

CABLE DESIGN TECHNOLOGIES CORP

Form 10-Q/A

April 27, 2004

Table of Contents

---

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

---

**FORM 10-Q/A**

**(Amendment No. 1)**

---

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

For the quarterly period ended January 31, 2004

Commission File No. 0-22724

---

**CABLE DESIGN TECHNOLOGIES CORPORATION**

(Exact name of registrant as specified in its charter)

---

Delaware  
(State or other jurisdiction of

36-3601505  
(I.R.S. Employer Identification No.)

Edgar Filing: CABLE DESIGN TECHNOLOGIES CORP - Form 10-Q/A

incorporation or organization)

**1901 North Roselle Road**

**Schaumburg, IL 60195**

(Address of principal executive offices)

**(847) 230-1900**

**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). Yes  No

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

<u>Class</u>	<u>Outstanding at March 12, 2004</u>
Common Stock, \$.01 Par Value	42,048,945

---

**Table of Contents**

**EXPLANATORY NOTE**

This Amendment No. 1 to the Quarterly Report on Form 10-Q/A ( Amendment No. 1 ) for Cable Design Technologies Corporation (the Company ) for the quarterly period ended January 31, 2004, is being filed to amend the items described below contained in the Company s Quarterly Report on Form 10-Q (the Form 10-Q ) originally filed with the Securities and Exchange Commission ( SEC ) on March 16, 2004, in response to comments provided by the SEC in connection with the Company s filing of Amendment No. 1 to Registration Statement on Form S-3, File No. 333-110944, filed on March 15, 2004.

This Amendment No. 1 makes changes to amend Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations to make minor corrections and to more fully describe: (1) an overview of the Company s business and its position in and the trends in the Network Communication and Specialty Electronics marketplaces and their effect on the Company; (2) the factors impacting the change in minority interest for the three and six months ended January 31, 2004; (3) a more detailed description of the impairment charge of \$35.7 million recorded for the six months ended January 31, 2003; and (4) the adequacy of the Company s cash balances as of January 31, 2004.

In order to preserve the nature and character of the disclosures set forth in such Items as originally filed, no attempt has been made in this Form 10-Q/A (Amendment No. 1) to modify or update other disclosures as presented in the Form 10-Q except to conform to the comments of the SEC staff as set forth in their letter to the Company dated March 25, 2004, and such other changes as required by applicable law. All information contained in this Amendment No. 1 is subject to updating and supplementing as provided in the Company s reports filed with the SEC, as amended, for periods subsequent to the date of the original filing of the Form 10-Q.

**Table of Contents**

**CABLE DESIGN TECHNOLOGIES CORPORATION AND SUBSIDIARIES**

**SECOND QUARTER 2004 FORM 10-Q/A**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>PART I</b>	
<b><u>FINANCIAL INFORMATION</u></b>	
<b>Item 2.</b>	
<b><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	2
<b><u>Signatures</u></b>	10

**Table of Contents****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

This discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's unaudited condensed consolidated financial statements and the notes thereto. The Company's unaudited condensed financial statements as of January 31, 2004, for the three and six months ended January 31, 2004 and 2003, have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements and the rules and regulations of the Securities and Exchange Commission for interim financial statements, and should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2003. In our opinion, the unaudited condensed consolidated financial statements reflect all adjustments, consisting of normal and recurring adjustments, necessary for a fair presentation of the financial condition, results of operations, and cash flows for the periods indicated. Certain prior year amounts have been reclassified to conform to the current interim period presentation. The consolidated results of operations for the interim periods reported are not necessarily indicative of the results to be experienced for the entire fiscal year. The discussions that follow do not take into account the potential impact of the Company's proposed merger with Belden Inc. announced February 5, 2004, except for costs associated with the planned merger, which are reflected in the Company's results for the three months ended January 31, 2004 (See Note 12 "Subsequent Event" and Part II, Item 5. "Other Information").

**Results of Operations**

The following table sets forth certain line items from the Consolidated Income Statement as a percent of revenue for the periods presented:

	Three Months		Six Months	
	Ended		Ended	
	January 31,		January 31,	
	2004	2003	2004	2003
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	79.3	76.9	77.8	77.0
Gross profit	20.7	23.1	22.2	23.0
Selling, general and administrative expenses	21.7	19.4	19.9	19.4
Research and development expenses	0.9	0.7	0.9	0.8
(Loss) income from operations	(1.8)	1.7	1.5	(0.9)
Net (loss) income from continuing operations before cumulative effect of accounting change	(2.8)%	0.1%	(0.3)%	1.5%

## Table of Contents

### Overview

Cable Design Technologies Corporation (the Company) designs, manufactures, and distributes technologically advanced connectivity products for the global Network Communication and Specialty Electronic marketplaces. Network Communication encompasses connectivity products used within computer networks and communication infrastructures for the electronic and optical transmission of data, voice and multimedia. Products included in this segment are high bandwidth network and interconnect cables, fiber optic cable and passive components, including connectors, wiring racks and panels, and interconnecting hardware for end-to-end network structured wiring systems, and communication cable products for local loop, central office, wireless and other applications. The Specialty Electronic segment encompasses electronic cable products for automation and process control applications as well as specialized wire and cable products for niche markets, including commercial aviation and automotive electronics.

The Company had been heavily dependent on capital spending trends in the networking sector and demand from original equipment manufacturers (OEMs), including those in the telecommunications and electronic sectors. The overall economic decline in fiscal years 2002, 2003, and the first half of fiscal year 2004, has, we believe, negatively impacted: (1) new office construction and expansion; (2) commercial, academic and governmental budgets for network infrastructure; and (3) OEM sales of telecommunication and other related products. In addition, the Company has faced increased competition from companies attempting to utilize excess capacity as well as lower-cost manufactured imports in many of its markets. The network sector continues to be negatively impacted by lower levels of infrastructure capital spending and weak demand for new or refurbished commercial office space. In the specialty electronic sector, sluggish demand for telecommunication products is offset by favorable demand conditions in the automotive and aviation markets, as well as markets for video, sound, security and other similar applications.

The Company's current strategy is to maintain an extensive product portfolio, continue to develop new products, utilize manufacturing expertise to create efficiencies, develop and market recognized brand names, and capitalize on a large customer base. Currently, through its nineteen consolidated subsidiaries and divisions, the Company designs, manufactures, and distributes a diverse portfolio of different products, grouped into 26 product categories, to over 10,000 customers across a broad variety of end markets in 80 countries. While overall sales trends in the telecommunications and networking sectors can still have an effect on sales volume, the Company's diverse product mix and customer base have resulted in sales growth with reduced volatility and dependency on any one industry sector. For the six months ended January 31, 2004, total net sales in the Network Communication and Specialty Electronic business segments have continued to become more balanced and represent 58% and 42% of total net sales compared to 62% and 38%, respectively, in fiscal year 2001. The Company believes that this diversity will result in overall sales growth commensurate with North American and European economic growth rates.

The Company's profitability is primarily impacted by fluctuations in its gross margin, which is mainly determined by product pricing and raw material costs. Product pricing across most product categories and industry sectors continues to be negatively effected by lower cost imports and excess industry capacity for certain products. Copper and insulating compounds are the major raw materials for many of the Company's products. Copper prices have recently increased substantially due to higher worldwide demand, temporary supply restrictions, and the effect of the weaker U.S. dollar. While the Company has recently announced price increases in many of its product lines, it is too soon to know whether such increases will be accepted or whether they will negatively effect demand. If copper prices remain high and the Company is unable to recoup these raw material cost increases through product price increases or product price increases negatively effect demand, the Company's operating performance will be impacted negatively in the third and fourth quarters of 2004. However, the Company believes that the implementation of its current strategies should enable it to be well positioned to respond to current market trends without any material negative impact on its financial condition or liquidity.

**Table of Contents****Three Months Ended January 31, 2004 Compared to Three Months Ended January 31, 2003**

<i>(in millions)</i>	Three Months Ended January 31,		Total Sales Incr./((Decr.))	Incr./((Decr.))
	2004	2003		Due to the Effect of Currency Translation
Net sales:				
Network Communication	\$ 69.7	\$ 66.0	\$ 3.7	\$ 4.2
Specialty Electronic	51.5	46.0	5.5	3.2
<b>Total net sales</b>	<b>\$ 121.2</b>	<b>\$ 112.0</b>	<b>\$ 9.2</b>	<b>\$ 7.4</b>

Total net sales for the three months ended January 31, 2004 ( second quarter 2004 ), increased 8.2% to \$121.2 million compared to \$112.0 million for the three months ended January 31, 2003 ( second quarter 2003 ). The increase in total net sales, excluding the \$7.4 million favorable effect of foreign currency translation was \$1.8 million, or 1.6%. Excluding foreign currency translation, Network Communication segment sales decreased \$0.5 million, or 0.8%. This decrease was primarily due to lower sales of network products from the Company's Canadian operations resulting from the aforementioned weak demand for commercial office space. Excluding foreign currency translation, Specialty Electronic segment sales for the second quarter increased \$2.3 million, or 5.0%. Increases in sales of specialty cable for home video and security video applications and sales of products for the commercial aviation marketplace contributed to the quarter over quarter increase. The sales increase in Specialty Electronic products occurred primarily in the Company's domestic operations.

Gross profit for the second quarter 2004 was \$25.1 million compared to \$25.9 million for the second quarter 2003, and the gross margin was 20.7% compared to 23.1% last year. The decrease in the gross profit was primarily a result of increased worker's compensation expense and a post retirement employee benefit provision at the Company's Canadian operations.

Selling, general and administrative expenses ( SG&A ) for the second quarter 2004 increased \$4.5 million, to \$26.3 million compared to \$21.8 million for the same period last year. The increase in SG&A was primarily due to \$2.5 million of merger-related expenses, including due diligence expenses, legal and investment banking fees. The remaining increase was primarily due to the \$1.2 million effect of foreign currency translation. SG&A as a percentage of sales increased to 21.7% for the second quarter 2004 compared to 19.4% for the second quarter 2003. The increase in SG&A as a percentage of sales on a quarter over quarter basis was primarily due to the aforementioned expenses. Research and development expenses were \$1.2 million in the current year period, compared to \$0.8 million for second quarter 2003. Restructuring expenses reflected in the second quarter 2003 related to severance cost for 67 individuals.

Interest expense was \$1.2 million for the second quarter 2004, a decrease of \$0.2 million compared to interest expense of \$1.4 million for the same period last year. The decrease in interest expense was due to a lower average interest rate on outstanding borrowings during the second quarter 2004.

**Table of Contents**

The Company continually evaluates its annual effective tax rate based on actual and projected results of operations and adjusts the current period tax provision or benefit accordingly. During the second quarter 2004, the Company incurred specific merger costs associated with its planned merger with Belden Inc. These merger costs are not deductible for tax purposes. The full tax impact of these expenses was recognized in the second quarter 2004. The tax benefit rate for the second quarter 2004 was 6.9%, compared to an effective tax rate of 27.8% for the second quarter 2003. This change was primarily due to the aforementioned non-deductible merger-related expenses. The Company currently projects its annual effective tax rate for fiscal 2004 at 51%.

At January 31, 2004, the Company had nineteen consolidated subsidiaries and divisions, three subsidiaries of which had minority interest expense. These three subsidiaries represented 18.7% of total net sales and \$0.6 million of operating income (loss) from operations and operate primarily in the European marketplace in both the Network Communication and Specialty Electronic business segments. The Company's ownership position in these subsidiaries ranged from 76% to 95%. In the second quarter 2004, minority interest expense increased 55.7% to \$0.2 million compared to \$0.1 million for the second quarter 2003.

Net (loss) income from continuing operations before cumulative effect of accounting change for the second quarter 2004 was \$(3.4) million, or \$(0.08) per diluted common share, compared to net income (loss) from continuing operations before cumulative effect of accounting change of \$0.2 million, or \$0.00 per diluted share, for the second quarter 2003. The decrease in net income from continuing operations compared to the prior year period was primarily due to merger-related expenses and a decrease in gross margin from the prior year.



**Table of Contents****Six Months Ended January 31, 2004 Compared to Six Months Ended January 31, 2003**

<i>(in millions)</i>	Six Months Ended January 31,		Total Sales Incr./(Decr.)	Incr./(Decr.)
	2004	2003		Due to the Effect of Currency Translation
Net sales:				
Network Communication	\$ 145.8	\$ 137.5	\$ 8.3	\$ 8.2
Specialty Electronic	106.0	95.6	10.4	5.9
<b>Total net sales</b>	<b>\$ 251.8</b>	<b>\$ 233.1</b>	<b>\$ 18.7</b>	<b>\$ 14.1</b>

Total net sales for the six months ended January 31, 2004 ( first half 2004 ), increased 8.1% to \$251.8 million compared to \$233.1 million for the six months ended January 31, 2003 ( first half 2003 ). The increase in total net sales, excluding the \$14.1 million favorable effect of foreign currency translation was \$4.6 million, or 2.0%. Excluding foreign currency translation, Network Communication segment sales increased \$0.1 million. Excluding foreign currency translation, Specialty Electronic segment sales for the first half 2004 increased \$4.5 million, or 4.7%. Increases in sales of specialty cable for home video and security video applications and sales of products for the commercial aviation marketplace contributed to the first half increase.

Gross profit for the first half 2004 was \$56.0 million compared to \$53.6 million for the first half 2003, and the gross margin was 22.2% compared to 23.0% last year. The decrease in the gross margin was primarily a result of higher worker s compensation expense and a post retirement employee benefit provision at the Company s Canadian operations, offset in part by the absence in the current year of certain costs that were associated with the NORCOM operations which were sold in the first half 2003.

Selling, general and administrative expenses ( SG&A ) for the first half 2004 increased \$4.8 million, to \$50.0 million compared to \$45.2 million for the same period last year. The increase in SG&A was primarily due to \$2.5 million of merger-related expenses, including due diligence expenses, legal and investment banking fees, as well as the effect of foreign currency translation. SG&A as a percentage of net sales increased to 19.9% for the first half 2004 compared to 19.4% for the first half 2003. Research and development expenses were \$2.3 million in the current year period compared to \$1.9 million for first half 2003.

Restructuring expenses incurred in the first half 2003 were \$8.5 million. These prior year business restructuring expenses represented costs to consolidate four facilities into other Company operations and consisted primarily of severance and other employee-related costs and asset impairment charges.

Interest expense was \$2.5 million for the first half 2004, a decrease of \$0.6 million compared to interest expense of \$3.1 million for the same period last year. The decrease in interest expense was due to a lower average interest rate on outstanding borrowings during the first half 2004.

The Company continually evaluates its annual effective tax rate based on actual and projected results of operations and adjusts the current period tax provision or benefit accordingly. During the first half 2004, the Company incurred specific merger costs associated with its planned merger

## Edgar Filing: CABLE DESIGN TECHNOLOGIES CORP - Form 10-Q/A

with Belden Inc. These merger costs are not deductible for tax purposes. The full tax impact of these expenses was recognized in the second quarter 2004. The effective tax rate for the first half 2004 was 114.1%, compared to a tax benefit rate of 40.7% for the first half 2003. This change was primarily due to the aforementioned non-deductible merger-related expenses. The Company currently projects its annual effective tax rate for fiscal 2004 at 51%.

At January 31, 2004, the Company had nineteen consolidated subsidiaries and divisions, three subsidiaries of which had minority interest expense. These three subsidiaries represented 18.4% of total net sales and \$1.7 million of operating income (loss) from operations and operate primarily in the European marketplace in both the Network Communication and Specialty Electronic business segments. The Company's ownership position in these subsidiaries ranged from 76% to 95%. In the first half 2004, minority interest expense increased 107.0% to \$0.5 million compared to \$0.2 million for the first half 2003.

Net loss from continuing operations before cumulative effect of accounting change for the first half 2004 was \$0.7 million, or \$0.02 per diluted common share, compared to a net loss from continuing operations before cumulative effect of accounting change of \$3.4 million, or \$0.08 per diluted share, for the first half 2003. The decrease in net loss from continuing operations compared to the prior year period was primarily due to the absence of restructuring expenses in the current period, partially offset by merger-related expenses and a lower gross margin compared to the prior year.

## **Table of Contents**

The Company adopted SFAS 142, *Goodwill and Other Intangible Assets*, effective August 1, 2002. SFAS 142 required that amortization of goodwill and intangible assets with indefinite lives cease as of August 1, 2002, and that the recorded value of goodwill and other indefinite lived intangible assets be reviewed annually, or more frequently if impairment indicators arise, for impairment. The Company performed the initial impairment test for goodwill attributable to each of its reporting units by comparing the fair value (determined on a discounted cash flow basis) of each reporting unit to its carrying value. In this test, due to the effect of recent global economic and industry specific conditions, the Company reduced the cash flow projections of certain reporting units compared to previous projections. The implementation of SFAS 142 resulted in a non-cash goodwill impairment charge of \$35.7 million, net of tax, which was recorded retroactively in fiscal year 2003 to August 1, 2002, as a cumulative effect of accounting change. The Company's historical recorded value of goodwill is related primarily to the Specialty Electronic business segment and \$30.5 million, net of tax, of the goodwill impairment charge was related to four subsidiaries and divisions in this segment, which represented 20% of total sales as of January 31, 2004.

## **Financial Condition**

### **Liquidity and Capital Resources**

The Company generated \$8.5 million of cash from operating activities during the first six months of 2004, net of a \$2.3 million increase in operating working capital. The increase in operating working capital for the period includes an increase in inventory of \$2.9 million. The change in operating working capital excludes changes in cash and cash equivalents and current maturities of long-term debt.

Net cash used by investing activities of \$1.7 million primarily represented amounts expended for capital additions of \$3.1 million, offset in part by proceeds of \$1.5 million from the sale of assets. Net cash provided by financing activities of \$0.1 million includes \$1.4 million of proceeds received from the exercise of stock options and issuance of common stock pursuant to the Company's employee stock purchase plan, which were largely offset by a net reduction of outstanding debt of \$1.3 million.

The Company's primary sources of cash liquidity include cash and cash equivalents and cash from operations. Cash and cash equivalents increased \$8.8 million for the six months ended January 31, 2004, to \$41.5 million, of which \$24.2 million is held by domestic subsidiaries or divisions. For the remainder of the fiscal year ended July 31, 2004 (fiscal year 2004), the Company expects to continue to generate positive net cash flows from operations due to revenue growth and continued management of working capital and SG&A. Additionally, the Company expects to receive approximately \$2.0 million in proceeds from the sale of assets. See Note 3 Divestitures and Discontinued Operations. The Company's investing and financing requirements for the remainder of fiscal year 2004 include cash to support capital expenditures, debt service requirements, and employee benefit obligations. These requirements are expected to range from \$8.0 to \$9.0 million over the period. As discussed in Note 12 Subsequent Event, the Company and Belden Inc. announced that they had entered into a definitive Agreement and Plan of Merger. In the event that the merger is not consummated, the Company would evaluate a number of potential options, which would include restructurings of its businesses or other strategic alternatives. Certain restructuring options could require significant cash costs.

We believe that our existing cash and cash equivalents and our net cash provided by operating activities during fiscal 2004 will be sufficient to meet our current and forecasted cash requirements. Based on this forecast and the pending merger with Belden Inc., the Company has no plans to obtain a revolving credit facility at this time. The Company has deferred implementing letter of credit arrangements for ordinary course commercial transactions due to the pending merger with Belden Inc. However, if the merger were not consummated, the Company would plan to reestablish a letter of credit facility and a revolving credit facility, depending on costs and cash balance forecasts.

## Edgar Filing: CABLE DESIGN TECHNOLOGIES CORP - Form 10-Q/A

On July 8, 2003, the Company issued \$110.0 million aggregate principal amount of unsecured subordinated debentures. The debentures are convertible into shares of common stock, at an initial conversion price of \$9.0345 per share, upon the occurrence of certain events, and the conversion price is subject to adjustment under certain circumstances. Interest of 4.00% is payable semi-annually in arrears, commencing January 15, 2004. The debentures mature July 15, 2023, if not previously redeemed. The Company may redeem some or all of the debentures on or after July 21, 2008, at a price equal to 100% of the principal amount of the debentures plus accrued and unpaid interest up to the redemption date. Holders may require us to purchase all or part of their debentures on July 15, 2008, July 15, 2013, or July 15, 2018, at a price equal to 100% of the principal amount of the debentures plus accrued and unpaid interest up to the redemption date, in which case the purchase price may be paid in cash, shares of our common stock or a combination of cash and our common stock, at our option. The proceeds from the issuance of the debentures were used to reduce all borrowings under the Company's \$150.0 million U.S. credit facility, including amounts outstanding under its \$65.0 million revolving Canadian facility that was supported by a letter of credit under the U.S. facility. The U.S. facility was terminated on August 11, 2003, except with respect to \$2.4 million of letters of credit that remain outstanding. The bank issuing the letters of credit remains the sole lender under such facility.

## **Table of Contents**

On December 5, 2003, the Company filed a registration statement on Form S-3 in connection with its 4.00% convertible subordinated debentures due July 15, 2023. It is expected that the effectiveness of such registration statement will be delayed due to the filing of the registration statement on Form S-4 that the Company intends to file with the Securities and Exchange Commission ( SEC ) pursuant to the merger agreement and the joint proxy statement that the Company and Belden will file with the SEC pursuant to the merger agreement. As a result, under the Registration Rights Agreement entered into upon the issuance of the debentures, an additional 0.50% of interest will accrue on the debentures beginning on March 4, 2004, and continuing until the effectiveness of the registration statement on Form S-3.

The Company's ability to obtain external financing and the related cost of borrowing is affected by the Company's debt ratings, which are periodically reviewed by the major credit rating agencies. The debt ratings and outlook assigned to the 4.00% convertible subordinated debentures as of January 31, 2004, were Ba3/Stable by Moody's Investor Service, Inc. and B+/Stable by Standard & Poor's. On February 5, 2004, Standard & Poor's announced that it had placed its rating on CreditWatch with negative implications. On February 9, 2004, Moody's Investor Service, Inc. announced that it had placed its rating under review for possible downgrade. As reasons for their review, both credit rating agencies cited the Company's recent announcement that it and Belden Inc. had entered into a definitive agreement and plan of merger. See Note 7 Long-term Debt and Financing Arrangements for further discussion of the convertible notes.

An increase in the Company's level of indebtedness or deterioration in operating results could cause credit rating reductions. Further reductions in our current long-term debt rating by Moody's or Standard & Poor's could affect our ability to access the long-term debt markets, increase our cost of external financing, and result in additional restrictions on the way the we operate and finance our business.

A security rating by the major credit rating agencies is not a recommendation to buy, sell, or hold securities and may be subject to revision or withdrawal at any time by the rating agencies.

## **Critical Accounting Policies and Estimates**

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America which require the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the periods reported. Actual results could differ from those estimates. Information with respect to the Company's critical accounting policies which the Company believes could have the most significant effect on the Company's reported results and require subjective or complex judgments by management is contained in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2003. Management believes that as of January 31, 2004, there has been no material change to this information.

## **Fluctuation in Copper Price**

The cost of copper in inventories, including finished goods, reflects purchases over various periods of time ranging from one to several months for each of the Company's operations. For certain communication cable products, profitability is generally not significantly affected by volatility of copper prices as selling prices are generally adjusted for changes in the market price of copper. However, differences in the timing of selling price adjustments do occur and may impact near term results. For other products, selling prices are not generally adjusted to directly reflect changes in copper prices.

## Edgar Filing: CABLE DESIGN TECHNOLOGIES CORP - Form 10-Q/A

The Company currently values its inventory using the lower of market or first-in, first-out (FIFO) cost. Following periods of significant movement in the price of copper and for those operations having longer inventory cycles, utilizing FIFO may affect profitability from one period to the next. The Company does not generally engage in activities to hedge the underlying value of its copper inventory.

### **Business Seasonality**

The Company's results for the second quarter ending in January are typically the weakest in our fiscal year. This is due to a combination of factors including: (1) the holiday season and fewer working days; (2) winter weather conditions; (3) increased customer utilization of calendar year-based rebate programs; (4) year-end inventory alignment by customers; and, in the past several years; (5) lower demand due to sluggish industry trends.

**Table of Contents**

**Forward-Looking Statements** *Under the Private Securities Litigation Act of 1995*

Certain statements in this quarterly report are forward-looking statements, including, without limitation, statements regarding future financial results and performance and available liquidity, future debt reduction or incurrence, amount, or date of recognition of, future pension obligations, and the Company's or management's beliefs, expectations or opinions. These statements are subject to various risks and uncertainties, many of which are outside the control of the Company, including the level of market demand for the Company's products, competitive pressures, the ability to achieve reductions in operating costs and to continue to integrate acquisitions, litigation exposure, price fluctuations of raw materials and the potential unavailability thereof, foreign currency fluctuations, technological obsolescence, environmental matters and other specific factors discussed in the Company's Annual Report on Form 10-K for the year ended July 31, 2003, and other SEC filings. In addition, see Note 12 Subsequent Events and Part II, Item 5. Other Information for a brief synopsis of the planned merger of the Company with Belden Inc. There can be no assurance as to the timing of the closing of the merger, or whether the merger will close at all. Obtaining required regulatory approvals may delay consummation of the merger. The consideration to be received by the Company's stockholders, as set forth in the Agreement and Plan of Merger, is fixed despite potential changes in stock prices. The officers and directors of the Company and Belden may have interests in the merger that are different from the interests of stockholders because of employment agreements, severance agreements and stock-based compensation arrangements. The combined company will rely heavily on key personnel, and there can be no assurance that such key personnel will be retained by the combined company. Integration of the Company and Belden operations may be difficult, and the expected synergies and cost savings might not be realized. If the merger is not completed, the Company's business and stock price might be negatively affected if customers, investors and others were to doubt the Company's ability to compete effectively on its own. The information contained herein represents management's best judgment as of the date hereof based on information currently available; however, the Company does not intend to update this information to reflect developments or information obtained after the date hereof and disclaims any legal obligation to the contrary.

**Table of Contents**

**SIGNATURES**

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.

CABLE DESIGN TECHNOLOGIES CORPORATION

/s/ Ferdinand C. Kuznik

April 27, 2004

---

Ferdinand C. Kuznik

Chief Executive Officer

/s/ William E. Cann

April 27, 2004

---

William E. Cann

Vice President and Chief Financial Officer