

SCANSOURCE INC
Form 10-Q
February 02, 2010
Table of Contents

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 December 31, 2009

Commission File Number: 000-26926

ScanSource, Inc.

(Exact name of registrant as specified in its charter)

SOUTH CAROLINA
(State or other jurisdiction of
incorporation or organization)

57-0965380
(I.R.S. Employer
Identification No.)

Edgar Filing: SCANSOURCE INC - Form 10-Q

6 Logue Court

Greenville, South Carolina, 29615

(Address of principal executive offices)

(864) 288-2432

(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 to such filed). 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

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

Class	Outstanding at January 28, 2010
Common Stock, no par value per share	26,600,308 shares

Table of Contents

SCANSOURCE, INC.

INDEX TO FORM 10-Q

December 31, 2009

	Page #
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets as of December 31, 2009 and June 30, 2009</u>	4
<u>Condensed Consolidated Income Statements for the Quarters and Six Months Ended December 31, 2009 and 2008</u>	5
<u>Condensed Consolidated Statements of Shareholders' Equity for the Six Months Ended December 31, 2009</u>	6
<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended December 31, 2009 and 2008</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	24
Item 4. <u>Controls and Procedures</u>	24
<u>PART II. OTHER INFORMATION</u>	
Item 1A. <u>Risk Factors</u>	25
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	25
Item 6. <u>Exhibits</u>	26
<u>SIGNATURES</u>	27
<u>EXHIBIT INDEX</u>	28

Table of Contents

FORWARD-LOOKING STATEMENTS

The forward-looking statements included in the Management's Discussion and Analysis of Financial Condition and Results of Operations, Quantitative and Qualitative Disclosures About Market Risk, Legal Proceedings, and Risk Factors, sections and elsewhere herein, which reflect our best judgment based on factors currently known, involve risks and uncertainties. Words such as expects, anticipates, believes, intends, plans, hopes, and variations of such words and similar expressions are intended to identify such forward-looking statements. Except as may be required by law, we expressly disclaim any obligation to update these forward-looking statements to reflect events or circumstances after the date of this Form 10-Q or to reflect the occurrence of unanticipated events. Actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors including, but not limited to, the factors discussed in such sections and, in particular, those set forth in the cautionary statements included in Risk Factors, contained in our Annual Report on Form 10-K for the year ended June 30, 2009. The forward-looking information we have provided in this Form 10-Q pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 should be evaluated in the context of these factors.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****SCANSOURCE, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)****(in thousands, except for share information)**

	December 31, 2009	June 30, 2009 *
Assets		
Current assets:		
Cash and cash equivalents	\$ 38,000	\$ 127,664
Trade and notes receivable:		
Trade, less allowance of \$22,956 at December 31, 2009 and \$16,883 at June 30, 2009	359,795	291,037
Other receivables	8,239	7,676
Inventories	308,996	216,829
Prepaid expenses and other assets	11,218	10,356
Deferred income taxes	8,747	8,735
Total current assets	734,995	662,297
Property and equipment, net	20,531	21,035
Goodwill	33,737	34,087
Other assets, including identifiable intangible assets	35,615	31,212
Total assets	\$ 824,878	\$ 748,631
Liabilities and Shareholders Equity		
Current liabilities:		
Current portion of long-term debt	\$	\$
Trade accounts payable	276,301	228,408
Accrued expenses and other liabilities	32,043	30,443
Income taxes payable	4,261	3,799
Total current liabilities	312,605	262,650
Long-term debt	30,429	30,429
Borrowings under revolving credit facility		
Other long-term liabilities	12,072	10,106
Total liabilities	355,106	303,185
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value; 3,000,000 shares authorized, none issued		
Common stock, no par value; 45,000,000 shares authorized, 26,590,008 and 26,565,870 shares issued and outstanding at December 31, 2009 and June 30, 2009, respectively	107,327	104,461
Retained earnings	360,572	337,822
Accumulated other comprehensive income	1,873	3,163

Edgar Filing: SCANSOURCE INC - Form 10-Q

Total shareholders' equity	469,772	445,446
Total liabilities and shareholders' equity	\$ 824,878	\$ 748,631

* Derived from audited consolidated financial statements
See accompanying notes to the condensed consolidated financial statements

Table of Contents**SCANSOURCE, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)****(In thousands, except per share data)**

	Quarter ended December 31,		Six months ended December 31,	
	2009	2008	2009	2008
Net sales	\$ 548,112	\$ 477,093	\$ 1,036,535	\$ 1,016,918
Cost of goods sold	491,816	424,765	928,821	909,088
Gross profit	56,296	52,328	107,714	107,830
Operating expenses:				
Selling, general and administrative expenses	38,167	33,934	71,898	68,808
Operating income	18,129	18,394	35,816	39,022
Other expense (income):				
Interest expense	364	623	730	1,202
Interest income	(422)	(424)	(685)	(775)
Other (income), net	(174)	(2,559)	(58)	(2,283)
Other (income), net	(232)	(2,360)	(13)	(1,856)
Income before income taxes	18,361	20,754	35,829	40,878
Provision for income taxes	6,546	7,229	13,079	14,923
Net income	\$ 11,815	\$ 13,525	\$ 22,750	\$ 25,955
Per share data:				
Net income per common share, basic	\$ 0.44	\$ 0.51	\$ 0.86	\$ 0.99
Weighted-average shares outstanding, basic	26,575	26,411	26,571	26,244
Net income per common share, diluted	\$ 0.44	\$ 0.51	\$ 0.85	\$ 0.98
Weighted-average shares outstanding, diluted	26,798	26,540	26,811	26,422

See accompanying notes to the condensed consolidated financial statements

Table of Contents**SCANSOURCE, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (UNAUDITED)**

(In thousands, except share data)

	Common Stock (Shares)	Common Stock (Amount)	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at June 30, 2009	26,565,870	\$ 104,461	\$ 337,822	\$ 3,163	\$ 445,446
Comprehensive Income:					
Net income			10,935		10,935
Unrealized loss on hedged transaction, net of tax of \$11				(19)	(19)
Foreign currency translation adjustment				772	772
Total comprehensive income					11,688
Exercise of stock options and shares issued under share-based compensation plans					
	3,500				
Share based compensation		1,269			1,269
Tax effect of deductible compensation arising from the exercise or vesting of share-based payment arrangements		163			163
Balance at September 30, 2009	26,569,370	\$ 105,893	\$ 348,757	\$ 3,916	\$ 458,566
Comprehensive Income:					
Net income			11,815		11,815
Unrealized gain on hedged transaction, net of tax of \$49				76	76
Foreign currency translation adjustment				(2,119)	(2,119)
Total comprehensive income					9,772
Exercise of stock options and shares issued under share-based compensation plans					
	20,638	111			111
Share based compensation		1,421			1,421
Tax effect of deductible compensation arising from the exercise or vesting of share-based payment arrangements		(98)			(98)
Balance at December 31, 2009	26,590,008	\$ 107,327	\$ 360,572	\$ 1,873	\$ 469,772