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Symmetry Medical Inc.  
Form 10-Q  
November 07, 2013

UNITED STATES  
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 28, 2013

Commission File Number: 001-32374

SYMMETRY MEDICAL INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

35-1996126  
(I.R.S. Employer Identification No.)

3724 North State Road 15, Warsaw, Indiana  
(Address of principal executive offices)

46582  
(Zip Code)

(574) 268-2252  
(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (S232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  
 Yes  No

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Accelerated filer   
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).   
Yes  No

The number of shares outstanding of the registrant's common stock as of November 6, 2013 was 37,252,878 shares.



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### Cautionary Note Regarding Forward-Looking Statements

Throughout this Quarterly Report on Form 10-Q or in other reports or registration statements filed from time to time with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934, or under the Securities Act of 1933, as well as in documents we incorporate by reference or in press releases or oral statements made by our officers or representative, we may make statements that express our opinions, expectations or projections regarding future events or future results, in contrast with statements that reflect historical facts. These predictive statements, which we generally precede or accompany by such typical conditional words such as “anticipate,” “intend,” “believe,” “estimate,” “plan,” “seek,” “project,” “potential,” or “expect,” or by the words “may,” “will,” “could,” or “should,” or expressions or terminology are intended to operate as “forward-looking statements” of the kind permitted by the Private Securities Litigation Reform Act of 1995. That legislation protects such predictive statements by creating a “safe harbor” from liability in the event that a particular prediction does not turn out as anticipated.

Forward-looking statements convey our current expectations or forecast future events. While we always intend to express our best judgment when we make statements about what we believe will occur in the future, and although we base these statements on assumptions that we believe to be reasonable when made, these forward-looking statements are not a guarantee of performance, and you should not place undue reliance on such statements. Forward-looking statements are subject to many uncertainties and other variable circumstances, many of which are outside of our control, that could cause our actual results and experience to differ materially from those we thought would occur.

We also refer you to and believe that you should carefully read the “Cautionary Note Regarding Forward-Looking Statements” and “Risk Factors” portions of our Annual Report for fiscal 2012 on Form 10-K, as well as in other reports which we file with the Securities and Exchange Commission, to better understand the risks and uncertainties that are inherent in our business and in owning our securities. These reports are available publicly on the SEC website, [www.sec.gov](http://www.sec.gov), and on our website, [www.symmetrymedical.com](http://www.symmetrymedical.com).

Any forward-looking statements which we make in this report or in any of the documents that are incorporated by reference herein speak only as of the date of such statement, and we undertake no ongoing obligation to update such statements. Comparisons of results between current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

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## PART I FINANCIAL INFORMATION

## ITEM I. FINANCIAL STATEMENTS

SYMMETRY MEDICAL INC.  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (In Thousands)

	September 28, 2013 (unaudited)	December 29, 2012
<b>ASSETS:</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$4,897	\$9,815
Accounts receivable, net	57,709	62,593
Inventories	60,574	64,437
Refundable income taxes	5,060	4,904
Deferred income taxes	6,409	7,878
Derivative valuation asset	—	242
Other current assets	4,069	4,145
Total current assets	138,718	154,014
Property and equipment, net	91,256	98,046
Deferred income taxes	43	—
Goodwill	181,873	229,134
Intangible assets, net of accumulated amortization	107,175	116,403
Other assets	6,005	7,721
<b>Total Assets</b>	<b>\$525,070</b>	<b>\$605,318</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$26,882	\$27,863
Accrued wages and benefits	11,159	9,354
Other accrued expenses	9,109	10,028
Accrued income taxes	516	—
Derivative valuation liability	271	513
Current portion of capital lease obligations	476	492
Current portion of long-term debt	5,225	11,111
<b>Total current liabilities</b>	<b>53,638</b>	<b>59,361</b>
Accrued income taxes	2,118	7,035
Deferred income taxes	5,887	17,910
Derivative valuation liability	1,661	3,883
Other liabilities	943	869
Capital lease obligations, less current portion	1,073	1,417
Long-term debt, less current portion	175,071	200,113
<b>Total Liabilities</b>	<b>240,391</b>	<b>290,588</b>
Commitments and contingencies		

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Shareholders' Equity:

Common Stock, \$.0001 par value; 75,000 shares authorized; shares issued September 28, 2013-37,253; December 29, 2012-36,795	4	4
Additional paid-in capital	288,986	287,453
Retained earnings (deficit)	(7,374	) 26,267
Accumulated other comprehensive income	3,063	1,006
Total Shareholders' Equity	284,679	314,730
Total Liabilities and Shareholders' Equity	\$525,070	\$605,318

See accompanying notes to condensed consolidated financial statements.

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## SYMMETRY MEDICAL INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands, Except per Share Data; Unaudited)

	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Revenue	\$98,003	\$100,929	\$298,815	\$303,949
Cost of revenue	73,474	72,703	222,571	223,808
Gross profit	24,529	28,226	76,244	80,141
Research and development expenses	1,121	1,293	3,459	2,998
Sales and marketing expenses	6,516	6,107	20,451	19,868
General and administrative expenses	11,250	10,730	35,154	32,331
Asset impairment	51,646	—	51,646	—
Facility closure and severance	508	(76	) 1,431	596
Operating income (loss)	(46,512	) 10,172	(35,897	) 24,348
Other (income) expense:				
Interest expense	4,337	4,737	13,508	14,905
Derivatives valuation (gain) loss	5	(116	) 242	(179
Other	831	(108	) 933	(562
Income (loss) before income taxes	(51,685	) 5,659	(50,580	) 10,184
Income tax expense (benefit)	(17,161	) 1,921	(16,939	) 3,980
Net income (loss)	\$(34,524	) \$3,738	\$(33,641	) \$6,204
Net income (loss) per share:				
Basic	\$(0.95	) \$0.10	\$(0.93	) \$0.17
Diluted	\$(0.95	) \$0.10	\$(0.93	) \$0.17
Weighted average common shares and equivalent shares outstanding:				
Basic	36,345	36,044	36,312	35,951
Diluted	36,345	36,512	36,312	36,360

See accompanying notes to condensed consolidated financial statements.

## SYMMETRY MEDICAL INC.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands; Unaudited)

	Three Months Ended		Nine Months Ended		
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012	
Net income (loss)	\$(34,524	) \$3,738	\$(33,641	) \$6,204	
Foreign currency adjustments:					
Intra-entity foreign currency transaction adjustment	1,333	858	(33	) 1,130	
Foreign currency translation adjustments	2,310	1,509	657	669	
Net unrealized gains on derivative instruments:					
Unrealized holding gains (losses), net of taxes	(109	) (480	) 1,581	(2,634	)
Reclassification adjustment for realized (gains) losses included in net income	47	(46	) 148	(46	)
Comprehensive income (loss)	\$(30,943	) \$5,579	\$(31,288	) \$5,323	

See accompanying notes to condensed consolidated financial statements.



## SYMMETRY MEDICAL INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(In Thousands; Unaudited)

	Nine Months Ended	
	September 28, 2013	September 29, 2012
Operating activities		
Net income (loss)	\$(33,641	) \$6,204
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	12,476	12,869
Amortization of intangible assets	5,343	6,037
Amortization of debt issuance costs	1,569	1,289
Interest paid in kind	1,006	1,002
Net (gain) loss on sale of assets	675	(96
Asset impairment	51,646	—
Deferred income tax provision	(16,522	) 507
Excess tax benefit from stock-based compensation	(57	) (294
Stock-based compensation	1,934	3,076
Derivative valuation (gain) loss	242	(179
Foreign currency transaction (gain) loss	1,391	(173
Change in operating assets and liabilities:		
Accounts receivable	5,005	(720
Other assets	245	583
Inventories	3,853	12,663
Current income taxes	370	762
Accounts payable	(1,036	) 2,518
Accrued expenses and other	(110	) 5,912
Net cash provided by operating activities	34,389	