

NEWPORT CORP
Form 10-Q
August 11, 2005
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 2, 2005

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: 000-01649

NEWPORT CORPORATION

(Exact name of registrant as specified in its charter)

Nevada

94-0849175

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*(State or other jurisdiction of
incorporation or organization)*

(IRS Employer Identification No.)

1791 Deere Avenue, Irvine, California 92606

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (949) 863-3144

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

As of July 29, 2005, 39,842,294 shares of the registrant's sole class of common stock were outstanding.

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****NEWPORT CORPORATION****Consolidated Statements of Operations****(In thousands, except per share data)****(Unaudited)**

	Three Months Ended		Six Months Ended	
	July 2,	July 3,	July 2,	July 3,
	2005	2004	2005	2004
Net sales	\$ 97,520	\$ 40,146	\$ 194,511	\$ 76,052
Cost of sales	57,185	25,123	113,625	48,188
Gross profit	40,335	15,023	80,886	27,864
Selling, general and administrative expense	25,127	9,281	50,238	19,049
Research and development expense	8,925	3,053	17,652	6,070
Operating income	6,283	2,689	12,996	2,745
Interest and other income (expense), net	(759)	1,057	(1,197)	2,556
Income from continuing operations before income taxes	5,524	3,746	11,799	5,301
Income tax provision (benefit)	801	40	1,887	(160)
Income from continuing operations before extraordinary gain	4,723	3,706	9,912	5,461
Loss from discontinued operations, net of income taxes of \$37, \$0, \$760 and \$0, respectively	(1,864)	(999)	(5,455)	(1,613)
Extraordinary gain on settlement of litigation			2,891	
Net income	\$ 2,859	\$ 2,707	\$ 7,348	\$ 3,848
Basic income (loss) per share:				
Income from continuing operations before extraordinary gain	\$ 0.11	\$ 0.09	\$ 0.23	\$ 0.14
Loss from discontinued operations, net of income taxes	(0.04)	(0.02)	(0.13)	(0.04)
Extraordinary gain on settlement of litigation			0.07	
Net income	\$ 0.07	\$ 0.07	\$ 0.17	\$ 0.10

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Diluted income (loss) per share:				
Income from continuing operations before extraordinary gain	\$ 0.11	\$ 0.09	\$ 0.22	\$ 0.13
Loss from discontinued operations, net of income taxes	(0.05)	(0.02)	(0.12)	(0.04)
Extraordinary gain on settlement of litigation			0.07	
Net income	\$ 0.06	\$ 0.07	\$ 0.17	\$ 0.09
Shares used in the computation of income (loss) per share:				
Basic	42,727	39,308	42,808	39,234
Diluted	44,263	41,074	44,321	41,241

See accompanying notes.

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Table of Contents**NEWPORT CORPORATION****Consolidated Balance Sheets****(In thousands, except share data)****(Unaudited)**

	July 2,	January
	2005	1,
	2005	2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 27,338	\$ 41,443
Marketable securities	32,788	66,739
Accounts receivable, net of allowance for doubtful accounts of \$1,141 and \$2,057, respectively	64,165	63,334
Notes receivable, net	4,554	6,891
Inventories	73,729	75,257
Prepaid expenses and other current assets	8,921	8,710
Assets of discontinued operations	15,347	18,400
	<u>226,842</u>	<u>280,774</u>
Total current assets	226,842	280,774
Property and equipment, net	51,295	55,577
Goodwill	176,235	176,235
Intangible assets, net	52,330	54,420
Investments and other assets	10,379	11,462
	<u>\$ 517,081</u>	<u>\$ 578,468</u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term obligations	\$ 10,387	\$ 17,186
Accounts payable	22,290	22,328
Accrued payroll and related expenses	15,929	20,739
Accrued expenses and other current liabilities	28,430	32,012
Accrued restructuring costs	1,497	2,672
Obligations under capital leases	77	161
Liabilities of discontinued operations	2,375	3,474
	<u>80,985</u>	<u>98,572</u>
Total current liabilities	80,985	98,572
Long-term debt	49,782	46,716
Obligations under capital leases, less current portion	1,362	1,576
Accrued pension liabilities	10,731	11,410
Accrued restructuring costs and other liabilities	3,536	4,685
Commitments and contingencies		
Stockholders' equity:	4,649	5,021

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Common stock, par value \$0.1167 per share, 200,000,000 shares authorized; 39,838,170 and 43,022,866 shares issued and outstanding, respectively

Capital in excess of par value	447,899	493,986
Deferred stock compensation	(658)	(1,379)
Accumulated other comprehensive income	2,036	8,470
Accumulated deficit	(83,241)	(90,589)
Total stockholders' equity	370,685	415,509
	<u>\$ 517,081</u>	<u>\$ 578,468</u>

See accompanying notes.

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Table of Contents**NEWPORT CORPORATION****Consolidated Statements of Cash Flows****(In thousands)****(Unaudited)**

	Six Months Ended	
	July 2,	July 3,
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 7,348	\$ 3,848
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	10,312	4,549
Provision for doubtful accounts	(549)	34
Provision for losses on inventories	384	(587)
Gain on disposal of property and equipment	(463)	(165)
Extraordinary gain	(2,891)	
Investment write-down	458	
Increase (decrease) in cash due to changes in:		
Accounts and notes receivable	(2,921)	(9,074)
Inventories	372	3,495
Prepaid expenses and other current assets	(202)	(155)
Other assets and liabilities	(55)	(1,436)
Accounts payable	4	1,171
Accrued payroll and related expenses	(4,510)	(234)
Accrued expenses and other current liabilities	(3,101)	(629)
Accrued restructuring costs	(1,300)	(1,174)
Net cash provided by (used in) operating activities	2,886	(357)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(5,199)	(1,728)
Proceeds from the sale of property and equipment	318	11
Purchase of marketable securities	(235,878)	(161,295)
Proceeds from the sale of marketable securities	268,659	