

COMTECH TELECOMMUNICATIONS CORP /DE/  
Form 10-Q  
June 03, 2009

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, 2009

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 0-7928

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation /organization)

11-2139466  
(I.R.S. Employer Identification Number)

68 South Service Road, Suite 230,  
Melville, NY  
(Address of principal executive offices)

11747  
(Zip Code)

(631) 962-7000  
(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 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.

Large accelerated filer   
filer

Accelerated filer

Non-accelerated

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of May 29, 2009, the number of outstanding shares of Common Stock, par value \$.10 per share, of the registrant was 28,152,219 shares.

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PART I  
FINANCIAL INFORMATION  
COMTECH TELECOMMUNICATIONS CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

Item 1.	Assets	April 30, 2009 (Unaudited)	July 31, 2008
<b>Current assets:</b>			
Cash and cash equivalents		\$ 255,180,000	410,067,000
Accounts receivable, net		87,602,000	70,040,000
Inventories, net		102,069,000	85,966,000
Prepaid expenses and other current assets		18,882,000	5,891,000
Deferred tax asset		16,808,000	10,026,000
<b>Total current assets</b>		<b>480,541,000</b>	<b>581,990,000</b>
<b>Property, plant and equipment, net</b>			
Property, plant and equipment, net		38,968,000	34,269,000
Goodwill		147,134,000	24,363,000
Intangibles with finite lives, net		57,470,000	7,505,000
Deferred financing costs, net		-	1,357,000
Other assets, net		598,000	3,636,000
<b>Total assets</b>		<b>\$ 724,711,000</b>	<b>653,120,000</b>
<b>Liabilities and Stockholders' Equity</b>			
<b>Current liabilities:</b>			
Accounts payable		\$ 20,173,000	31,423,000
Accrued expenses and other current liabilities		49,303,000	49,671,000
Customer advances and deposits		16,487,000	15,287,000
Current installments of other obligations		-	108,000
Interest payable		-	1,050,000
<b>Total current liabilities</b>		<b>85,963,000</b>	<b>97,539,000</b>
Convertible senior notes		-	105,000,000
Other liabilities		2,211,000	-
Income taxes payable		3,532,000	1,909,000
Deferred tax liability		12,641,000	5,870,000
<b>Total liabilities</b>		<b>104,347,000</b>	<b>210,318,000</b>
<b>Commitments and contingencies (See Note 17)</b>			
<b>Stockholders' equity:</b>			
Preferred stock, par value \$.10 per share; shares authorized and unissued 2,000,000		-	-
Common stock, par value \$.10 per share; authorized 100,000,000 shares; issued 28,363,156 shares and 24,600,166 shares at April 30, 2009 and July 31, 2008, respectively		2,836,000	2,460,000
Additional paid-in capital		320,052,000	186,246,000
Retained earnings		297,661,000	254,281,000
		<b>620,549,000</b>	<b>442,987,000</b>

Less:		
Treasury stock (210,937 shares)	(185,000)	(185,000)
Total stockholders' equity	620,364,000	442,802,000
Total liabilities and stockholders' equity	\$ 724,711,000	653,120,000

See accompanying notes to condensed consolidated financial statements.

COMTECH TELECOMMUNICATIONS CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended April 30,		Nine months ended April 30,	
	2009	2008	2009	2008
Net sales	\$ 128,545,000	138,068,000	464,346,000	405,153,000
Cost of sales	81,040,000	77,536,000	270,385,000	227,818,000
Gross profit	47,505,000	60,532,000	193,961,000	177,335,000
Expenses:				
Selling, general and administrative	23,062,000	22,032,000	78,009,000	63,735,000
Research and development	11,410,000	10,252,000	38,057,000	30,433,000
Amortization of acquired in-process research and development (See Note 6)	-	-	6,200,000	-
Amortization of intangibles	1,805,000	433,000	5,394,000	1,246,000
	36,277,000	32,717,000	127,660,000	95,414,000
Operating income	11,228,000	27,815,000	66,301,000	81,921,000
Other expenses (income):				
Interest expense	41,000	668,000	1,418,000	2,015,000
Interest income and other	(404,000)	(3,080,000)	(2,307,000)	(11,622,000)
Income before provision for income taxes	11,591,000	30,227,000	67,190,000	91,528,000
Provision for income taxes	3,422,000	10,922,000	23,810,000	32,060,000
Net income	\$ 8,169,000	19,305,000	43,380,000	59,468,000
Net income per share (See Note 5):				
Basic	\$ 0.29	0.80	1.69	2.47
Diluted	\$ 0.29	0.70	1.55	2.15
Weighted average number of common shares outstanding – basic				
	27,779,000	24,224,000	25,708,000	24,082,000
Weighted average number of common and common equivalent shares outstanding assuming dilution – diluted				
	28,452,000	28,220,000	28,540,000	28,244,000

See accompanying notes to condensed consolidated financial statements.



COMTECH TELECOMMUNICATIONS CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Nine months ended April 30,	
	2009	2008
<b>Cash flows from operating activities:</b>		
Net income	\$ 43,380,000	59,468,000
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization of property, plant and equipment	9,016,000	6,738,000
Amortization of acquired in-process research and development	6,200,000	-
Amortization of intangible assets with finite lives	5,394,000	1,246,000
Amortization of stock-based compensation	7,049,000	7,850,000
Amortization of fair value inventory step-up	1,520,000	-
Deferred financing costs	273,000	409,000
Loss (gain) on disposal of property, plant and equipment	10,000	(4,000)
Provision for allowance for doubtful accounts	9,000	432,000
Provision for excess and obsolete inventory	3,020,000	1,489,000
Excess income tax benefit from stock award exercises	(2,532,000)	(1,598,000)
Deferred income tax benefit	(326,000)	(8,240,000)
<b>Changes in assets and liabilities, net of effects of acquisitions:</b>		
Accounts receivable	4,321,000	(24,330,000)
Inventories	9,632,000	(20,241,000)
Prepaid expenses and other current assets	(5,713,000)	(4,075,000)
Other assets	47,000	(160,000)
Accounts payable	(16,964,000)	(313,000)
Accrued expenses and other current liabilities	(13,219,000)	(1,497,000)
Customer advances and deposits	(2,014,000)	(541,000)
Other liabilities	188,000	-
Interest payable	(1,050,000)	(525,000)
Income taxes payable	1,371,000	6,023,000
Net cash provided by operating activities	49,612,000	22,131,000