

Plantronics Announces Fourth Quarter Fiscal Year 2014 Results

Written by Australian Business

SANTA CRUZ, Calif.--([BUSINESS WIRE](#))--Plantronics, Inc. (NYSE: PLT) today announced fourth quarter and fiscal year 2014 results. Highlights of the quarter include the following (comparisons are against the fourth quarter of fiscal year 2013):

- Net revenues were \$209.1 million compared with \$204.2 million.
- GAAP gross margin was 53.1% compared with 52.0%
- Non-GAAP gross margin was 53.5% compared with 52.3%.

- GAAP operating income was \$35.5 million compared with \$36.9 million
- Non-GAAP operating income was \$41.7 million compared with \$41.9 million

- GAAP diluted earnings per share ("EPS") was \$0.65, above our guidance of \$0.52 to \$0.58.
- Non-GAAP diluted EPS was \$0.74, above our guidance of \$0.62 to \$0.68.

Q4 Fiscal Year 2014 GAAP Results

Q4 2014

Q4 2013

Change (%)

Net revenues

\$209.1 million

\$204.2 million

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Operating income	\$35.5 million	\$36.9 million
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<i>Operating Margin</i>	<i>17.0%</i>	<i>18.1%</i>
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Diluted EPS	\$0.65	\$0.67
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Q4 Fiscal Year 2014 Non-GAAP Results

Q4 2014

Q4 2013

Change (%)

Operating income	\$41.7 million	\$41.9 million
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<i>Operating Margin</i>	<i>20.0%</i>	<i>20.5%</i>
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Diluted EPS	\$0.74	\$0.71
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Fiscal Year 2014 GAAP Results

2014

2013

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Change (%)

Net revenues	\$818.6 million	\$762.2 million
Operating income	\$140.1 million	\$138.1 million
<i>Operating Margin</i>	<i>17.1%</i>	<i>18.1%</i>
Diluted EPS	\$2.59	\$2.49

Fiscal Year 2014 Non-GAAP Results

2014

2013

Change (%)

Operating income	\$166.1 million	\$160.4 million
<i>Operating Margin</i>	<i>20.3%</i>	<i>21.0%</i>
Diluted EPS	\$2.85	\$2.77

A reconciliation between our GAAP and non-GAAP results is provided in the tables at the end of this press release.

Plantronics Announces Fourth Quarter Fiscal Year 2014 Results

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"Fiscal 2014 was a year of investment in infrastructure, people and product ahead of what we expect to be a substantial Unified Communications ("UC") revenue opportunity within the next several years," stated Ken Kannappan, President & CEO. "As we begin fiscal year 2015, we plan to invest at a moderated pace, with the expectation that earnings will grow commensurate with revenue."

"We generated approximately \$49 million in cash flow from operations in the fourth quarter of fiscal year 2014 and approximately \$141 million for the full fiscal year. We grew our cash, cash equivalents and short and long term investments position to approximately \$436 million from approximately \$426 million at the end of the prior fiscal year, while repurchasing about \$86 million in stock," said Pam Strayer, Senior Vice President and Chief Financial Officer.

OCC net revenues increased 6% to \$150.5 million in the fourth quarter of fiscal year 2014 compared with \$142.7 million in the fourth quarter of fiscal year 2013 driven by the strength of our UC revenues. Net revenues from UC products, a subset of OCC, grew by 18% to \$43.6 million in the fourth quarter of fiscal year 2014 compared with \$36.9 million in the fourth quarter of fiscal year 2013.

Mobile net revenues were \$49.1 million in the fourth quarter of fiscal year 2014, slightly down from \$49.9 million in the fourth quarter of fiscal year 2013. Fiscal year 2013 included a short-term spike in demand related to the enforcement of the hands-free driving law in China beginning in January 2013.

Plantronics Increases Quarterly Dividend From \$0.10 to \$0.15

We are also announcing that we have declared a quarterly dividend of \$0.15 per common share, a five-cent increase over the previous quarter's dividend, to be paid on June 10, 2014 to all shareholders of record as of the close of business on May 20, 2014.

"We returned \$103 million to our stockholders in fiscal year 2014 through our share repurchases and quarterly dividends, representing essentially all of our domestic cash generation," stated Pam Strayer, SVP & Chief Financial Officer. "The dividend increase is commensurate with our philosophy of returning approximately one third of our domestic

cash generation to our stockholders via dividends, with the balance being share repurchases.”

Business Outlook

The following statements are based on our current expectations and many of these statements are forward-looking. Actual results are subject to a variety of risks and uncertainties and may differ materially from our expectations.

We have a “book and ship” business model whereby we fulfill the majority of orders received within 48 hours of receipt of those orders. However, our backlog is occasionally subject to cancellation or rescheduling by our customers on short notice with little or no penalty. Therefore, there is a lack of meaningful correlation between backlog at the end of a fiscal period and net revenues in a succeeding fiscal period.

Our business is inherently difficult to forecast, particularly with continuing uncertainty in regional economic conditions, and there can be no assurance that expectations of incoming orders over the balance of the current quarter will materialize. Additionally, the implementation of our new ERP system in the June quarter may reduce revenue visibility and short-term expense management.

Subject to the foregoing, we currently expect the following range of financial results for the first quarter of fiscal year 2015:

- Net revenues of \$205 million to \$215 million;
- GAAP operating income of \$31 million to \$35 million;
- Non-GAAP operating income of \$38 million to \$42 million, excluding the impact of \$7 million from stock-based compensation and purchase accounting amortization from GAAP operating income;
- Assuming approximately 42.9 million diluted average weighted shares outstanding:
 - GAAP diluted EPS of \$0.54 to \$0.61;
 - Non-GAAP diluted EPS of \$0.65 to \$0.72; and
 - Cost of stock-based compensation and purchase accounting amortization to be approximately \$0.11 per diluted share.

Please see our updated Investor Relations Presentation available on our corporate website at www.plantronics.com/ir.

Conference Call Scheduled to Discuss Financial Results

We have scheduled a conference call to discuss fourth quarter and full year fiscal year 2014 results. The conference call will take place today, April 29, 2014, at 2:00 PM (Pacific Time). All interested investors and potential investors in our stock are invited to participate. To listen to the call, please dial in five to ten minutes prior to the scheduled starting time and refer to the "Plantronics Conference Call." Participants from North America should call (888) 301-8736 and other participants should call (706) 634-7260.

A replay of the call with the conference ID # 10253522 will be available until May 29, 2014 at (855) 859-2056 or (800) 585-8367 for callers from North America and at (404) 537-3406 for all other callers. The conference call will also be simultaneously webcast in the Investor Relations section of our corporate website at www.plantronics.com/ir, and the webcast of the conference call will remain available on our website for one month.

A reconciliation between our GAAP and non-GAAP results is provided in the tables at the end of this press release.

Investor Meeting & Factory Tour in Mexico

We will be holding an investor meeting and factory tour at our award winning manufacturing facility in Tijuana, Mexico on June 25, 2014.

In addition to an overview of our manufacturing operations, Ken Kannappan, President & CEO, Pam Strayer, SVP & CFO and Joe Burton SVP & CTO will provide overviews of

our strategy, market opportunities, business model and product innovation.

For more information, please contact Lisa Demmert: lisa.demmert@plantronics.com

Plamex (Plantronics Mexico) has won dozens of global awards including being ranked #1 as a "Great Place to Work" in Mexico for the past 4 years. We also recently received the [2013 Award for Corporate Excellence](#) (ACE) by U.S. Secretary of State John Kerry.

Use of Non-GAAP Financial Information

To supplement our condensed consolidated financial statements presented on a GAAP basis, we use non-GAAP measures of operating results, which are adjusted to exclude certain non-cash expenses and charges from non-GAAP operating income, non-GAAP operating margin and non-GAAP diluted EPS, including stock-based compensation related to stock options, restricted stock and employee stock purchases made under our employee stock purchase plan, purchase accounting amortization, accelerated depreciation, and early lease termination charges, all net of the associated tax impact, tax benefits from the release of tax reserves, transfer pricing, tax deduction and tax credit adjustments, and the impact of tax law changes. We exclude these expenses from our non-GAAP measures primarily because Plantronics' management does not believe they are part of our target operating model. We believe that the use of non-GAAP financial measures provides meaningful supplemental information regarding our performance and liquidity and helps investors compare actual results with our long-term target operating model goals. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods; however, non-GAAP financial measures are not meant to be considered in isolation or as a substitute for, or superior to, gross margin, operating income, operating margin, net income or EPS prepared in accordance with GAAP.

Safe Harbor

This release contains forward-looking statements within the meaning of Section 27A of

the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements relating to (i) our expectations regarding our investments in fiscal year 2015; (ii) our expectations regarding earnings and revenue growth, (iii) our philosophy of returning cash to stockholders, (iv) our estimates of GAAP and non-GAAP financial results for the first quarter of fiscal year 2015, including net revenues, operating income and diluted EPS; (v) our estimates of stock-based compensation and purchase accounting amortization and other related charges, as well as the impact of these non-cash expenses on Non-GAAP operating income and diluted EPS for the first quarter of fiscal year 2015; and (vi) our estimate of weighted average shares outstanding for the first quarter of fiscal year 2015, in addition to other matters discussed in this press release that are not purely historical data. We do not assume any obligation to update or revise any such forward-looking statements, whether as the result of new developments or otherwise.

Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those contemplated by such statements. Among the factors that could cause actual results to differ materially from those contemplated are: Micro and macro economic conditions in our domestic and international markets;

- our ability to realize our UC plans and to achieve the financial results projected to arise from UC adoption could be adversely affected by a variety of factors including the following: (i) as UC becomes more widely adopted, the risk that competitors will offer solutions that will effectively commoditize our headsets which, in turn, will reduce the sales prices for our headsets; (ii) our plans are dependent upon adoption of our UC solution by major platform providers and strategic partners such as Microsoft Corporation, Cisco Systems, Inc., Avaya, Inc., and Alcatel-Lucent, and we have a limited ability to influence such providers with respect to the functionality of their platforms or their product offerings, their rate of deployment, and their willingness to integrate their platforms and product offerings with our solutions, and our support expenditures may substantially increase over time due to the complex nature of the platforms and product offerings developed by the major UC providers as these platforms and product offerings continue to evolve and become more commonly adopted; (iii) the development of UC solutions is technically complex and this may delay or limit our ability to introduce solutions to the market on a timely basis and that are cost effective, feature rich, stable and attractive to our customers on a timely basis; (iv) our development of UC solutions is dependent on our ability to implement and execute new and different processes in connection with the design, development and manufacturing of complex electronic systems comprised of hardware, firmware and software that must work in a wide variety of environments and multiple variations, which may in some instances increase the risk of development delays or errors and require the hiring of new personnel and/or fourth party contractors which increases our costs; (v) because UC offerings involve complex integration of hardware and software with UC infrastructure, our sales model and expertise will need to continue to evolve; (vi) as UC becomes more widely adopted we anticipate that

Plantronics Announces Fourth Quarter Fiscal Year 2014 Results

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competition for market share will increase, and some competitors may have superior technical and economic resources; (vii) UC solutions may not be adopted with the breadth and speed in the marketplace that we currently anticipate; and, (viii) UC may evolve rapidly and unpredictably and our inability to timely and cost-effectively adapt to those changes and future requirements may impact our profitability in this market and our overall margins;

- failure to match production to demand given long lead times and the difficulty of forecasting unit volumes and acquiring the component parts and materials to meet demand without having excess inventory or incurring cancellation charges;

- volatility in prices from our suppliers, including our manufacturers located in China, have in the past and could in the future negatively affect our profitability and/or market share;

- fluctuations in foreign exchange rates;

- with respect to our stock repurchase program, prevailing stock market conditions generally, and the price of our stock specifically;

- the bankruptcy or financial weakness of distributors or key customers, or the bankruptcy of or reduction in capacity of our key suppliers;

- additional risk factors including: interruption in the supply of sole-sourced critical components, continuity of component supply at costs consistent with our plans, and the inherent risks of our substantial foreign operations; and

- seasonality in one or more of our business segments.

For more information concerning these and other possible risks, please refer to our Annual Report on Form 10-K filed with the Securities and Exchange Commission on May 24, 2013 and other filings with the Securities and Exchange Commission, as well as recent press releases. The Securities and Exchange Commission filings can be accessed over the Internet at <http://www.sec.gov/edgar/searchedgar/companysearch.html>.

Financial Summaries

The following related charts are provided:

- Summary Unaudited Condensed Consolidated Financial Statements
- Unaudited Reconciliations of GAAP Measures to Non-GAAP Measures
- Summary of Unaudited Reconciliations of GAAP Measures to Non-GAAP Measures and Other Unaudited GAAP Data

About Plantronics

Plantronics is a global leader in audio communications for businesses and consumers. We have pioneered new trends in audio technology for over 50 years, creating innovative products that allow people to simply communicate. From Unified Communication solutions to Bluetooth headsets, we deliver uncompromising quality, an ideal experience, and extraordinary service. Plantronics is used by every company in the Fortune 100, as well as 911 dispatch, air traffic control and the New York Stock Exchange. For more information, please visit www.plantronics.com or call (800) 544-4660.

Plantronics and the logo design are trademarks or registered trademarks of Plantronics, Inc. The Bluetooth name and the Bluetooth trademarks are owned by Bluetooth SIG, Inc. and are used by Plantronics, Inc. under license. All other trademarks are the property of their respective owners.

PLANTRONICS, INC.
SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(\$ in thousands, except per share data)

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31, 2014	Twelve Months Ended March 31, 2013	2014
Net revenues	\$	209,070	\$

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Cost of revenues	98,015
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Gross profit	111,055	106,093
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<i>Gross profit %</i>	<i>53.1%</i>	<i>52.0%</i>
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Research, development and engineering	22,453	20,848
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Selling, general and administrative	53,105	47,969
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Restructuring and other related charges	-	398
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Total operating expenses	75,558
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Operating income	35,497	36,878
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<i>Operating income %</i>	<i>17.0%</i>	<i>18.1%</i>
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Interest and other income (expense), net	956
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Income before income taxes	36,453	36,742
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Income tax expense	8,510
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Net income	\$	27,943	\$
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<i>% of net revenues</i>	<i>13.4%</i>	<i>14.1%</i>
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Earnings per common share:

Basic	\$	0.67	\$
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Diluted	\$	0.65	\$
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Shares used in computing earnings per common share:

Basic	41,866	42,104
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Diluted	42,697	43,119
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<i>Effective tax rate</i>	<i>23.3%</i>	<i>21.9%</i>
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PLANTRONICS, INC. SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (\$ in thousands, except per share data)

UNAUDITED CONSOLIDATED BALANCE SHEETS

	March 31, 2014	March 31, 2013	
ASSETS			
Cash and cash equivalents	\$	232,704	\$

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Short-term investments		102,717	
Total cash, cash equivalents and short-term investments	335,421		345,357
Accounts receivable, net	138,301		128,209
Inventory, net	57,132		67,435
Deferred tax assets	11,776		10,120
Other current assets		13,657	
Total current assets	556,287		566,490
Long-term investments	100,342		80,261
Property, plant and equipment, net	134,402		99,111
Goodwill and purchased intangibles, net	16,165		16,440
Other assets		4,619	
Total assets	\$	811,815	\$
LIABILITIES AND STOCKHOLDERS' EQUITY			
Accounts payable	\$	30,756	\$
Accrued liabilities		66,851	
Total current liabilities	97,607		103,486
Deferred tax liabilities	-		1,742

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Long-term income taxes payable	12,719	12,005
Other long-term liabilities		2,825
Total liabilities	113,151	118,158
Stockholders' equity		698,664
Total liabilities and stockholders' equity		811,815

\$

PLANTRONICS, INC.

SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(\$ in thousands, except per share data)

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31, 2014	Twelve Months Ended March 31, 2013	2014
Cash flows from operating activities			
Net income	\$		27,943

Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,895	4,115

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Stock-based compensation	6,184	4,177
Provision for excess and obsolete inventory	(284)	)
Deferred income taxes	1,041	2,013
Excess tax benefit from stock-based compensation	(225)	)
Other operating activities	638	610
Changes in assets and liabilities:		
Accounts receivable, net	(4,793)	)
Inventory, net	9,175	(868)
Current and other assets	529	(1,128)

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Accounts payable	4,028	1,055
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Accrued liabilities	(1,806	)
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Income taxes	3,041
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Cash provided by operating activities	49,369
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Cash flows from investing activities

Purchase of investments	(65,519	)
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Proceeds from maturities of investments	42,745	66,450
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Proceeds from sale of investments	12,732	18,393
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Acquisitions, net of cash acquired	-	-
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Capital expenditures	(13,328	)
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Cash used for investing activities	(23,370	)
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Cash flows from financing activities

Repurchase of common stock	(28,900	)
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Proceeds from issuances under stock-based compensation plans	18,775
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Employees' tax withheld and paid for restricted stock and restricted stock units	(207)
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Proceeds from revolving line of credit	-
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Repayments of revolving line of credit	(20,000)
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Payment of cash dividends	(4,267)
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Excess tax benefit from stock-based compensation	225
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Cash used for financing activities	(28,694)
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(46,463)

Effect of exchange rate changes on cash and cash equivalents (135)

Net increase (decrease) in cash and cash equivalents (2,480)

Cash and cash equivalents at beginning of period 235,534

Cash and cash equivalents at end of period 232,704

PLANTRONICS, INC.

UNAUDITED RECONCILIATIONS OF GAAP MEASURES TO NON-GAAP MEASURES

(\$ in thousands, except per share data)

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS DATA

	Three Months Ended March 31, 2014	Twelve Months Ended March 31, 2013	2014
GAAP Gross profit	\$	111,055	
Stock-based compensation		695	391
Accelerated depreciation		-	252
Lease termination charges			-

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Non-GAAP Gross profit	\$	111,750
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Non-GAAP Gross profit %	53.5	%
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GAAP Research, development and engineering	\$	22,453
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20,848

\$

84,781

\$

80,373

Stock-based compensation	(1,696	)
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Accelerated depreciation	-	(176
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Lease termination charges	-	-
Purchase accounting amortization	(50	)
Non-GAAP Research, development and engineering	20,707	
GAAP Selling, general and administrative	53,105	
47,969		
	\$	201,176
182,445		\$

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Stock-based compensation	(3,794	)
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Lease termination charges	-	-
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Purchase accounting amortization	-	
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Non-GAAP Selling, general and administrative		49,311
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GAAP Operating expenses	\$	75,558
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Stock-based compensation	(5,490	)
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Accelerated depreciation	-	(176
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Lease termination charges	-	-
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Purchase accounting amortization	(50	)
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Restructuring and other related charges	-	
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Non-GAAP Operating expenses	\$	70,018
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PLANTRONICS, INC.

UNAUDITED RECONCILIATIONS OF GAAP MEASURES TO NON-GAAP MEASURES

(\$ in thousands, except per share data)

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS DATA (CONTINUED)

	Three Months Ended	Twelve Months Ended	
	March 31,	March 31,	
	2014	2013	2014
GAAP Operating income	\$	35,497	
Stock-based compensation		6,185	4,176
Accelerated depreciation		-	428
Lease termination charges		-	-

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Purchase accounting amortization	50	-
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Restructuring and other related charges	-
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Non-GAAP Operating income	\$	41,732
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GAAP Net income	\$	27,943
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Stock-based compensation	6,185	4,176
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Accelerated depreciation	-	428
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Lease termination charges	-	—
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Purchase accounting amortization	50	—
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Restructuring and other related charges	-	398
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Income tax effect of above items	(1,738	)
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Income tax effect of unusual tax items	(650	)
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(1)

(1,835	)
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(2)

(7,432	)
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(3)

(3,906	)
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(2)

Non-GAAP Net income	\$	31,790
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GAAP Diluted earnings per common share	\$	0.65
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Stock-based compensation	0.14	0.11
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Accelerated depreciation	-	0.01
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Lease termination charges	-	-
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Restructuring and other related charges	-	-
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Income tax effect		(0.05)
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Non-GAAP Diluted earnings per common share	0.74	
Shares used in diluted earnings per common share calculation	43,119	

(1)

Excluded amount represents tax benefits from release of tax reserves.

(2)

Excluded amount represents tax benefits from the expiration of certain statutes

(3)

Excluded amount represents tax benefits from release of tax reserves, transfer

Use of Non-GAAP Financial Information

To supplement our condensed consolidated financial statements presented on a GAAP ba

Summary of Unaudited Reconciliations of GAAP Measures to Non-GAAP Measures and ot
(\$ in thousands, except per share data)

Q113

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GAAP Gross profit	\$	97,696
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Stock-based compensation	596	526
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Accelerated depreciation	124	318
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Lease termination charges	-
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Non-GAAP Gross profit	\$	98,416
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<i>Non-GAAP Gross profit %</i>	<i>54.3</i>	<i>%</i>
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GAAP Operating expenses	\$	65,600
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Stock-based compensation	(4,024	)
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Accelerated depreciation	(57	)
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Lease termination charges	-	-
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Purchase accounting amortization	-	-
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Restructuring and other related charges	-	
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Non-GAAP Operating expenses	\$	61,519
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GAAP Operating income	\$	32,096
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Stock-based compensation	4,620	4,862
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Accelerated depreciation	181	544
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Lease termination charges	-	-
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Purchase accounting amortization	-	-
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Restructuring and other related charges	-	-
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Non-GAAP Operating income	\$	36,897
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<i>Non-GAAP Operating income %</i>	<i>20.3</i>	<i>%</i>
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<i>GAAP Income before income taxes</i>	\$	32,108
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Stock-based compensation	4,620	4,862
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Accelerated depreciation	181	544
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Lease termination charges	-	-
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Purchase accounting amortization	-	-
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Restructuring and other related charges	-
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<i>Non-GAAP Income before income taxes</i> \$	36,909
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GAAP Income tax expense	\$	8,545
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Income tax effect of above items	1,421	1,648
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Income tax effect of unusual tax items	-
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Non-GAAP Income tax expense	\$	9,966
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Non-GAAP Income tax expense as a % of Non-GAAP Income before	income taxes	27.0
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Summary of Unaudited Reconciliations of GAAP Measures to Non-GAAP Measures and other
(\$ in thousands, except per share data)

Q113

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GAAP Net income	\$	23,563
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Stock-based compensation	4,620	4,862
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Accelerated depreciation	181	544
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Lease termination charges	-	-
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Purchase accounting amortization	-	-
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Restructuring and other related charges - -

Income tax effect of above items (1,421)

Income tax effect of unusual tax items -

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Non-GAAP Net income	\$	26,943
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GAAP Diluted earnings per common share	\$	0.55
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Stock-based compensation	0.11	0.11
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Accelerated depreciation	-	0.01
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Lease termination charges	-	-
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Restructuring and other related charges	-	-
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Income tax effect	(0.03	)
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Non-GAAP Diluted earnings per common share 0.63

Shares used in diluted earnings per common share calculation 42,570

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SUMMARY OF UNAUDITED GAAP DATA
(\$ in thousands)

Net revenues from unaffiliated customers:

Office and Contact Center	\$	134,033
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Mobile	36,157	33,305
Gaming and Computer Audio	6,789	7,797
Clarity	4,386	

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Total net revenues	\$	181,365
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Net revenues by geographic area from unaffiliated customers:		
Domestic	\$	104,078

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International	77,287
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Total net revenues	\$	181,365
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Balance Sheet accounts and metrics:

Accounts receivable, net	\$	108,300
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Days sales outstanding (DSO)	54	54
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Inventory, net	\$	58,932
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Inventory turns		5.7
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