	6,349
Interest expense	(13)	(27)	(231)	(31)
Foreign exchange gains (loss)	(380)	812	(269)	865
Other, net	(177)	(243)	(626)	(546)
Total other income	4,417	3,614	9,068	6,637
Income before income taxes and cumulative effect of accounting change	42,247	38,997	80,056	78,566
Income taxes	14,575	13,551	27,612	27,302
Income before cumulative effect of accounting change	27,672	25,446	52,444	51,264
Cumulative effect of accounting change (net of tax effect of \$694)			1,319	
Net income	\$ 27,672	\$ 25,446	\$ 53,763	\$ 51,264
Basic earnings per share before cumulative effect of accounting change	\$ 0.39	\$ 0.35	\$ 0.74	\$ 0.71
Diluted earnings per share before cumulative effect of accounting change	\$ 0.39	\$ 0.35	\$ 0.74	\$ 0.71
Basic earnings per share	\$ 0.39	\$ 0.35	\$ 0.76	\$ 0.71
Diluted earnings per share	\$ 0.39	\$ 0.35	\$ 0.76	\$ 0.71
Basic weighted average shares outstanding	70,781	72,013	70,661	71,939
Diluted weighted average and equivalent shares outstanding	71,229	72,679	71,154	72,654

See accompanying notes to consolidated financial statements.

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ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)

(Unaudited)

	Three Months Ended		Six Months Ended	
	July 2, 2005		July 2, 2005	
	(restated see		(restated see	
	July 1, 2006	Note 2)	July 1, 2006	Note 2)
Net income	\$ 27,672	\$ 25,446	\$ 53,763	\$ 51,264
Other comprehensive income (loss):				
Foreign currency translation adjustment	3,054	(3,555)	3,439	(4,641)
Changes in unrealized gains and (losses) on hedging transactions, net of tax	(863)	1,792	(1,390)	3,045
Changes in unrealized losses on investments, net of tax	(11)	1,052	(3,582)	27
Comprehensive income	\$ 29,852	\$ 24,735	\$ 52,230	\$ 49,695

See accompanying notes to consolidated financial statements.

Table of Contents**ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Amounts in thousands)

(Unaudited)

	Six Months Ended	
	July 1,	July 2, 2005
	2006	(restated see Note 2)
Cash flows from operating activities:		
Net income	\$ 53,763	\$ 51,264
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,300	6,399
Stock-based compensation	3,485	3,994
Excess tax benefit from share-based compensation	(1,461)	(1,411)
Cumulative effect of accounting change (net of tax)	(1,319)	
Deferred income taxes	(2,419)	432
Changes in assets and liabilities:		
Accounts receivable, net	(479)	(12,124)
Inventories	(12,729)	(5,342)
Other assets	2,387	(8,358)
Accounts payable	(2,358)	(1,655)
Accrued liabilities	3,261	(1,291)
Income taxes payable	1,107	(2,692)
Other operating activities	(2,259)	1,532
Net cash provided by operating activities	48,279	30,748
Cash flows from investing activities:		
Purchases of property and equipment	(10,446)	(6,607)
Acquisition of assets of Retail Systems International, Inc.		(7,655)
Acquisition of intangible assets	(3,898)	(8,254)
Purchases of investments and marketable securities		