

PARADYNE NETWORKS INC
Form 10-Q
May 09, 2003
Table of Contents

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 March 31, 2003

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

For the transition period from _____ to _____

Commission File No. 000-26485

Paradyne Networks, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

75-2658219

(IRS Employer Identification No.)

8545 126th Avenue North

Largo, Florida 33773

(Address of principal executive offices, zip code)

(727) 530-2000

(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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

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Yes No

The number of shares of the registrant's common stock outstanding at April 30, 2003, the latest practicable date, was 42,862,443.

Table of Contents

INDEX

PART I FINANCIAL INFORMATION

Item 1.	Financial Statements	
	<u>Condensed Unaudited Consolidated Balance Sheets</u> at March 31, 2003 and December 31, 2002	1
	<u>Condensed Unaudited Consolidated Statements of Operations</u> for the Three Months Ended March 31, 2003 and March 31, 2002	2
	<u>Condensed Unaudited Consolidated Statements of Cash Flows</u> for the Three Months Ended March 31, 2003 and March 31, 2002	3
	<u>Notes to Condensed Unaudited Consolidated Financial Statements</u>	4
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	9
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	13
Item 4.	<u>Controls and Procedures</u>	14

PART II OTHER INFORMATION

Item 1.	<u>Legal Proceedings</u>	14
Item 2.	<u>Changes in Securities and Use of Proceeds</u>	15
Item 6.	<u>Exhibits and Reports on Form 8-K</u>	15

<u>SIGNATURES</u>	16
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<u>CERTIFICATIONS</u>	17
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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1.****FINANCIAL STATEMENTS****PARADYNE NETWORKS, INC.****CONDENSED UNAUDITED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT PER SHARE DATA)**

	MARCH 31, 2003	DECEMBER 31, 2002
	<hr/>	<hr/>
ASSETS		
Current assets:		
Cash and cash equivalents	\$46,540	\$ 47,706
Accounts receivable less allowance for doubtful accounts of \$1,959 and \$2,227 at March 31, 2003 and December 31, 2002, respectively	9,033	13,072
Inventories	15,997	16,661
Prepaid expenses and other current assets	1,854	2,896
	<hr/>	<hr/>
Total current assets	73,424	80,335
Property, plant and equipment, net	9,039	10,396
Intangible assets, net	5,786	6,092
Other assets	412	433
	<hr/>	<hr/>
Total assets	\$88,661	\$ 97,256
	<hr/>	<hr/>
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$4,425	\$ 6,333
Current portion of debt	230	396
Payroll and benefit related liabilities	2,195	3,445
Other current liabilities	7,020	9,087
	<hr/>	<hr/>
Total current liabilities	13,870	19,261
	<hr/>	<hr/>
Total liabilities	\$13,870	\$ 19,261
	<hr/>	<hr/>
Commitments and contingencies (See Note 8)		
Stockholders' equity:		
Preferred stock, par value \$.001; 5,000,000 shares authorized, none issued or outstanding		
Common stock, par value \$.001; 80,000,000 shares authorized, 42,862,443 and 42,862,443 shares issued and outstanding as of March 31, 2003 and December 31, 2002, respectively	43	43
Additional paid-in capital	139,506	139,482
Accumulated deficit	(64,018)	(60,530)
Notes receivable for common stock	(114)	(114)
Other equity adjustments	(626)	(886)
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Total stockholders' equity	74,791	77,995
Total liabilities and stockholders' equity	\$88,661	\$ 97,256

See accompanying Notes to Condensed Unaudited Consolidated Financial Statements

Table of Contents

PARADYNE NETWORKS, INC.
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED	
	MARCH 31,	
	2003	2002
	<u> </u>	<u> </u>
Revenues:		
Sales	\$ 17,734	\$ 37,023
Services	1,564	1,029
Royalties		506
	<u> </u>	<u> </u>
Total revenues	19,298	38,558
Total cost of sales	9,565	21,369
	<u> </u>	<u> </u>
Gross margin	9,733	17,189
Operating expenses:		
Research and development (includes \$2,830 of purchased in process R&D in March 2002)	5,609	8,144
Selling, general & administrative	7,250	7,872
	<u> </u>	<u> </u>
Amortization of intangible assets and deferred stock compensation	423	187
	<u> </u>	<u> </u>
Business restructuring charges		1,011
Total operating expenses	\$ 13,282	\$ 17,214
	<u> </u>	<u> </u>
Operating loss	(3,549)	(25)
Other (income) expenses:		
Interest, net	(154)	(150)
Other, net	93	61
	<u> </u>	<u> </u>
Income (loss) before provision for income taxes	(3,488)	64
Benefit for income taxes		(859)
	<u> </u>	<u> </u>
Net income (loss)	\$ (3,488)	\$ 923
	<u> </u>	<u> </u>
Weighted average number of common shares outstanding		
Basic	42,862	36,159
Diluted	42,862	39,696
Earnings (loss) per common share		
Basic	\$ (0.08)	\$ 0.03
Diluted	(0.08)	0.02
Consolidated Statements of Comprehensive Income (Loss)		
Net income (loss)	(3,488)	923
Translation adjustments	143	22
	<u> </u>	<u> </u>
Comprehensive income (loss)	\$ (3,345)	\$ 945
	<u> </u>	<u> </u>

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See accompanying Notes to Condensed Unaudited Consolidated Financial Statements

Table of Contents**PARADYNE NETWORKS, INC.****CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS****(IN THOUSANDS)**

	THREE MONTHS ENDED	
	MARCH 31,	
	2003	2002
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (3,488)	\$ 923
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Reserve for (income from reversal of) inventory	(762)	(1,236)
Loss on sale of assets		166
Decrease in allowance for bad debts	(268)	(30)
Depreciation and amortization	1,959	1,847
Purchased in-process research and development		2,830
Decrease in assets, net of effects of acquisition:		
Receivables	4,307	797
Restricted cash committed for inventory purchases		5,067
Inventories	1,426	4,266
Other assets	1,063	8
Increase (decrease) in liabilities, net of effects of acquisition:		
Accounts payable	(1,908)	(6,986)
Payroll and related liabilities	(1,250)	(4,336)
Other current liabilities	(2,067)	71
	<u> </u>	<u> </u>
Net cash (used in) provided by operating activities	\$ (988)	\$ 3,387
	<u> </u>	<u> </u>
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Cash acquired in business acquisition, net of transaction costs		8,814
Capital expenditures	(181)	