

ADTRAN INC

FORM 10-Q (Quarterly Report)

Filed 11/14/2000 For Period Ending 9/30/2000

Address	901 EXPLORER BLVD HUNTSVILLE, Alabama 35806
Telephone	256-963-8000
CIK	0000926282
Industry	Communications Equipment
Sector	Technology
Fiscal Year	12/31

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 September 30, 2000

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 0-24612

ADTRAN, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State of Incorporation)

63-0918200
(I.R.S. Employer
Identification No.)

901 Explorer Boulevard, Huntsville, Alabama 35806-2807
(Address of principal executive offices, including zip code)

(256) 963-8000
(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 twelve 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 x 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 October 31, 2000
-----	-----
Common Stock, \$.01 Par Value	38,705,162 shares

ADTRAN, INC.

For the Quarter Ended September 30, 2000

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ADTRAN, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	September 30, 2000	December 31, 1999
	----- (Unaudited)	-----
Current assets:		
Cash and cash equivalents.....	\$ 6,531,156	\$ 37,500,674
Short-term investments.....	152,885,674	41,080,776
Accounts receivable, less allowance for doubtful accounts of \$877,409 and \$1,018,400 in 2000 and 1999, respectively.....	80,177,680	60,036,876
Other receivables.....	11,811,130	4,458,525
Inventory.....	85,331,330	58,568,773
Prepaid expenses.....	4,543,284	1,410,286
Deferred income taxes.....	4,069,937	4,069,937
	-----	-----
Total current assets.....	345,350,191	207,125,847
Property, plant and equipment, less accumulated depreciation of \$49,612,672 and \$40,416,461 in 2000 and 1999, respectively.....	122,140,649	104,587,755
Other assets.....	220,000	220,000
Long-term investments.....	170,297,426	244,362,579
	-----	-----
	\$638,008,266	\$556,296,181
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 28,999,280	\$ 12,773,848
Accrued wages and benefits.....	5,691,532	4,860,226
Accrued income taxes.....	29,726,721	6,096,459
Accrued liabilities.....	2,716,791	2,248,022
	-----	-----
Total current liabilities.....	67,134,324	25,978,555
Long term liabilities:		
Bonds payable.....	50,000,000	50,000,000
Deferred income taxes.....	49,382,381	80,265,155
	-----	-----
Total liabilities.....	166,516,705	156,243,710
	-----	-----
Minority interest in subsidiary	160,000	--
	-----	-----
Stockholders' equity:		
Common stock, par value \$.01 per share, 200,000,000 shares authorized: 39,446,664 and 39,446,644 shares issued in 2000 and 1999, respectively.....	394,466	394,466
Additional paid-in capital.....	91,093,057	90,832,913
Accumulated other comprehensive income.....	68,387,143	116,000,000
Retained earnings.....	327,145,508	214,834,541
Less treasury stock at cost: 744,868 and 1,047,225 shares in 2000 and 1999, respectively.....	(15,688,613)	(22,009,449)
	-----	-----
Total stockholders' equity.....	471,331,561	400,052,471
	-----	-----
	\$638,008,266	\$556,296,181
	=====	=====

See notes to condensed consolidated financial statements

ADTRAN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended		Nine Months Ended	
	2000	September 30, 1999	2000	September 30, 1999
Sales.....	\$127,276,696	\$97,067,399	\$341,193,702	\$262,736,919
Cost of sales.....	61,323,706	46,604,689	159,165,772	129,485,356
	-----	-----	-----	-----
Gross profit.....	65,952,990	50,462,710	182,027,930	133,251,563
Selling, general and administrative expenses.....	22,968,133	18,353,928	63,068,043	52,357,951
Research and development expenses.....	12,766,314	10,885,778	37,022,104	30,914,252
	-----	-----	-----	-----
Income from operations.....	30,218,543	21,223,004	81,937,783	49,979,360
Interest expense.....	(589,000)	(582,667)	(1,741,667)	(1,729,000)
Other income, net.....	2,797,520	913,630	5,932,258	3,118,245
Realized investment gains-net.....	84,040,125	--	84,040,125	--
	-----	-----	-----	-----
Income before income taxes.....	116,467,188	21,553,967	170,168,499	51,368,605
Provision for income taxes.....	(39,598,846)	(7,403,779)	(57,857,532)	(17,391,683)
	-----	-----	-----	-----
Net income.....	\$ 76,868,342	\$14,150,188	\$112,310,967	\$ 33,976,922
	=====	=====	=====	=====
Weighted average shares outstanding.....	38,690,560	38,332,793	38,633,914	38,324,349
	=====	=====	=====	=====
Weighted average shares outstanding assuming dilution(1).....	39,748,566	39,069,099	39,827,843	38,696,373
	=====	=====	=====	=====
Earnings per common share - basic.....	\$ 1.99	\$.37	\$ 2.91	\$.89
	=====	=====	=====	=====
Earnings per common share assuming dilution(1).....	\$ 1.93	\$.36	\$ 2.82	\$.88
	=====	=====	=====	=====

(1) Assumes exercise of dilutive stock options calculated under the treasury stock method.

See notes to condensed consolidated financial statements

ADTRAN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2000	1999
Cash flows from operating activities:		
Net income.....	\$ 112,310,967	\$ 33,976,922
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation.....	9,536,588	7,894,392
Provision for losses on accounts receivable.....	5,277	20,532
Provision for losses on inventory.....	4,258,428	2,762,383
Gain on sale of property, plant and equipment.....	(830)	(5,000)
Loss on sale of short-term investments.....	134,847	276,977
Gain on sale of long-term investments.....	(85,368,216)	(250)
Change in operating assets:		
Accounts receivable.....	(20,146,082)	(17,352,940)
Inventory.....	(31,020,905)	1,078,048
Other receivables.....	(7,355,217)	(1,472,804)
Prepaid expenses.....	(3,132,998)	155,218
Deferred income taxes.....	(333,179)	--
Change in operating liabilities:		
Accounts payable.....	14,209,349	3,075,661
Accrued wages and benefits.....	831,306	2,493,771
Accrued income taxes.....	23,630,263	4,900,808
Accrued liabilities.....	2,484,773	466,210
	20,044,371	38,270,428
Net cash provided by operating activities.....	20,044,371	38,270,428
Cash flows from investing activities:		
Expenditures for property, plant and equipment.....	(27,089,785)	(28,342,791)
Proceeds from the disposition of property, plant and equipment.....	--	5,000
Proceeds from sales of short-term investments.....	50,907,900	35,605,897
Purchase of short-term investments.....	(162,843,646)	(10,245,487)
Proceeds from sales of long-term investments.....	87,194,072	--
Purchase of long-term investments.....	(5,763,409)	(540,079)
	(57,594,868)	(3,517,460)
Net cash used in investing activities.....	(57,594,868)	(3,517,460)
Cash flows from financing activities:		
Proceeds from issuance of common stock.....	6,580,979	702,740
Purchase of treasury stock.....	--	(320,898)
	6,580,979	381,842
Net cash provided by financing activities.....	6,580,979	381,842
Net increase (decrease) in cash and cash equivalents.....	(30,969,518)	35,134,810
Cash and cash equivalents, beginning of period.....	37,500,674	10,009,320
Cash and cash equivalents, end of period.....	\$ 6,531,156	\$ 45,144,130

See notes to condensed consolidated financial statements

ADTRAN, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

The interim condensed consolidated balance sheet of ADTRAN, Inc. ("ADTRAN") at December 31, 1999 has been derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. The accompanying unaudited condensed financial statements of ADTRAN have been prepared pursuant to the rules and regulations for reporting on Form 10-Q. Accordingly, certain information and notes required by generally accepted accounting principles for complete financial statements are not included herein. In the opinion of management, all adjustments necessary for a fair presentation of these interim statements have been included and are of a normal and recurring nature. Operating results for the nine months ended September 30, 2000 are not necessarily indicative of the results that may be expected to occur for the year ending December 31, 2000. The interim statements should be read in conjunction with the financial statements and notes thereto included in ADTRAN's latest Annual Report on Form 10-K.

2. INVENTORY

At September 30, 2000 and December 31, 1999, inventory consisted of the following:

	September 30, 2000	December 31, 1999
Raw materials	\$54,131,623	\$30,143,435
Work in progress	16,906,671	15,763,155
Finished goods	14,293,036	12,662,183
	-----	-----
	\$85,331,330	\$58,568,773
	=====	=====

3. COMPREHENSIVE INCOME

Comprehensive income consists of net income and unrealized gains and losses on marketable securities, net of deferred taxes. The reduction in accumulated other comprehensive income is a result of the net realized gain on the sale of marketable equity securities and the reduction in the fair value of the investments.

4. EARNINGS PER SHARE

The company reported a realized investment gain during the three months ended September 30, 2000 from the sale of certain marketable equity securities resulting in a gain of \$55,410,000 (\$1.39 per share assuming dilution). Earnings per share before the realized investment gain, assuming dilution, for the three months ended September 30, 2000 was \$.54 compared to earnings per share of \$.36 for the three months ended September 30, 1999, and \$1.43 for the nine months ended September 30, 2000 compared to \$.88 for the nine months ended September 30, 1999.

A summary of the calculation of basic and diluted earnings per share (EPS) for the three months and nine months ended September 30, 2000 and 1999 is as follows:

	For the Three Months Ended September 30, 2000		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	\$ 76,868,342	38,690,560	\$1.99
Effect of Dilutive Securities			
Stock Options		1,058,006	
Diluted EPS			
Income available to common stockholders plus assumed conversions	\$ 76,868,342	39,748,566	\$1.93

	For the Nine Months Ended September 30, 2000		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	\$112,310,967	38,633,914	\$2.91
Effect of Dilutive Securities			
Stock Options		1,193,929	
Diluted EPS			
Income available to common stockholders plus assumed conversions	\$112,310,967	39,827,843	\$2.82

Earnings Per Share (continued)

	For the Three Months Ended September 30, 1999		
	Income	Shares	Per-Share
	(Numerator)	(Denominator)	Amount
Basic EPS			
Income available to common stockholders	\$14,150,188	38,332,793	\$0.37
Effect of Dilutive Securities			
Stock Options		736,306	
Diluted EPS			
Income available to common stockholders plus assumed conversions	\$14,150,188	39,069,099	\$0.36
	For the Nine Months Ended September 30, 1999		
	Income	Shares	Per-Share
	(Numerator)	(Denominator)	Amount
Basic EPS			
Income available to common stockholders	\$33,976,922	38,324,349	\$0.89
Effect of Dilutive Securities			
Stock Options		372,024	
Diluted EPS			
Income available to common stockholders plus assumed conversions	\$33,976,922	38,696,373	\$0.88

5. Segment Information

ADTRAN operates two reportable segments - (1) the Carrier Network Division (formerly Telco) and (2) the Enterprise Network Division (formerly Customer Premise Equipment). ADTRAN evaluates the performance of its segments based on gross profit; therefore, selling, general and administrative costs, as well as research and development, interest income/expense, and the provision for income taxes are reported on an entity wide basis only. There are no intersegment revenues.

The table below presents information about the reported sales and gross profit of ADTRAN for the three months and nine months ended September 30, 2000 and 1999, respectively. Asset information by reportable segment is not reported, since ADTRAN does not produce such information internally.

	Three Months Ended September 30, 2000		Nine Months Ended September 30, 2000	
	Sales	Gross Profit	Sales	Gross Profit
Carrier Network	\$ 79,911,989	\$38,846,847	\$224,501,259	\$115,269,078
Enterprise Network	47,364,707	27,106,143	116,692,443	66,758,852
Total	\$127,276,696	\$65,952,990	\$341,193,702	\$182,027,930

	Three Months Ended September 30, 1999		Nine Months Ended September 30, 1999	
	Sales	Gross Profit	Sales	Gross Profit
Carrier Network	\$ 61,359,332	\$28,859,624	\$165,635,435	\$ 76,206,569
Enterprise Network	35,708,067	21,603,086	97,101,484	57,044,994
Total	\$ 97,067,399	\$50,462,710	\$262,736,919	\$133,251,563

The following table presents sales information by geographic area for the three months and nine months ended September 30, 2000 and 1999, respectively.

Sales	Three Months Ended		Nine Months Ended	
	September 30, 2000	September 30, 1999	September 30, 2000	September 30, 1999
United States	\$123,061,429	\$94,701,128	\$331,772,796	\$255,789,104
Foreign	4,215,267	2,366,271	9,420,906	6,947,815
Total	\$127,276,696	\$97,067,399	\$341,193,702	\$262,736,919

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

OF OPERATIONS

Overview

ADTRAN, Inc. ("ADTRAN") designs, develops, manufactures, markets and services a broad range of high speed digital transmission products utilized by telephone companies ("Telcos") and corporate end-users to implement advanced digital data services over existing telephone networks. We currently sell our products to Telcos including all Regional Bell Operating Companies (through what is now referred to as our Carrier Network Division), and to private end-users through our Enterprise Network Division (formerly known as the Customer Premises Equipment or CPE Division).

ADTRAN's sales have increased each year due primarily to increases in the number of units sold to both new and existing customers. These annual sales increases reflect our strategy of increasing unit volume and market share through the introduction of succeeding generations of products having lower selling prices and increased functionality as compared to the prior generation of a product and to the products of competitors. An important part of ADTRAN's strategy is to engineer the reduction of the product cost of each succeeding product generation and then to lower the product's price based on the cost savings achieved. As a part of this strategy, we seek in most instances to be a low-cost, high-quality provider of products in our markets. ADTRAN's success to date is attributable in large measure to our ability to initially design our products with a view to their subsequent re-design, allowing efficient enhancements of the product in each succeeding product generation. This strategy enables ADTRAN to sell succeeding generations of products to existing customers while increasing our market share by selling these enhanced products to new customers.

ADTRAN intends to retain all earnings for use in the development of our business and does not anticipate paying any cash dividends in the foreseeable future.

When used in this Form 10-Q, the words "believe," "anticipate," "think," "intend," "will be," and similar expressions identify forward-looking statements. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date hereof. Readers are also urged to carefully review and consider the various disclosures made by ADTRAN which attempt to advise interested parties of the factors which affect our business, including the disclosures made in other periodic reports on Forms 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission.

RESULTS OF OPERATIONS - THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2000 COMPARED TO THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 1999

SALES

ADTRAN's sales increased 31.1% from \$97,067,399 in the three months ended September 30, 1999 to \$127,276,696 in the three months ended September 30, 2000. Sales increased 29.9% from \$262,736,919 in the nine months ended September 30, 1999 to \$341,193,702 in the nine months ended September 30, 2000. The increased sales resulted from an increase in sales volume to existing customers and from increased market penetration. Carrier Network sales increased from \$61,359,332 in the three months ended September 30, 1999 to \$79,911,989 in the three months ended September 30, 2000 and increased from \$165,635,435 in the nine months ended September 30, 1999 to \$224,501,259 in the nine months ended September 30, 2000. Carrier Network sales for the 2000 period increased primarily from continued success of our Systems products and strong sequential growth in our Total Reach products. Carrier Network sales as a percentage of total sales decreased from 63.2% in the three months ended September 30, 1999 to 62.8% in the three months ended September 30, 2000 and increased from 63.0% in the nine months ended September 30, 1999 to 65.8% in the nine months ended September 30, 2000. Sales of Enterprise Network products increased from \$35,708,067 in the three months ended September 30, 1999 to \$47,364,707 in the three months ended September 30, 2000. The increase was also due to strong growth in our Systems products. Sales of Enterprise Network products increased 20.2% from \$97,101,484 in the nine months ended September 30, 1999 to \$116,692,443 in the nine months ended September 30, 2000. As a percentage of sales, Enterprise Network sales increased from 36.8% in the three months ended September 30, 1999 to 37.2% in the three months ended September 30, 2000 and decreased from 37.0% in the nine months ended September 30, 1999 to 34.2% in the nine months ended September 30, 2000. The financial effect of the increase in overall unit volume was offset somewhat by lower unit selling prices for many of ADTRAN's products.

COST OF SALES

Cost of sales increased 31.6% from \$46,604,689 in the three months ended September 30, 1999 to \$61,323,706 in the three months ended September 30, 2000 and increased 22.9% from \$129,485,356 in the nine months ended September 30, 1999 to \$159,165,772 in the nine months ended September 30, 2000. As a percentage of sales, cost of sales remained relatively unchanged from 48.0% in the three months ended September 30, 1999 to 48.2% in the three months ended September 30, 2000 and decreased from 49.3% in the nine months ended September 30, 1999 to 46.6% in the nine months ended September 30, 2000. An important part of ADTRAN's strategy is to reduce the product cost of each succeeding product generation and then to lower the product's price based on the cost savings achieved. This strategy sometimes results in variations in ADTRAN's gross profit margin due to timing differences between the recognition of cost reductions and the lowering of product selling prices. In view of the rapid pace of new product introductions by ADTRAN, this strategy may result in variations in gross profit margins that, for any particular financial period, can be difficult to predict.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses increased 25.1% from \$18,353,928 in the three months ended September 30, 1999 to \$22,968,133 in the three months ended September 30, 2000 and increased 20.5% from \$52,357,951 in the nine months ended September 30, 1999 to \$63,068,043 in the nine months ended September 30, 2000. The increase was due to additional sales and support expenditures necessary as a result of our expanded sales base. Selling, general and administrative expenses as a percentage of sales decreased from 18.9% in the three months ended September 30, 1999 to 18.0% in the three months ended September 30, 2000 and decreased from 19.9% in the nine months ended September 30, 1999 to 18.5% in the nine months ended September 30, 2000. Sales and support organization expansion, which resulted in increased costs during the quarter, will continue because they are necessary to position ADTRAN to accumulate market share and maintain growth over the long-term.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses increased 17.3% from \$10,885,778 in the three months ended September 30, 1999 to \$12,766,314 in the three months ended September 30, 2000 and increased 19.8% from \$30,914,252 in the nine months ended September 30, 1999 to \$37,022,104 in the nine months ended September 30, 2000. The increase was due to increased investment in product development and cost reduction through engineering. As a percentage of sales, research and development expenses decreased from 11.2% in the three months ended September 30, 1999 to 10.0% in the three months ended September 30, 2000 and decreased from 11.8% in the nine months ended September 30, 1999 to 10.9% in the nine months ended September 30, 2000. ADTRAN will continue to invest in these product development activities because they are necessary to position us to accumulate market share and maintain growth over the long-term.

INTEREST EXPENSE

Interest expense remained relatively unchanged from \$582,667 for the three months ended September 30, 1999 to \$589,000 in the three months ended September 30, 2000 and remained relatively unchanged from \$1,729,000 in the nine months ended September 30, 1999 to \$1,741,667 in the nine months ended September 30, 2000.

NET INCOME

As a result of the above factors, income before realized investment gains (net of income taxes) increased 51.3% from \$14,150,188 in the three months ended September 30, 1999 to \$21,401,862 in the three months ended September 30, 2000 and increased 67.3% from \$33,976,922 in the nine months ended September 30, 1999 to \$56,844,727 in the nine months ended September 30, 2000. As a percentage of sales, income before realized investment gains increased from 14.6% in the three months ended September 30, 1999 to 16.8% in the three months ended September 30, 2000 and increased from 12.9% in the nine months ended September 30, 1999 to 16.7% in the nine months ended September 30, 2000.

Liquidity and Capital Resources

ADTRAN committed to spend approximately an additional \$2,500,000 for completing the construction of Phase IV of our corporate headquarters in Huntsville, Alabama, which was completed in October 2000. Over the next several years, we expect to spend approximately an additional \$35,000,000 to equip Phase IV. Fifty million dollars of ADTRAN's Phase III expansion was approved for participation in an incentive program

offered by the Alabama State Industrial Development Authority (the "Authority"). The incentive program enables participating companies to generate Alabama corporate income tax credits that can be used to reduce the amount of Alabama corporate income taxes that would otherwise be payable. There can be no assurance that the State of Alabama will continue to make these corporate income tax credits available in the future, and therefore, ADTRAN may not realize the full benefit of these incentives. Through December 31, 1999, the Authority had issued \$50,000,000 of its taxable revenue bonds pursuant to the incentive program and loaned the proceeds from the sale of the bonds to ADTRAN. ADTRAN is required to make payments to the Authority in the amounts necessary to pay the principal of and interest on the Authority's Taxable Revenue Bond, Series 1995, as amended, currently outstanding in the aggregate principal amount of \$50,000,000. The bond matures on January 1, 2020, and bears interest at the rate of 45 basis points over the money market rate of First Union National Bank of Tennessee.

ADTRAN's working capital position increased from \$181,147,292 as of December 31, 1999 to \$278,215,867 as of September 30, 2000 due to cash generated from operations and the sale of certain marketable equity securities, as discussed below. ADTRAN has used, and expects to continue to use, the cash generated from operations for working capital and other general corporate purposes, including (i) product development activities to enhance its existing products and develop new products and (ii) expansion of sales and marketing activities. Inventory increased 45.7% from December 31, 1999 to September 30, 2000. The increase is attributable to two factors, (i) our expectations of increased shipments to existing customers and (ii) increasing quantities of certain commodities in anticipation of market wide allocations.

On March 31, 1997, the Board of Directors authorized ADTRAN to re-purchase up to 1,000,000 shares of our outstanding common stock. In October 1998, the Board approved the re-purchase of an additional 2,000,000 shares. As of September 30, 2000, we had re-purchased 1,121,017 shares of our common stock at a total cost of \$23,595,265.

Capital expenditures totaling \$36,236,622 for the year ended December 31, 1999 and \$27,089,785 in the first nine months of 2000 were used to expand our headquarters and to purchase equipment.

At September 30, 2000, ADTRAN's cash on hand of \$6,531,156 and short-term investments of \$152,885,674 placed our potential cash availability at \$159,416,830, of which a portion is being used to expand ADTRAN's facilities under the incentive program described above.

During July 2000, ADTRAN sold certain marketable equity securities (included in long-term investments in the accompanying condensed consolidated balance sheet) for \$91,899,742 net of transaction costs of \$4,705,670, resulting in a realized gain of \$85,368,216.

We intend to finance our operations in the future with cash flow from operations and remaining borrowed taxable revenue bond proceeds. We believe these available sources of funds to be adequate to meet our operating and capital needs for the foreseeable future.

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits are being filed with this report.

27 - Financial Data Schedule

(b) No Reports on Form 8-K were filed during the quarter ended September 30, 2000.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ADTRAN, INC.
(Registrant)

Date: November 14, 2000

/s/ John R. Cooper

John R. Cooper
Vice President - Finance and
Chief Financial Officer

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED STATEMENT OF INCOME FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2000 AND THE CONDENSED BALANCE SHEET AS OF SEPTEMBER 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

CIK: 0000926282

NAME: ADTRAN, INC.

MULTIPLIER: 1

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 2000
PERIOD START	JUL 01 2000
PERIOD END	SEP 30 2000
CASH	6,531,156
SECURITIES	152,885,674
RECEIVABLES	81,055,089
ALLOWANCES	877,409
INVENTORY	85,331,330
CURRENT ASSETS	345,350,191
PP&E	171,753,321
DEPRECIATION	49,612,672
TOTAL ASSETS	638,008,266
CURRENT LIABILITIES	67,134,324
BONDS	50,000,000
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	394,467
OTHER SE	471,491,561
TOTAL LIABILITY AND EQUITY	638,008,266
SALES	127,276,696
TOTAL REVENUES	127,276,696
CGS	62,323,706
TOTAL COSTS	61,323,706
OTHER EXPENSES	30,219,258
LOSS PROVISION	0
INTEREST EXPENSE	589,000
INCOME PRETAX	116,467,188
INCOME TAX	39,598,846
INCOME CONTINUING	76,868,342
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	76,868,342
EPS BASIC	1.99
EPS DILUTED	1.93

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