

CELLSTAR CORP
Form 10-Q
October 15, 2003
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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 August 31, 2003

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 0-22972

CELLSTAR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

75-2479727

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(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

1730 Briercroft Court

Carrollton, Texas 75006

Telephone (972) 466-5000

(Address, including zip code and telephone number,
including area code, of registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports 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). Yes No

On October 10, 2003, there were 20,354,365 outstanding shares of Common Stock, \$0.01 par value per share.

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CELLSTAR CORPORATION

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

CellStar Corporation and Subsidiaries

Consolidated Balance Sheets

(Unaudited)

(In thousands, except share data)

	August 31,	November 30,
	2003	2002
	<u> </u>	<u> </u>
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 66,231	29,270
Restricted cash	11,335	23,778
Accounts receivable (less allowance for doubtful accounts of \$60,846 and \$57,630, respectively)	186,813	175,102
Inventories	172,779	163,226
Deferred income tax assets	39,676	32,786
Prepaid expenses	25,661	21,942
	<u> </u>	<u> </u>
Total current assets	502,495	446,104
Property and equipment, net	13,282	18,701
Goodwill (less accumulated amortization of \$8,953 at November 30, 2002)		20,939
Deferred income tax assets	23,377	20,231
Other assets	6,231	9,616
	<u> </u>	<u> </u>
Total assets	\$ 545,385	515,591
	<u> </u>	<u> </u>
<u>Liabilities and Stockholders' Equity</u>		
Current Liabilities:		
Notes payable	\$ 107,753	53,347
Accounts payable	182,740	166,141
Accrued expenses	24,377	31,934
Income taxes payable	1,687	7,840
Deferred income taxes	44,871	44,988
	<u> </u>	<u> </u>
Total current liabilities	361,428	304,250
12% Senior subordinated notes	12,374	12,374
Other long-term liabilities	3,522	4,636
	<u> </u>	<u> </u>
Total liabilities	377,324	321,260
	<u> </u>	<u> </u>
Stockholders' Equity:		
Preferred stock, \$0.01 par value, 5,000,000 shares authorized; none issued		
Common stock, \$0.01 par value, 200,000,000 shares authorized; 20,354,365 shares issued and outstanding	204	204

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Additional paid in capital	123,392	123,392
Accumulated other comprehensive loss - foreign currency translation adjustments	(17,226)	(14,435)
Retained earnings	61,691	85,170
	<u> </u>	<u> </u>
Total stockholders' equity	168,061	194,331
	<u> </u>	<u> </u>
Total liabilities and stockholders' equity	\$ 545,385	515,591
	<u> </u>	<u> </u>

See accompanying notes to unaudited consolidated financial statements.

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CELLSTAR CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

(Unaudited)

(In thousands, except per share data)

	Three months ended		Nine months ended	
	August 31,		August 31,	
	2003	2002	2003	2002
Revenues	\$ 442,411	509,220	1,371,245	1,689,933
Cost of sales	418,161	475,319	1,303,106	1,587,880
Gross profit	24,250	33,901	68,139	102,053
Selling, general and administrative expenses	20,752	27,335	72,897	89,300
Impairment of assets				3,655
Severance and exit charges	(710)		(710)	2,566
Operating income (loss)	4,208	6,566	(4,048)	6,532
Other income (expense):				
Interest expense	(1,674)	(1,609)	(4,719)	(6,413)
Gain on early extinguishment of debt		54		17,208
Loss on sale of asset	(180)		(180)	
Other, net	(499)	839	1,049	1,518
Total other income (expense)	(2,353)	(716)	(3,850)	12,313
Income (loss) from continuing operations before income taxes	1,855	5,850	(7,898)	18,845
Provision (benefit) for income taxes	414	(82)	(3,038)	7,729
Income (loss) from continuing operations	1,441	5,932	(4,860)	11,116
Discontinued operations		217	(1,466)	515
Income (loss) before cumulative effect of a change in accounting principle, net of tax	1,441	6,149	(6,326)	11,631
Cumulative effect of a change in accounting principle, net of tax			(17,153)	
Net income (loss)	\$ 1,441	6,149	(23,479)	11,631
Net income (loss) per share:				
Basic:				
Income (loss) from continuing operations	\$ 0.07	0.48	(0.24)	0.91
Discontinued operations		0.02	(0.07)	0.05
Income (loss) before cumulative effect of a change in accounting principle, net of tax	0.07	0.50	(0.31)	0.96

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Cumulative effect of a change in accounting principle, net of tax			(0.84)	
Net income (loss) per share	\$ 0.07	0.50	(1.15)	0.96
Diluted:				
Income (loss) from continuing operations	\$ 0.07	0.29	(0.24)	0.63
Discontinued operations		0.01	(0.07)	0.03
Income (loss) before cumulative effect of a change in accounting principle, net of tax	0.07	0.30	(0.31)	0.66
Cumulative effect of a change in accounting principle, net of tax			(0.84)	
Net income (loss) per share	\$ 0.07	0.30	(1.15)	0.66
Weighted average number of shares:				
Basic	20,354	12,372	20,354	12,150
Diluted	20,413	20,184	20,354	17,631

See accompanying notes to unaudited consolidated financial statements.

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CellStar Corporation and Subsidiaries

Consolidated Statement of Stockholders' Equity and Comprehensive Loss

Nine months ended August 31, 2003

(Unaudited)

(In thousands)

	<u>Shares</u>	<u>Amount</u>	<u>Additional paid-in capital</u>	<u>Accumulated other comprehensive loss</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at November 30, 2002	20,354	\$ 204	123,392	(14,435)	85,170	194,331
Comprehensive loss:						
Net loss					(23,479)	(23,479)
Foreign currency translation adjustment				(2,791)		(2,791)